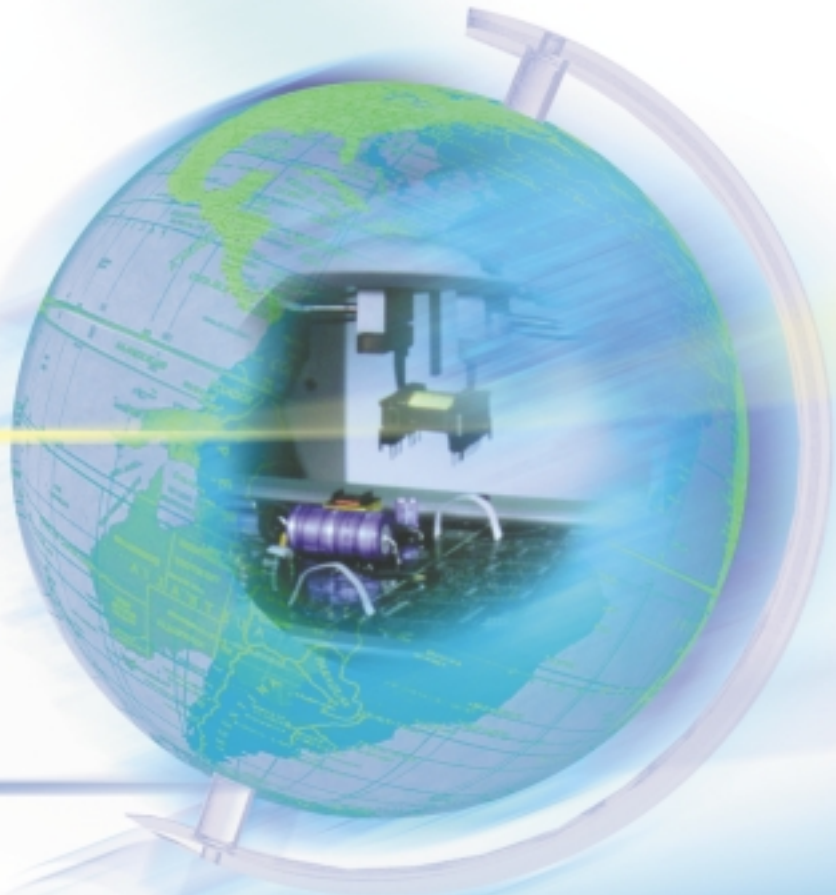
PMJ

ANNUAL REPORT 1998



Completing the line. Worldwide.

Business idea

PMJ automec Corporation designs, manufactures and sells production automation equipment to the electronics industry. PMJ's modular production cells and PCB handling equipment offer flexible solutions to the needs of customers in different sectors of the electronics industry and boost the competitiveness of client companies by increasing productivity, improving the quality of products and shortening production throughput times.

PMJ makes great outlays on its personnel to ensure that they are professional and motivated in the pursuit of the company's common goals. The photo shows PMJ's rowing team competing in Lohja's Lake Days race.

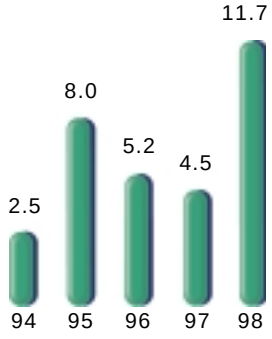
Contents

The year in brief

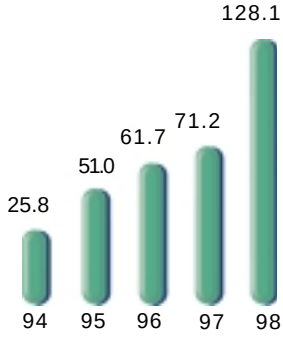
Key figures

		1998	1997	annual change, %
Turnover	FIM million	128.1	71.2	80
International sales	FIM million	105.3	48.5	117
Operating profit	FIM million	11.7	4.5	160
Earnings per share	FIM	1.96	0.27	626
Equity ratio, %		59.1	35.5	23.6
Capital expenditures	FIM million	10.4	8.7	20
R&D expenditures	FIM million	7.3	4.1	78
Personnel, average	FIM million	151	97	56

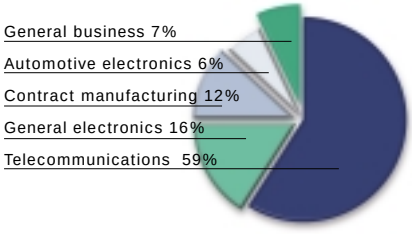
Operating profit 1994-1998, FIM million



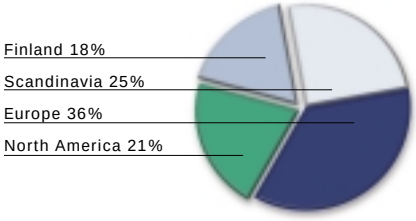
Turnover 1994-1998, FIM million



Turnover by business area



Turnover by market area



Interim reports in 1999

PMJ will publish interim reports for the January - April period on June 10th, 1999 and for the January - August period on October 7th, 1999.

Major events

January
- The share capital was increased to FIM 9,378,900 through a bonus issue.

February
- The company acquired a majority holding in Global Integration Inc., an Adept integrator based in Dallas. Its name was changed to PMJ automec USA, Inc.
- PMJ automec (UK) Ltd. was acquired as a Group company.

March
- PMJ decided to apply for listing on the OTC list maintained by HEX Helsinki Exchanges, to issue new shares and to grant share options to key personnel.

April
- The share offering and sale of shares began on April 20, 1998. The share offering for institutional and retail investors was closed on the same day due to over subscription. The employee offering continued until April 27, 1998.
- A partnership agreement was made with the German company Siemens Electronic Assembly Systems.

May
- The share capital was increased from FIM 9,378,900 to FIM 12,378,900.
- The company's shares were quoted for the first time on HEX Helsinki Exchanges' OTC list on May 15, 1998.

June
- The company received orders worth FIM 22 million.

August
- Orders worth about FIM 50 million came in from different parts of Europe and the United States, including the first orders from companies in the consumer electronics sector, such as the Danish Bang&Olufsen.

November 1998
- Major additional orders totalling over FIM 10 million were placed by Osram and Motorola.

December 1998
- Nokia ordered a final assembly line worth about FIM 7 million.
- PMJ made a collaboration agreement with the French telecommunications company Alcatel.

President's review

In 1998, our company kept on growing buoyantly and become even more global. The share of turnover accounted for by exports grew further, rising to 82%. During the year just ended, PMJ has made a breakthrough in continental Europe, which was previously viewed as a somewhat difficult market area.

Our marketing efforts in Germany began to bear fruit, landing us new customers and opening up new areas; our customer companies include Miele, a consumer electronics manufacturer, and Vossloh-Schwabe, a residential electronics company, to name but two.

In our other European market areas – the UK and Scandinavia – we consolidated our position further by strengthening our cooperation with customers. Continental Europe emerged as PMJ's largest market area. We ventured into Italy and France for the first time this year, among our new customers is the telecommunications company Alcatel. We will deliver production lines to their facility at Laval at the beginning of 1999. In order to ensure that maintenance services are available locally, we have already hired the first employees for our office currently being set up in France at the beginning of 1999.

In 1998, the United States became a more important market area for PMJ, with its share of turnover rising to 21%; in comparison, this figure had been 7% after six months of operations in the US in 1997. PMJ automec USA Inc's new major customers include e.g. SCI which is one of the largest contract manufacturers in the world.

At the beginning of 1998, we acquired a majority holding in our American associated company Global Integration Inc., to ensure the availability of local maintenance services for our customers in the United States. Our sales subsidiary and the formerly associated co. were merged together and named PMJ automec USA, Inc. During the report year, it turned out to be necessary to reorganise the operations of the US subsidiary, and this was seen to completion at the end of 1998, when the entire capital stock of the subsidiary was purchased, and its functions in areas other than the electronics industry were sold to the company owned by its former managing director.

At the end of the present year, PMJ intends to expand its operations into the Far East.

Outlook for the future

The favourable outlook for the development of the market makes up a good foundation for continuing vigorous growth. We will keep on investing in R&D, so as to add variety to our product range. As the degree of automation in the production operations of our customers grows, they will pay much more attention to upgrading the efficiency of end-of-line production operations, something which has traditionally been performed manually. This will open up even more business prospects for us. The automated final assembly operation will become more widespread – this will occur at a rapid pace – as will automation in general.

One of the increasing trends we have noted is that, now our company has grown, our customers are placing more orders for entire production lines instead of individual production cells. This allows us to replicate production series and to achieve volume benefits.

The objectives PMJ has set for itself in 1999 are: increased turnover, improved profitability and internal efficiency.

I would like thank all our shareholders for their cooperation during the year now ended. PMJ will, in my view, continue to grow and become even more profitable by following its chosen mode of operations.

Markku Jokela

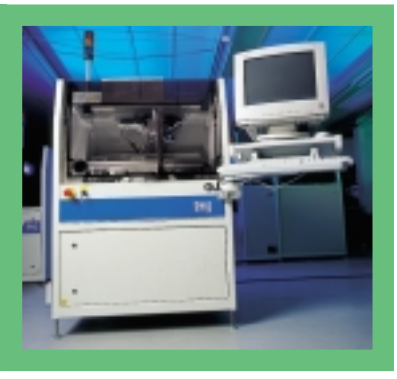
Operations in 1998 were characterized by major investments in the development of technology and personnel. PMJ's development drives were extremely successful. The photo shows PMJ automec Corporation's president and Board of Directors.

PMJ's operations

PMJ automec Corporation manufactures production automation equipment for the electronics industry, and is the leading company in its market niche. Its products are employed to upgrade the efficiency of its client companies' production operations. In a rapidly growing market, PMJ helps its customers to stay in the race.

PMJ specialises in end-of-the-line automation for the electronics industry – that phase of the production process which is still largely carried out manually. Front-of-line assembly is highly automated, and there are many companies competing for a slice of the front-of-line market. However, the market for end-of-line assembly is just taking shape, and PMJ is an aggressive player in the development of end-of-line automation concepts.

End-of-line assembly has remained manual the longest because it is at this stage of the production process where the largest, most variously shaped and hard-to-handle components are assembled. As a result of its long-term R&D efforts, PMJ has developed a modular solution for assembling and handling these odd-form components: the HiSAC® (High Speed Assembly Cell) production cell.



HiSAC® cells can be classified into the following main types according to the tasks they perform: assembly, soldering, depaneling, labeling, testing, multifunction and final assembly cells. The cells are all in-line production equipment, which can be integrated into an automatic production line with different types of PCB han-dling devices. PMJ's production equipment can be modified flexibly to suit customers' requirements and fitted with the applications needed in the assembly of their products. PMJ's product range is complemented by PCB handling devices, which enable the company to offer comprehensive automation solutions for customers' production problems.

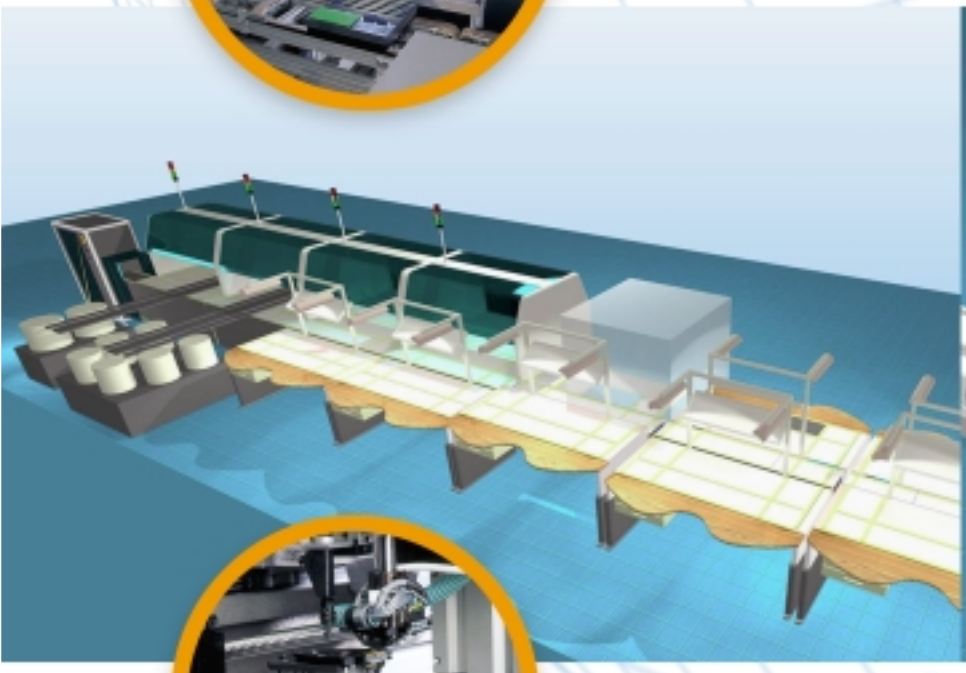
PMJ has sought to build up a wide customer base consisting of companies in different industries, so as not to become too dependent on individual industry sectors or customers. At present, the customer base comprises mainly of companies in the telecommunications, electronics contract manufacturing, information technology, automotive electronics and residential electronics industries. Naturally enough, the rapidly growing telecommunications industry accounts for a major part of PMJ's sales, but even the two largest customer groups in this industry combined do not account for more than 45% of the sales figures.

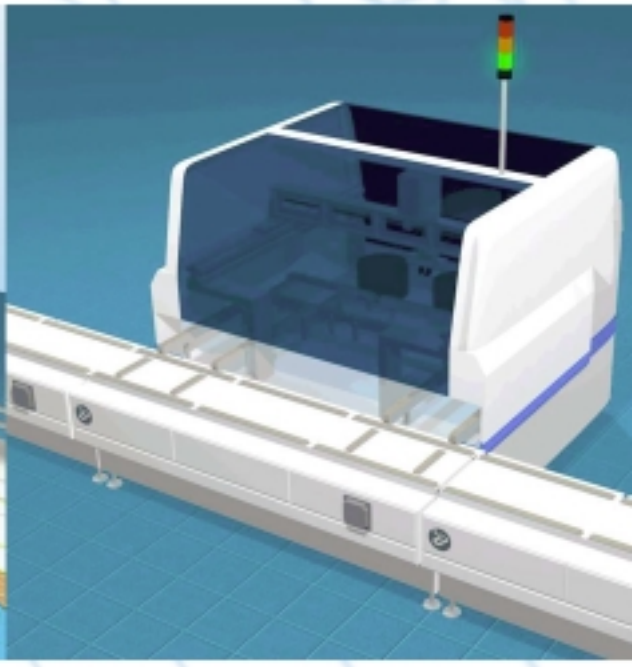
PMJ's clientele is very international as exports account for 82% of the turnover.

The company's production operations are presently concentrated in Finland, where its premises doubled after additional production space was rented in the Lohja region.

PMJ's operations are based on R&D that takes its direction from customers' needs. The outlays on R&D are considerable, in view of the size of the company. About 20% of the employees are currently working in R&D and design.

As the installed base of automation equipment continues to grow, maintenance and other after-sales services will account for a larger share of the company's operations. PMJ has separated its after-sales service into its own unit, and the first round-the-clock, year-long servicing agreements were signed with customers during the year just ended.





Personnel
–our most important resource

The electronics industry is a rapidly-evolving business where success hinges on innovative R&D that pays heed to customers' needs. This is why it is of crucial importance for PMJ's personnel to be professional and motivated in the pursuit of our common goal: customer satisfaction.

During the year just ended, the PMJ Group hired a total of over 60 new employees, an increase of over 50% on the previous year. The company was hoping to hire even more people, in order to better manage the company's extremely vigorous growth, but the competition for skilled employees is fierce in this business. However, PMJ's higher profile has made it easier to attract new employees. To increase the availability of personnel resources, PMJ has set up an R&D unit at the Tampere University of Technology, and has used alternative recruitment media in addition to traditional print media.

All of PMJ's employees were given the opportunity to take part in the company's first share option scheme, which covered the entire Group, including its wholly-owned subsidiaries and their employees. PMJ views share options as a positive means of committing personnel to the company — employees are thus united in their goal to increase the value of the company.

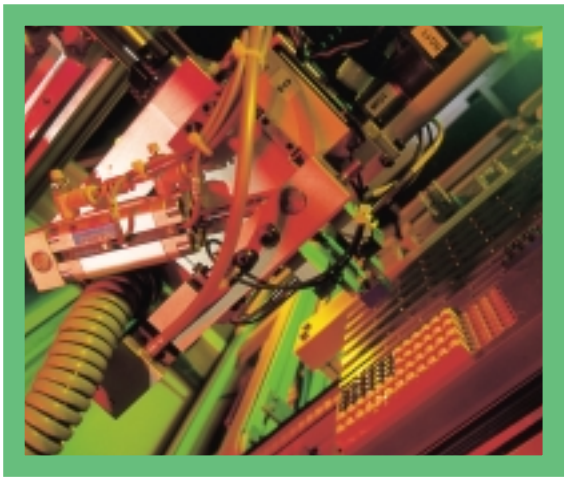
Training hones competitiveness

The company also invests in its personnel by offering different kinds of training to maintain and promote their level of know-how in this rapidly-developing field. At PMJ, development discussions with employees lay the foundation for training programmes; on the basis of these discussions, each manager can identify the training needs of his or her organisation. Training is arranged both for the entire organization and taking the needs of individual employees into account. Joint training can be arranged for teaching the use of word processing and spreadsheet PC software, for example. As PMJ is now winning more foreign customers, it has become important to foster the language skills of our employees at all levels of the company; this calls for major outlays on language education, which begins with the identification of the learning needs of each individual.

A target training project was begun in 1998. The project is supported by the European Social Fund and is being organised in association with the Employment and Economic Development Centres of Western Uusimaa. Target training aims to identify, together with the employees who are being taught, the training "events" that would further the development of PMJ, helping it to evolve in its rapidly-growing and increasingly international business. Target training will continue in 1999. Training of potential new recruits in the field of mechanical assembly will also be started.

In 1998, PMJ's personnel spent almost 800 days in training. Languages and computer skills were the most common subjects studied. The company estimates that over 1000 training days will be used in 1999; this is a high number in relation to the size of the company. While the European Social Fund covers part of the expenditure, it is PMJ that covers the majority of training costs. Both recruitment and training drives aim to strengthen PMJ's ability to operate in a rapidly expanding and ever more international field.

Research and development



The Group continued to invest in research and development. During the financial year, R&D expenditures amounted to FIM 7.3 million, representing 5.7% of turnover (1997: FIM 4.1 million). At present, about 20% of PMJ's employees work in R&D and design.

During the year under review, a separate R&D unit was set up at the Tampere University of Technology. Four people were working for the unit at the end of the financial year. The company site in Tampere furthers both PMJ's drive to recruit well-educated employees and the company's cooperative endeavours with the university.

One of PMJ's work ethics is to engage in innovative R&D in association with customers. Together with the customer, PMJ strives to find a comprehensive solution to each customer's production problems. Experience has demonstrated that when production techniques are being decided on, such as when a new product is being made, the best results can be achieved when PMJ is involved in the process from the earliest stage possible.

Towards the end of the year, the priority area in research and development was the development of new technology for modular final assembly. This product family includes the HiSAC 1500 FA final assembly cell, the fastest and most versatile product of its type on the market. It is possible to feed several different types of components into the assembly cell, thanks to new modular feeders and the innovative component specific shuttle feeders they can be equipped with. PMJ has applied for a patent on the shuttle feeder. Automatic testing cells and modular testing fixtures have also been developed for use in a final assembly line. The most challenging project was the development of a precision assembly/gluing cell that has a replication fidelity of +/– 3 µ. The demand for this production cell in the marketplace will rise in step with the growth in packing density.

The HiSAC® product family has been developed further, and a completely new third generation model, HiSAC® 1500, was introduced towards the end of the year as a part of a final assembly line.

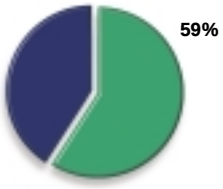
The final assembly line was launched in January 1999 at an exhibition in Sweden. It was developed especially for the automated final assembly of mobile phones, but it is also well suited to the automated assembly of other sizeable objects. The first deliveries of this product model to customers in Sweden take place in early 1999.

PMJ's labeling cell was developed further so as to better meet the needs of the market. Thanks to its advanced camera technology, PMJ's labeling cell can successfully read a label regardless of how it is positioned, considerably reducing the number of corrective measures that are required and thus bringing about significant savings on production costs. The labelling cell will become increasingly important to PMJ's product range, as in future it will be increasingly important to ascertain the authenticity of electronic products.

In future, PMJ will make major outlays on R&D to ensure that the company is at the cutting edge of development in all of its customers' fields of business. The company will continue its policy of working with customers, subcontractors, component suppliers and universities

In the telecommunications industry, PMJ's automation equipment is used in the assembly processes of mobile phones, digital telephone switches and base stations.

Proportion of the telecommunications industry in PMJ's turnover



Year 1998

The extremely vigorous growth of the telecommunications industry worldwide has positively affected PMJ's operations. This customer sector developed rapidly in 1998, with turnover rising from FIM 32 million to FIM 76 million. This industry share of PMJ's turnover rose from 45% to 59%. The greatest growth was seen in the United States. The telecommunications sector also claimed a dominant share of operations in Scandinavia. In the European market, the UK's share evolved especially well. In Finland, the share of operations accounted for by telecommunications declined.

By far the largest product group in the telecommunications sector was the HiSAC® Odd-Form PCB Assembly Cell, whose assembly speed and accuracy have been upgraded to meet customers' increasingly stringent demands. The assembly cell accounted for slightly less than half of the turnover in this sector. The trend in sales of the depaneling cell, which has now become a standard product, also remained favourable. The multifunction cell, which was developed in 1997, and which can perform as many as 7 functions, became a major product in the telecommunications sector in 1998. The modification of products sold during the first half of the decade continued during this report year. Sales of PCB devices grew, and significant gains were made, particularly in the share of sales accounted for by the labeling cell that was launched during the financial year.

Outlook for the telecommunications sector

Telecommunications have occupied an important position in the growth of the electronics industry. Technological development forges onwards, with new product applications being launched and the products currently on the market having shorter life cycles than before. The technology employed in third generation (3G) wireless telephones utilises mobile phone systems built around base stations, processing sound and data not only with extreme speed, but also more cheaply than the recently unveiled global satellite system. Mobile phones can now get graphics from the Internet, and, when equipped with minicams, they can also be used to hold video conferences. It is expected that wireless telephones will replace wire telephones, because teleoperators will be able to offer consumers a greater number of connections, such as access to the Internet, and do so with improved efficiency.

Telecommunications industry

The Nordic countries have the highest densities of mobile phones in the world, with over 50% of the population in Finland now using mobile phones. The mobile phone density in the other Nordic countries is also rising fast. The need for mobile phone networks and related ancillary services is also growing quickly. Likewise, the range of supplementary products offered for mobile phones is becoming larger, and the fact that their prices are declining stimulates the demand for them further. The greater variety of services available to mobile phone users is leading to an increase in the share of electronics supplied by companies outside the industry, thus contributing to the growth of the market.

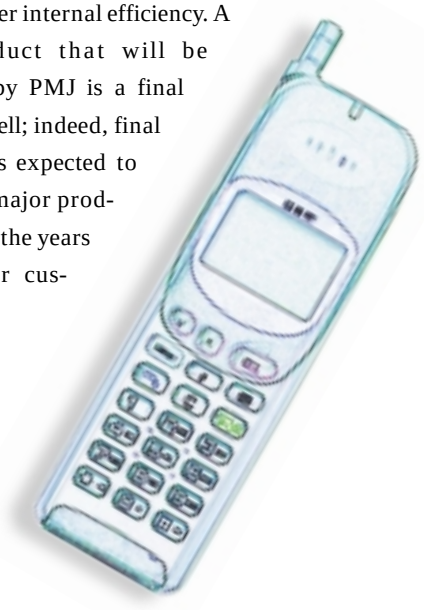
PMJ's outlook in the sector

The demand for telecommunications sstems and devices is very brisk in PMJ's market areas: Europe, USA and Scandinavia. PMJ will expand its operations into the Far East towards the end of the present year.

PMJ's own sales and maintenance channel enables the company to offer products to extensive customer base with great efficiency. Original equipment for telecommunications is in high demand, and this fact, together with tightening price competition, will force PMJ's customers to increase the level of automation used in their production lines and to develop solutions that rely on a greater degree of automation. Due to PMJ's solid expertise in automation, the company has often been requested to act as a consultant, in which capacity PMJ works together with customers to develop the next generation of automation solutions.

The major orders received from European mobile phone manufacturers at the end of the review period afford PMJ the chance to shorten its lead times and attain higher internal efficiency. A new product that will be launched by PMJ is a final assembly cell; indeed, final assembly is expected to become a major product area in the years ahead. For customers in the telecommunications sector, PMJ has developed a testing cell for use in final assembly, and the first of these cells will be delivered in 1999. Continuous and long-term R&D in association with customers will enable PMJ to provide even better product ranges.

The outlook for the growth of the telecommunications industry remains good, generally speaking, but the prospects of individual customers may vary. PMJ has excellent opportunities in this market, thanks to the automation consultancy services, products that have good market positions, unflagging R&D efforts and upgraded internal operations.



PMJ's customers in the telecommunication industry

ALCATEL

ERICSSON

MOTOROLA

LK-PRODUCTS

NOKIA

PANASONIC

SALCOMP

TAC

TELLABS

The automotive industry uses PMJ's automation equipment in numerous high-accuracy electronics assembly processes, such as in the manufacture of ABS brakes, airbag systems, anti-theft alarms, locators and active suspensions.

Proportion of the automotive electronics industry in PMJ's turnover

Year 1998

During this financial year, PMJ won major new customers in the automotive electronics industry. Europe was the largest market area, representing over 50% of turnover in this sector, and PMJ attained an especially good position in the highly competitive German market. The automotive electronics industry in Scandinavia accounted for a higher share of turnover. PMJ has its own sales and maintenance channel for this area of industry, which enabled the company to efficiently offer products to a broad clientele.

In 1998, the automotive electronic industry share of PMJ's turnover declined from 18% to 6%, and was FIM 7.7 million. In markka terms, the share fell by almost half compared with 1997.

In 1998, PMJ's best-selling HiSAC® product in the automotive electronics industry was the flexible PCB depanelling cell. The sales leader in previous years was the flexible assembly cell for odd-form components, which ranked second this year. Demand was also high for the multifunction cell, developed in 1997, which can perform up to 7 functions.

Automotive electronics industry

Industry outlook

The demand for end products in the European automotive industry grew by 7 per cent compared with the previous year, but it is expected that demand will decline by 2 per cent in 1999. The European automotive industry is experiencing overcapacity at the moment, and this is why the industry is currently becoming centralised through mergers and business combinations. The automotive industry is seeking to form ever larger groups, and many subfunctions of production are being outsourced. This is reflected in the growth of the automotive industry's outsourcers and their opportunities to expand their operations.

It is expected that the automotive electronics market will grow by almost 10% per year; its value in the next millennium is forecast to be over FIM 400 billion. The number of outsourcers will shrink, but the remaining companies will be larger. In order to remain competitive, the outsourcers of the automotive electronics industry will invest heavily in developing their production. The new and innovative electronics applications developed by the automotive industry will be made available to the end-users at an ever-faster pace. In order to respond to tougher competition from non-European companies, the industry's outsourcers will have to increase the degree of their automation in step with the growing quality requirements, increasing their cost-effectiveness at the same time.

PMJ's outlook in the sector

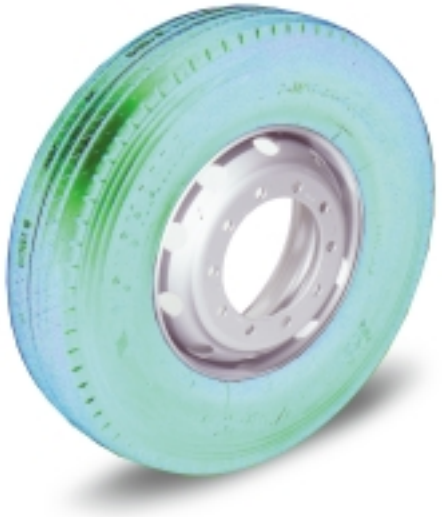
PMJ won major new customers in the automotive electronics industry. Their outlook in this sector is positive.

As the unit sizes in the automotive industry grow, and the number of car procurement channels shrinks in Europe's contracting market, PMJ can offer production solutions to automotive electronics customers outside Europe, because PMJ has its own marketing and service channels, through which it can promote its HiSAC® product family.

Considering the trends in this branch of industry, PMJ's existing and new customers have significant investment needs.

PMJ's end-of-line automation solutions for the electronics industry provide our customers with the opportunity to improve the lead times of their production, upgrade their quality level and improve productivity. PMJ's flexible products can be quickly modified to suit the needs of customers.

The products that were developed during the past years, as well as the products now under development, make it possible for PMJ to offer flexible automation solutions to a far more extensive clientele than before.



PMJ's customers in the automotive electronics industry

ALTHOFEN

COMBITECH ELECTRONICS

KIEKERT

KOSTAL

LUCAS

MERTEN

SEM

TEMIC

UKNSI

VDO

Courtesy of Apple Computer, Inc./Terry Heffernan

PMJ supplies automation equipment to the contract manufacturing industry for a variety of manufacturing needs, including mobile phones and their peripheral devices, digital telephone switches and computers, as well as industrial and consumer electronics components and end products.

Proportion of the contract manufacturing industry in PMJ's turnover

Year 1998

The contract manufacturing industry continued to grow strongly during this financial year, with turnover rising from FIM 9.2 million to FIM 15.4 million. This customer sector accounted for 12% of PMJ's turnover. PMJ won major new customers during the year, e.g. SCI that is one of the largest contract manufacturers in the world.

The largest market area was Europe, whose share of the turnover in this customer sector rose to over 40%, as against 10% in the previous year. The share of turnover accounted for by Finland and the other Nordic countries also grew to over 40%. Growth was especially vigorous in Finland, where turnover, in markka terms, was twice as high as in 1997. In the American market, two of the largest contract manufacturers in the world became PMJ's customers, and cooperation with these companies is expected to grow to encompass other market areas. The modification of existing lines also continued in the contract manufacturing industry, much as in previous years.

The most significant HiSAC® product for the contract manufacturing industry was the flexible PCB depanelling cell; while the flexible assembly cell for odd-form components, came a close second. This cell was especially popular with PMJ's new customers.

Industry outlook

The contract manufacturing industry is continuing its vigorous growth as its customers outsource their own business functions.

It is expected that this branch of industry will grow by 25% each year, with this rate of growth continuing into the first years of the next millennium. The contract manufacturing industry is being presented with ever larger subassemblies to manufacture, and thus the procurement of appropriate production equipment has became a major competitive factor. The contracts entered into in the contract manufacturing industry are

Contract manufacturing industry

usually short in duration; when the production equipment is flexible, the contract manufacturer can modify its production lines quickly.

The strongly emergent trend in the contract manufacturing industry is the adoption of a mode of operations that relies on global partnerships with customers. This is occurring at a rapid pace, and therefore flexible production equipment provides a significant advantage in terms of the full utilisation of production capacity. Contract manufacturers have to be able to respond quickly to changing production peaks in different market areas. Production plans can often change very rapidly indeed as the demand for the end product rises or falls.

PMJ's outlook in the sector

PMJ has major customers in this branch of industry where the competitive situation can change, even over a very short period of time.

It is in the best interests of contract manufacturers to ensure that their production capacity relies on modifiable production equipment. Standardised production equipment for contract manufacturers gives PMJ the opportunity to provide global support to customers through the company's own marketing and maintenance channels. This in turn sets even higher demands on maintaining the level of know-how within PMJ's growing organisation. To this end, the company works in cooperation with customers and provides continuous training related to both current products and those still under development. On the other hand, some customers operate on a very regional basis, and thus the decisionmaking takes place close to the end-users.

PMJ's tried and tested HiSAC®-based solutions for the contract manufacturing industry and other branches of industry give the company the chance to deliver a greater number of partial and complete solutions on a more selective basis. Having taken on responsibility for a greater number of risks involved in deliveries, contract manufacturers must be even more prudent when procuring equipment. In view of the nature of this business, companies have set flexibility and modifiability as the prime requirements for their production equipment. Investment decisions hinge on these requirements; this is a challenge PMJ can meet, thanks to its modular HiSAC® production cells.

PMJ's customers in the contract manufacturing industry

ELEKTROMEKAN

FLEXTRONICS

INCAP

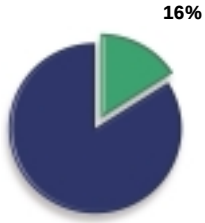
KYREL

KYTRONIC

SCI

PMJ's customers in the general electronics industry are manufacturers of consumer electronics, information technology, industrial electronics and residential electronics. In this customer sector, PMJ delivers automation equipment for the assembly of heating control units, energy meters, fire detectors, lighting controls, frequency converters and computers.

Proportion of the general electronics industry in PMJ's turnover



Year 1998

Sales to the general electronics industry grew considerably in 1998.

Turnover more than doubled, rising from FIM 8.53 million to FIM 20.5 million, and accounted for 16% of PMJ's turnover. The product group that registered the best growth was residential electronics, with electronics seeing greater use especially in lighting solutions; indeed, PMJ won new major customers in this field.

The second-highest share of turnover in this sector was accounted for by customers in industrial electronics.

PMJ ventured into a new business area by winning consumer electronics customers who want to further upgrade their quality standards with flexible HiSAC® production modules.

The largest share of turnover within this industrial sector came from the European market, while the combined shares of United States and Finland amount to slightly over 10 per cent.

In the case of individual countries, Germany's share of turnover was the highest by a clear margin, thanks to the company's long-term marketing measures.

General electronics industry

The product that achieved the highest sales to customers in the general electronics industry was the flexible assembly cell for odd-form components, which was well received by all the customer groups in the sector. The runner-ups were PMJ's flexible PCB depanelling cell and pin insertion cells.

Industry outlook

Energy conservation is an issue that is under intense discussion in Europe. Lighting systems based on electronically controlled motion detection offer one means of achieving energy savings. The huge demand for these systems, coupled with the factors involved in upgrading their quality, is guiding manufacturers to increase the degree of automation used in end-of-line assembly. Customers in the consumer electronics industry will likewise make investments in quality, as they will have to face the price competition in the market. For such companies, automation is a good option for developing the production process, especially in countries where labour costs are high. The growth prospects in the IT sector are also good, and in this sector, automation imparts a distinct competitive advantage by upgrading quality.

PMJ's outlook in the sector

PMJ has an extensive customer base in the general electronics industry. The need to make investments in the automation of production is following a growth vector. The outlook for the further development of the automation solutions arrived at with residential electronics customers is considered to be especially good. The first HiSAC® solutions created with consumer electronics customers represented a breakthrough into this branch of industry, affording good opportunities for the further expansion of PMJ's operations. PMJ's long-term co-operation with customers in industrial electronics has also planted the seed for further growth in this sector. With its flexible automation solutions, PMJ will benefit from the buoyant, global growth of information technology.

General business

The external functions of the electronics industry, mainly in the US market, comprised part of general business in 1998. These functions were sold outside the Group at the end of 1998, and their loss-making effect on the report year will not extend to 1999.

This sector also includes PMJ's subsidiary Mecra tekniikka Oy. Sixty-eight per cent of the company's production of fine mechanics was sold within the Group, and its result had a positive effect on the Group. Mecra tekniikka's operations are now undergoing strong growth, following on the heels of the growth of PMJ and the subsidiary's customers outside the Group.

PMJ's customers in the general electronics industry

ABB
BANG & OLUFSEN
DANFOSS
ENERMET
EUROTHERM
FUJITSU
GUARDALL
HONEYWELL
KAMSTRUP
MIELE
OSRAM
SIEBE
SIEMENS NIXDORF
VOSSLOH-SCHWABE

Report of the board directors, january 1-december 31,1998

Overview

The PMJ automec Group's turnover for the financial year was FIM 128.1 million, up 80% on the previous year (1997: FIM 71.2 million). The share of turnover accounted for by exports rose to 82 per cent, with the strongest growth being seen in the United States. The Group's equity ratio shot up to 59.1% as a result of the share issue carried out in spring 1998 and the improved level of profitability.

Market trends

Turnover grew in export markets. Europe was the largest market, accounting for 36% of turnover. The greatest growth in turnover occurred in the United States; 21% of turnover, or FIM 28 million. Europe's share also grew strongly, with the company venturing into Italy and France for the first time. Finland's share of the Group's turnover declined; however, when considered in Finnish markka terms, turnover increased. In the other Nordic countries, particularly Sweden, the company increased its turnover by over 50%.

Research and development

The Group continued to invest in research and development. R&D projects continued to put HiSAC® modules into production and developed a completely new generation of HiSAC® products for the automation of final assembly. During this financial year, R&D expenditures amounted to FIM 7.3 million, representing 5.7% of turnover (1997: FIM 4.1 million), and an R&D unit was set up in Tampere, where 4 people were employed at the end of the period. FIM 3.0 million in R&D expenditures were capitalised (1997: FIM 3.6 million).

Financial result

Operating profit was FIM 11.7 million, or 9.1% of turnover (1997: FIM 4.5 million). Profit after financial income and expenses was FIM 10.5 million, or 8.2% of turnover (1997: FIM 2.4 million). The increased share of production accounted for by standard products contributed to the improvement in earnings, as did the volume benefits. The best financial result was achieved in the second four-month period of the financial year, when a considerable volume of standard products was delivered. During the last four months of the year, the result was burdened by the loss-making operations in the United States. The booking of several US customer projects was pushed forward to the following financial year, and consequently these projects will only have an effect on earnings in 1999. The largest turnover was achieved up in the last four-month period of the year. Turnover developed according to plan.

Share issue

During the period under review, a decision was taken to strengthen the company's shareholder base, and thus, at the extraordinary meeting of shareholders that was held in January, a bonus issue amounting to a total of FIM 6.3 million was decided upon; the par value of shares was reduced to FIM 3; the company's share series were combined, with all shares now conferring one vote; and the company was transformed into a public listed company. After this reorganisation, the company's share capital was FIM 9,378,900 and it had 3,126,300 shares. The voting rights held by President Markku Jokela, the majority owner of the company, fell from 81 per cent to 68 per cent.

At the Annual General Meeting held in March, it was tentatively decided that, in line with the proposal of the Board of Directors, the company's share capital would be raised from its current amount

of FIM 9,378,900 to at least FIM 11,478,900 and at most FIM 12,378,900, by issuing a minimum of 700,000 or a maximum of 1,000,000 of the company's shares having a par value of FIM 3. It was proposed that the issue of new shares would be carried out as a public offering – waiving shareholders' preem-ptive right to subscribe shares – directed at:

- domestic and foreign institu tional investors
- the Finnish public
- the PMJ automec Group's per sonnel.

The waiving of shareholders' pre-emptive right to subscribe shares in this share offering is justified by the desire to strengthen the company's capital and financing structure, whereby the company will be able to satisfy the investment requirements brought about by its growth and to expand its shareholder base by making its shares available for public trading following the listing of the shares on the stock exchange.

At the extraordinary meeting of shareholders that was held in April, it was decided to raise the company's share capital from FIM 9,378,900 to FIM 12,378,900 by carrying out a public offering targeted at the public (institutions and retail investors) and the Group's employees, waiving shareholders' pre-emptive right to subscribe shares. 1,000,000 new shares having a par value of FIM 3 each were issued in the public offering. The subscription price of the shares issued for the public was FIM 40 and the subscription price of the shares issued for the Group's personnel was FIM 36. Over 40 people took part in the employee offering. The offering was fully subscribed on the first subscription day. After the share offering, the voting rights held by President Markku Jokela, the main shareholder of the company, declined from 68 per cent to 45 per cent.

The company's shares were first quoted on the OTC list maintained by HEX Helsinki Exchanges on May 15, 1998. On the first day of trading, the share price rose from the subscription price of FIM 40 to FIM 53. From May to November, the share price fluctuated between FIM 42 and FIM 60. In December, the share price was FIM 120 at its highest, and stood at FIM 116 at the end of the month.

Share turnover was brisk, accounting for 43% of the shares outstanding. The company's market value was FIM 478 million at the end of the financial year.

Share option scheme

The extraordinary meeting of shareholders held in April decided to give the employees of European subsidiaries wholly owned by the Group the opportunity to participate in the share option scheme. In accordance with the share option scheme, 200,000 of the company's new shares having a par value of FIM 3 can be subscribed, whereby the share capital can be increased by a maximum of FIM 600,000. The effect of the share options was to increase the company's share capital by 4.6%. The subscription price under the scheme equalled the offering price, or FIM 40 per share. The share option scheme is distributed over three years in such a way that 30% of the options under the scheme can be subscribed on May 1, 2000, 30% on May 1, 2001, and the rest, 40%, from May 1, 2002, onwards. The subscription period of all options ends on December 31, 2003. Eighty-five people in all took part in the share option scheme.

Group structure and ownership

At the beginning of the financial year, the Group comprised Mecra tekniikka Oy, in which PMJ automec Corporation has a 60% holding, PMJ automec USA, Inc., in which PMJ automec Corporation had a 90% holding, and the wholly-owned subsidiary PMJ testline Oy, which did not engage in business operations during the financial year. PMJ automec UK Ltd. was acquired as a wholly-owned subsidiary of the Group in February. During the financial year, changes were implemented in the ownership structure of the US company, and, in February, a majority holding was acquired in Global Integration Inc., in which PMJ automec Corporation previously had a 35% minority share. At the same time, the US companies were merged and renamed PMJ automec USA Inc. The parent company had a 77.8% holding in this new company. As a result of the acquisitions that were carried out at the end of the year, PMJ automec Inc. became a wholly-owned subsidiary of the Group, and at the same time the functions external to the electronics industry were sold to the company's previous minority shareholder and managing director.

Capital expenditures

Gross capital expenditures amounted to FIM 10.4 million during the financial year. The largest expenditure items were FIM 3.0 million in capitalised R&D expenditures and FIM 2.3 million in investments in machinery and equipment. The increase in fixed assets due to the acquisition of subsidiaries was FIM 1.8 million.

The euro and the year 2000

The Group's readiness for the introduction of the euro is good; the euro will not have a significant effect on the Group's functions.

Preparations for the year 2000 progressed according to plan. No essential Y2K risks have been detected in the products sold by the company or the computer systems used by it.

Personnel

The Group employed 151 people on average (97 in 1997), and the parent company 108 people on average (75 in 1997). 86% of the personnel worked in Finland. An extensive training programme for existing employees was launched during the financial year in association with the European Social Fund (ESF).

Important events after the closing of the books

In February, PMJ received a major order of final assembly lines from Sweden, raising the order book to over FIM 80 million. In order to attain even better delivery times, the company rented production premises measuring 3000 m^2 in Lohja, increasing the company's premises to almost 10,000 m^2, of which the company owns slightly over 4000 m^2. Due to the further growth of the Group's activities, the parent company has set up subsidiaries in Sweden and Germany, and, this spring, it will establish a subsidiary in France.

Outlook for the future

At the end of the financial year, the order book stood at FIM 45.6 million (1997: FIM 24 million). At the end of February, the backlog had risen to FIM 80 million. During the financial year, new orders worth FIM 145 million came in; by the end of February 1999, the value of orders accepted during the preceding 12 months had risen to FIM 170 million. The company's aggressive concentration on export markets, and the major orders that have come in, enabled it to continue to apply its strategy of rapid growth. The outlook is positive, especially in the fledgling automation market of the electronics industry. The transfer of complete control over the US functions into the Group's hands will improve the Group's profitability. The growth of turnover is expected to remain buoyant, and that the financial result will be considerably better than in the previous financial year.

Group Income Statement

	Jan. 1 - Dec. 31, 1998		Jan. 1 - Dec. 31, 1997	
Turnover	**128 066 929.16**	**100.0 %**	**71 179 902.38**	**100,0 %**
Increase (+) or decrease (-) in inventories				
of completed or unfinished products	- 3 685 022.06		4 995 634.00	
Other operating income	541 677.17		268 743.01	
Materials and services				
Materials, equipment and supplies				
Purchases during the financial year	53 479 347.97		37 040 342.32	
Change in inventories	- 6 564 381.67		- 2 325 522.88	
External services	6 636 856.42		4 101 712.76	
Personnel expenses	28 689 976.21		15 558 248.24	
Depreciation and value adjustments				
Depreciation according to plan	4 536 047.50		2 994 368.43	
Other operating expenses	26 428 148.67		14 334 153.39	
Share of result of associated companies			248 390.27	
Total expenses	113 205 995.10		71 951 692.53	
Operating profit	**11 717 589.17**	**9.1 %**	**4 492 586.86**	**6,3%**
Financial income and expenses				
Interests and financial income	770 690.26		127 277.66	
Interest expenses and other financial expenses	-1 958 445.23		- 2 229 489.45	
Profit before extraordinary items	**10 529 834.20**	**8.2 %**	**2 390 375.07**	**3.4 %**
Extraordinary items				
Extraordinary income	487 945.46			
Profit before appropriations and taxes	**11 017 779.66**	**8.6 %**	**2 390 375.07**	**3.4 %**
Appropriations				
Increase (-) or decrease (+) in depreciation difference			13 982.53	
Income taxes	- 4 005 170.67		- 902 919.55	
Change in imputed taxes	1 290 569.84			
Profit before minority interest	**8 303 178.83**	**6.5 %**	**1 501 438.05**	**2.1 %**
Minority interest	- 419 489.94		- 476 138.79	
Net profit	**7 883 688.89**	**6.2 %**	**1 025 299.26**	**1.4 %**

Group Balance Sheet

	Dec. 31, 1998	Dec. 31, 1997
ASSETS		
FIxed assets		
Intangible assets		
Incorporation expenditure	215 259.47	381 176.14
R&D expenses	1 745 181.00	2 420 229.49
Intangible rights	880 752.68	544 572.36
Goodwill	73 666.18	143 818.42
Other long-term expenses	1 932 114.23	919 607.21
R&D projects in progress	4 916 313.13	3 080 562.00
	9 763 286.69	7 489 965.62
Tangible assets		
Land and water areas	878 200.00	878 200.00
Buildings and structures	3 267 960.07	3 206 573.48
Machinery and equipment	4 862 749.08	2 432 362.91
	9 008 909.15	6 517 136.39
Investments		
Shares in associated companies		106 964.73
Other shares and participations	125 354.00	122 354.00
Goodwill	648 772.72	
	774 126.72	229 318.73
	19 546 322.56	**14 236 420.74**
Variable assets		
Inventories		
Materials and supplies	8 920 065.75	3 899 758.35
Work in process	4 054 894.92	2 330 872.00
Production in process	8 114 559.19	9 794 180.00
Completed products and goods	3 787 986.15	350 168.00
	24 877 506.01	16 374 978.35
Receivables		
Short-term		
Sales receivables	39 239 479.08	16 292 088.97
Loan receivables	22 910.00	83 910.00
Other receivables	91 418.52	68 098.36
Prepaid expenses and accrued income	5 211 168.67	3 283 299.57
Deferred tax assets	1 996 775.72	
	46 561 751.99	19 727 396.90
Cash in hand and banks	20 921 592.73	3 218 986.72
Assets, total	**111 907 173.29**	**53 557 782.71**

	Dec. 31, 1998	Dec. 31, 1997
LIABILITIES		
Shareholders' equity		
Share capital	12 378 900.00	3 261 300.00
Share premium fund	37 055 000.00	
Reserve fund	3 598 252.60	9 850 852.60
Translation difference	- 16 756.91	690.00
Retained earnings	2 732 231.32	1 954 501.36
Book profit	7 883 688.89	1 025 299.26
	63 631 315.90	16 092 643.22
Minority interest	1 028 590.97	650 673.66
Accumulated depreciation		
Depreciation difference		308 311.20
Compulsory reserves		
Other compulsory reserves	1 565 000.00	530 000.00
Liabilities		
Long-term		
Loans from financial institutions	8 917 500.00	8 182 500.00
Pension loans	3 278 362.00	3 068 600.60
Other loans	2 300 000.00	2 550 000.00
	14 495 862.00	13 801 100.60
Short-term		
Loans from financial institutions	1 940 000.00	2 147 215.33
Pension loans	631 630.00	511 433.60
Advances received	2 433 375.09	5 544 140.92
Accounts payable	11 243 005.73	6 471 065.39
Other loans	810 247.51	2 291 042.56
Accrued liabilities and prepaid income	13 823 558.53	5 210 156.23
Deferred tax liabilities	304 587.56	
	31 186 404.42	22 175 054.03
Liabilities, total	**111 907 173.29**	**53 557 782.71**

Group Fund Statement

	Jan.1, –Dec.31, 1998	Jan.1, –Dec.31, 1997
FUNDING		
Income funding		
Net profit	7 883 688.89	1 025 299.26
Depreciation	4 536 047.50	2 994 368.43
Change in reserves	726 688.80	516 017.48
Income funding, total	13 146 425.19	4 535 685.17
Capital gains on the sale of fixed assets	536 030.42	47 500.00
Increase in long-term liabilities	3 461 589.00	13 325 751.00
Share issue	39 920 000.00	3 681 552.60
Translation difference	-34 747.35	700.92
Change in minority interest	377 917.31	486 997.16
	57 407 214.57	**22 078 186.85**
APPLICATION OF FUNDS		
Investment	10 384 658.60	8 727 933.00
Decrease in long-term liabilities	2 766 827.60	3 748 708.40
Dividends paid	227 590.00	492 019.17
Change in net working capital	44 028 138.37	9 109 526.28
	57 407 214.57	**22 078 186.85**
CHANGE IN NET WORKING CAPITAL		
Cash in hand and banks	20 921 592.73	3 218 986.72
Short-term financial assets	46 561 751.98	19 727 396.90
Inventories	24 877 506.01	16 374 978.35
Short-term liabilities	-31 186 404.41	-22 175 054.03
	61 174 446.31	**17 146 307.94**
Net working capital on Jan. 1	17 146 307.94	8 036 781.66
Net working capital on Dec. 31	61 174 446.31	17 146 307.94
	44 028 138.37	**9 109 526.28**

Parent Company Income Statement

	Jan. 1 - Dec. 31, 1998		Jan. 1 - Dec. 31, 1997	
Turnover	**123 191 529.23**	**100.0 %**	**69 472 998.65**	**100.0 %**
Increase (-) or decrease (+) in inventories of completed or unfinished products	-3 671 033.07		5 132 178.00	
Other operating income	556 951.20		498 603.01	
Materials and services				
Materials, equipment and supplies				
Purchases during the financial year	58 122 176.63		41 119 659.33	
Change in inventories	-6 361 345.48		-2 332 876.25	
External services	11 423 486.91		4 717 713.26	
Personnel expenses	20 331 802.56		12 098 802.16	
Depreciation and value adjustments				
Depreciation according to plan	3 734 883.83		3 009 507.19	
Other operating expenses	20 140 053.65		13 182 289.11	
Operating profit	**12 686 389.26**	**10.3 %**	**3 308 684.86**	**4.8 %**
Financial income and expenses				
Income from shares in Group companies	83 316.67			
Other interests and financial income				
From Group companies	131 225.06			
From others	766 671.84		127 277.66	
Interest expenses and other financial expenses				
To Group companies	- 79 231.72			
To others	-1 832 128.40		-2 188 320.84	
Profit before extraordinary items, appropriations and taxes	**11 756 242.71**	**9.5 %**	**1 247 641.68**	**1.8 %**
Appropriations				
Increase (-) or decrease (+) in depreciation difference	- 520 256.67		13 982.53	
Income taxes	-3 232 424.67		- 429 088.10	
Net profit	**8 003 561.37**	**6.5 %**	**832 536.11**	**1.2 %**

Parent Company Balance Sheet

	Dec. 31, 1998	Dec. 31, 1997
ASSETS		
Fixed assets		
Intangible assets		
Incorporation expenditure	178 371.72	342 154.85
R&D expenses	1 745 181.00	2 459 229.49
Intangible rights	835 302.68	544 572.36
Goodwill	73 666.18	143 818.42
Other long-term expenses	1 887 570.09	919 607.21
R&D projects in progress	4 916 313.13	3 080 562.00
	9 636 404,80	7 489 944,33
Tangible assets		
Land and water areas	878 200.00	878 200,00
Buildings and structures	3 267 960.07	3 206 573.48
Machinery and equipment	3 156 195.86	1 896 734.95
	7 302 355.93	5 981 508.43
Investments		
Shares in Group companies	1 558 590.50	411 854.70
Shares in associated companies		355 355.00
Other shares and participations	119 354.00	116 354.00
	1 677 944.50	883 563.70
	18 616 705.23	**14 355 016.46**
Variable assets		
Inventories		
Materials and supplies	8 454 071.46	3 817 905.00
Work in process	4 054 894.92	2 330 872.00
Production in process	5 569 886.93	10 032 139.00
Completed products and goods	1 141 387.00	350 168.00
	19 220 240.31	16 531 084.00
Receivables		
Short-term		
Sales receivables	30 399 258.64	16 026 446.13
Receivables from Group companies	16 561 391.31	19 096.65
Receivables from associated companies		110 885.84
Loan receivables	13 910.00	83 910.00
Other receivables		68 098.36
Prepaid expenses and accrued income	4 988 742.62	3 263 892.95
	51 963 302.57	19 572 329.93
Cash in hand and banks	19 830 154.25	3 040 686.35
Assets, total	**109 630 402.36**	**53 499 116.74**

	Dec. 31, 1998	Dec. 31, 1997
LIABILITIES		
Shareholders' equity		
Share capital	12 378 900.00	3 261 300.00
Share premium fund	37 055 000.00	
Reserve fund	3 598 252.60	9 850 852.60
Retained earnings	3 394 379.64	2 749 421.53
Book profit	8 003 561.37	832 536.11
	64 430 093.61	16 694 110.24
Accumulated depreciation		
Depreciation difference	828 567.87	308 311.20
Compulsory reserves		
Other compulsory reserves	1 565 000.00	530 000.00
Liabilities		
Long-term		
Loans from financial institutions	8 730 000.00	7 870 000.00
Pension loans	3 278 362.00	3 068 600.60
Other loans	2 300 000.00	2 550 000.00
	14 308 362.00	13 488 600.60
Short-term		
Loans from financial institutions	1 815 000.00	2 022 215.33
Pension loans	631 630.00	511 433.60
Advances received	2 433 375.09	5 544 140.92
Accounts payable	9 638 701.89	6 180 870.90
Debts to Group companies	4 681 719.87	2 031 535.27
Other loans	252 700.00	2 291 042.56
Accrued liabilities and prepaid income	9 045 252.03	3 896 856.12
	28 498 378.88	22 478 094.70
Liabilities , total	**109 630 402.36**	**53 499 116.74**

Parent Company Fund Statement

	Jan.1, –Dec.31, 1998	Jan.1, –Dec.31, 1997
FUNDING		
Income funding		
Net profit	8 003 561.37	832 536.11
Depreciation	3 734 883.83	3 009 507.19
Change in reserves	2 085 256.67	-13 982.53
Income funding, total	13 823 701.87	3 828 060.77
Capital gains on the sale of fixed assets	499 000.00	47 500.00
Increase in long-term liabilities	3 461 589.00	13 325 751.00
Share issue	39 920 000.00	3 681 552.60
	57 704 290.87	**20 882 864.37**
APPLICATION OF FUNDS		
Investment	8 495 572.62	8 833 347.11
Decrease in long-term liabilities	2 641 827.60	3 623 708.40
Dividends paid	187 578.00	492 019.17
Change in net working capital	46 379 312.65	7 933 789.69
	57 704 290.87	**20 882 864.37**
CHANGE IN NET WORKING CAPITAL		
Cash in hand and banks	19 830 154.25	3 040 686.35
Short-term financial assets	51 963 302.57	19 572 329.93
Inventories	19 220 240.31	16 531 084.00
Short-term liabilities	-28 498 378.90	-23 008 094.70
	62 515 318.23	**16 136 005.58**
Net working capital on Jan. 1	16 136 005.58	8 202 215.89
Net working capital on Dec. 31	62 515 318.23	16 136 005.58
	46 379 312.65	**7 933 789.69**

Accounting Principles

Principles of consolidation

The consolidated financial statements have been prepared according to the acquisition cost method, in which the acquisition cost of subsidiaries established by the parent company itself, intra-Group charges, receivables and liabilities as well as the internal gain on the sale of items included in fixed assets have been eliminated and the minority interest share of the net profit and shareholders' equity has been stated as a separate item.

The changes in voluntary reserves and depreciation difference in the Group companies' financial statements have been divided between the change in the imputed deferred tax liability, which is in line with the tax rates in force, and the net profit for the financial year in the consolidated financial statements. In the consolidated balance sheet, accrued appropriations have been divided into imputed deferred tax liabilities and non-restricted equity.

Turnover

Items subtracted from sales income in calculating turnover are indirect taxes, discounts granted, the expenses of customer claims and foreign exchange differences on sales. Sales freight charges and other sales and delivery expenses, commissions on sales as well as credit losses have been treated as operating expenses in the income statement. During the past financial year, the principle of recognizing income from projects sold to customers has been changed such that the customer projects are credited to income on a degree of completion basis.

Other operating income

IItems entered in Other operating income include gains on the sale of fixed assets depreciated according to plan, grants received and other income that is not connected with the actual sale of goods and services. Losses on the sale of fixed assets are entered in Other expenses.

Taxes

Direct taxes were recorded on a fixed-charge basis. For the first time, and in accordance with the new Finnish Accounting Act, the change in the imputed deferred tax liability has been recorded in the Group's taxes. Correspondingly, the change in the imputed deferred tax liability allocated to previous financial years is recorded under extraordinary items. The imputed tax assets are based on the periodisation differences between accounting and taxation, and the change in accounting practices had a positive effect of FIM 2.0 million on the result for the financial year.

Transactions in foreign currency

Balance sheet receivables and liabilities denominated in foreign currency have been valued at the average rate quoted by the Bank of Finland on the balance sheet date. Transactions denominated in foreign currency are booked at the exchange rate on the date of transaction. The exchange rate differences arising from derivative contracts taken out to hedge the currency position are booked to financial income and expenses.

Pensions and pension liability coverage

The personnel's pension security is handled through separate pension insurance companies. The pension insurance contributions are periodised to correspond to the accrual-based wages and salaries on the balance sheet date. There is no unfunded pension liability

Leasing

Leasing payments are treated as rental expenses. Unpaid leasing instalments are stated as a leasing liability in the Notes to the financial statements.

Fixed assets and depreciation

The balance sheet values of fixed assets are based on the original acquisition values less the annual depreciation according to plan. The depreciation according to plan consists of straight-line depreciation that is calculated on the basis of the estimated economic life of the assets. The depreciation periods used are itemized in the Notes to the financial statements. The depreciation period of fixed asset investments acquired during the financial year begins from the first of the month following the month when the acquisition or purchase was made. The expenses arising from the development of the new generation of assembly products are capitalised in R&D expenses, which are amortised over 3 to 5 years; as of 1997, the depreciation period has been 3 years.

Inventories

Inventories are stated in the balance sheet according to the fifo principle in accordance with the expenses of purchasing or manufacturing them or their probable market value, whichever is lower.

Compulsory reserves

Recognized expenses which are no longer estimated to generate corresponding income are stated as expenses in the income statement and entered in accrued liabilities and prepaid expenses in the balance sheet. Compulsory reserves comprise the warranty and refitting reserves for goods and services sold as well as any known possible losses on work in progress.

Notes concerning the Income Statements

		GROUP		PARENT COMPANY	
		1998	1997	1998	1997
TURNOVER BY MARKET AREA (FIM 1000)					
Finland	18 %	22 768.0	22 664.0	20 294.3	20 957.1
Other Nordic countries	25 %	31 883.2	22 265.1	31 770.8	22 265.1
Europe	36 %	45 796.2	21 547.5	45 804.9	21 547.5
America	21 %	27 619.5	4 703.3	25 321.5	4 703.3
Total	100 %	128 066.9	71 179.9	123 191.5	69 473.0

DEPRECIATION

Non-current assets are recorded in the balance sheet at the acquisition cost minus depreciation according to plan. Depreciation according to plan has been calculated from the acquisition cost on a straight-line basis according to the estimated economic life of the assets.

The depreciation periods applied and the percentages corresponding to them are:

Goodwill *)	5 years	20.0 %
Goodwill II **	10 years	10.0 %
R&D expenses	3–5 years	20.0–33.3 %
Intangible rights	5 years	20.0 %
Other long-term expenditures	3–10 years	10.0–33.3 %
Buildings and structures	25 years	4.0 %
Machinery and equipment	4–7 years	25.0–14.3 %
Boats	15 years	6.7 %

*) Goodwill booked on the acquisition of PMJ automec USA, Inc. (Global Integration Inc.).
**) Goodwill booked on the business operations that were purchased when the company was acquired.

	GROUP		PARENT COMPANY	
	1998	1997	1998	1997
DEPRECIATION BY BALANCE SHEET GROUP (FIM 1000)				
Incorporation expenditure	167.7	114.3	163.8	111.5
R&D expenses	1 877.9	1 844.1	1 916.9	1 937.7
Intangible rights	204.3	149.7	204.3	149.7
Goodwill II	70.1	70.1	70.1	70.1
Goodwill	438.6			
Other long-term expenditures	568.6	196.7	568.6	196.7
Buildings and structures	136.6	72.0	136.6	72.0
Machinery and equipment	1 072.2	547.4	674.5	471.7
Total	4 536.0	2 994.3	3 734.8	3 009.4

CHANGE IN COMPULSORY RESERVES (FIM 1000)

Change in declared profits reserves increase	1 035.0	1 035.0

	GROUP		PARENT COMPANY	
	1998	1997	1998	1997
SHARE AND INTEREST INCOME AND INTEREST EXPENSES				
Income from holdings in other companies				
From Group companies			83.3	
Income from holdings in other companies, total			83.3	
Interest income				
From Group companies			131.2	
From others	413.7	127.3	412.0	127.3
Interest income, total	413.7	127.3	543.2	127.3
Interest expenses				
To Group companies			75.8	
To others	1 139.7	2 229.4	1 022.1	2 188.3
Interest expenses, total	1 139.7	2 229.4	1 097.9	2 188.3

EXTRAORDINARY ITEMS

Extraordinary income FIM 0.5 million is the share of the change in imputed tax assets allocated to the previous financial year.

Notes concerning the assets in the balance sheet

UNAMORTISED CAPITALISED INCORPORATION EXPENDITURES

The incorporation expenditures are primarily the capitalized expenditures in connection with the incorporation of the US subsidiary.

UNAMORTISED CAPITALISED R&D EXPENSES

During the financial year, a total of FIM 3.0 million in R&D expenses, which were accumulated during the development of the new generation of assembly products, were capitalised under R&D expenses in the balance sheet. The performance, usability and peripheral devices of the new product family have been upgraded to meet the rapidly-changing requirements of customers.
R&D has focused on all HiSAC® versions, as well as the assambly, soldering, depaneling, multifunction, and final assembly cell for odd-form components, including the development of robotic mechanics, peripheral device solutions and a control system for the cells.
The R&D expenses capitalised for the 1998 financial year fulfil the preconditions set in subsection 2 of article 8 in chapter 5 of the Accounting Act.

	GROUP		PARENT COMPANY	
	1998	1997	1998	1997
PREPAID EXPENSES AND ACCRUED INCOME (FIM1000)				
Contributions	2 055.2	1 409.9	2 055.2	1 409.9
VAT receivables	2 377.1	267.2	2 377.1	267.2
Income tax assets		1 064.7		1 064.7
Other accured income	778.9	541.5	556.4	522.1
Total	5 211.2	3 283.3	4 988.7	3 263.9
RECEIVABLES FROM GROUP COMPANIES (FIM 1000)				
Sales receivables			14 834.7	
Loan receivables			1 726.7	19.1
Total			16 561.4	19.1
RECEIVABLES FROM ASSOCIATED COMPANIES (FIM 1000)				
Sales receivables		110.9		110.9
Total		110.9		110.9

	GROUP		PARENT COMPANY	
	1998	1997	1998	1997
CHANGES IN FIXED ASSETS (FIM 1000)				
Intangible goods				
Acquisition cost at start of financial year				
Incorporation expenditure	533.1	271.5	491.3	271.5
R&D expenses	10 364.7	7 284.1	10 481.7	7 401.1
Intangible rights	991.4	769.2	991.4	769.2
Goodwill II	701.5	701.5	701.5	701.5
Other long-term expenses	1 242.7	705.9	1 242.7	705.9
Goodwill				
Increases				
Incorporation expenditure	0.0	261.6	0.0	219.8
R&D expenses	3 038.6	3 080.6	3 038.6	3 080.6
Intangible rights	540.5	222.2	495.0	222.2
Other long-term expenses	1 581.1	536.8	1 536.6	536.8
Goodwill	1 087.4			
Accumulated depreciation at start of financial year				
Incorporation expenditure	152.0	37.7	149.2	37.7
R&D expenses	4 864.0	3 019.9	4 942.0	3 004.3
Intangible rights	446.8	297.1	446.8	297.1
Goodwill II	557.7	487.6	557.7	487.6
Other long term expenses	323.0	126.3	323.0	126.3
Goodwill				
Depreciation for the period				
Incorporation expenditure	165.9	114.3	163.8	111.5
R&D expenses	1 877.9	1 844.1	1 916.9	1 937.7
Intangible rights	204.3	149.7	204.3	149.7
Goodwill II	70.1	70.1	70.1	70.1
Other long-term expenses	568.6	196.7	568.6	196.7
Goodwill	438.6			
Carrying value at end of financial year				
Incorporation expenditure	215.2	381.1	178.3	342.1
R&D expenses*	6 661.4	5 500.7	6 661.4	5 539.8
Intangible rights	880.8	544.6	835.3	544.6
Goodwill II	73.7	143.8	73.7	143.8
Other long-term expenses	1 932.2	919.7	1 887.7	919.7
Goodwill	648.8			
*) includes R&D expenses				
in process	4 916.3	3 080.6	4 916.3	3 080.6

	GROUP		PARENT COMPANY	
	1998	1997	1998	1997
Tangible goods				
Acquisition cost at start of financial year				
Land and water areas	878.2	46.2	878.2	46.2
Buildings and structures	3 297.3	801.3	3 297.3	801.3
Machinery and equipment	6 366.4	5 231.0	5 725.7	4 788.3
Increases				
Land and water areas	0.0	832.0	0.0	832.0
Buildings and structures	198.0	2 496.0	198.0	2 496.0
Machinery and equipment	3 943.4	1 197.0	2 336.0	999.0
Decreases				
Machinery and equipment	730.6	61.6	675.8	61.6
Accumulated depreciation at start of financial year				
Buildings and structures	90.7	18.7	90.7	18.7
Machinery and equipment	3 934.0	3 386.7	3 828.9	3 357.3
Accumulated depreciation on decreases				
Machinery and equipment	291.5	53.3	273.7	53.3
Depreciation for the period				
Buildings and structures	136.6	72.0	136.6	72.0
Machinery and equipment	1 074.0	547.4	674.5	471.7
Carrying value at end of financial year				
Land and water areas	878.2	878.2	878.2	878.2
Buildings and structures	3 268.0	3 206.6	3 268.0	3 206.6
Machinery and equipment	4 862.7	2 432.3	3 156.2	1 896.7

Notes concerning the liabilities in the balance sheet

SHAREHOLDERS' EQUITY (FIM 1000)

Changes in shareholders' equity				
Share capital at start of financial year	3 261.3	2 898.3	3 261.3	2 898.3
Decrease in share capital	-135.0		-135.0	
Bonus issue	6 252.6		6 252.6	
Public issue	3 000.0	363.0	3 000.0	363.0
Share capital at end of financial year	12 378.9	3 261.3	12 378.9	3 261.3
Share premium fund at start of financial year				
Decrease in share capital	135.0		135.0	
Premium on share issue	36 920.0		36 920.0	
Share premium fund at end of financial year	37 055.0		37 055.0	
Reserve fund at start of financial year	9 850.9	6 532.3	9 850.9	6 532.3
Transfer to share capital	-6 252.6		-6 252.6	
Premium on share issue		3 318.6		3 318.6
Reserve fund at end of financial year	3 598.3	9 850.9	3 598.3	9 850.9
Retained earnings at start of financial year	2 979.8	2 446.5	3 581.9	3 241.4
Dividend paid	-227.6	-492.0	-187.6	-492.0
Translation difference	-36.7			
Net profit	7 883.7	1 025.3	8 003.6	832.5
Retained earnings at end of financial year	10 599.2	2 979.8	11 397.9	3 581.9

	GROUP		PARENT COMPANY	
	1998	1997	1998	1997
COMPULSORY RESERVES (FIM 1000)				
Declared profits reserves	1 355.0	320.0	1 355.0	320.0
Warranty reserves	210.0	210.0	210.0	210.0
Total	1 565.0	530.0	1 565.0	530.0
LONG-TERM LIABILITIES (FIM 1000)				
Long-term liabilities include items falling due in five years or more:				
Loans from financial institutions	1 175.0	1 715.0	1 175.0	1 715.0
Pension loans	751.8	1 022.9	751.8	1 022.9
Other long-term liabilities	1 300.0	1 550.0	1 300.0	1 550.0
Total	3 226.8	4 287.9	3 226.8	4 287.9
ACCRUED LIABILITIES AND PREPAID INCOME (FIM 1000)				
Interest periodisation	75.5	61.1	75.5	58.6
Periodisation of personnel expenses	3 350.3	3 040.0	2 515.2	2 361.2
VAT liability	218.5	728.7		562.8
Income tax liability	2 360.5	466.0	2 143.2	
Provisions	1 179.6		1 179.6	
Other accrued liabilities and prepaid income	6 639.2	914.3	3 131.8	914.3
Accrued liabilities and prepaid income, total	13 823.6	5 210.1	9 045.3	3 896.9
DEBTS TO GROUP COMPANIES (FIM 1000)				
Accounts payable			4 681.7	2 031.5
Total			4 681.7	2 031.5
COLLATERAL AND CONTINGENT LIABILITIES (FIM 1000)				
Pension loans	3 910.0	3 580.0	3 910.0	3 580.0
Corporate mortgages granted	1 400.0	1 400.0	1 400.0	1 400.0
Real-estate mortgages granted	1 100.0	600.0	1 100.0	600.0
Loans from financial institutions	10 545.0	9 892.2	10 545.0	9 892.2
Corporate mortgages granted	7 900.0	9 300.0	7 900.0	8 600.0
Real-estate mortgages granted	400.0	2 800.0	400.0	2 800.0
Other loans	2 550.0	2 800.0	2 550.0	2 800.0
Real-estate mortgages granted	3 000.0	3 000.0	3 000.0	3 000.0
Given as collateral				
Corporate mortgages, total	9 300.0	10 700.0	9 300.0	10 000.0
Real-estate mortgages, total	4 500.0	6 400.0	4 500.0	6 400.0
Unconditional guarantees				
On behalf of Group companies	500.0	1 074.6	500.0	1 074.6
Leasing commitments				
falling due next year	64.6	154.5	23.1	54.6
falling due later	86.8	323.1	21.2	48.4

In accordance with the terms of the agreement in question, the company exercised its option to redeem machinery during the leasing period.

GUARANTEES RESULTING FROM DERIVATIVE CONTRACTS (FIM 1000)				
Forward exchange contracts	12 737.0	5 217.5	12 737.0	5 217.5

Notes concerning the personnel and members of executive bodies

	GROUP		PARENT COMPANY	
	1998	1997	1998	1997
PERSONNEL				
Average personnel				
Salaried employees	86	49	67	43
Workers	65	48	41	32
	151	97	108	75
Personnel expenses (FIM 1000)				
Wages, salaries	25 496.9	14 234.7	18 111.8	11 466.3
Pension expenses	3 730.6	2 364.3	3 200.9	1 938.7
Other personnel expenses	2 005.7	1 297.8	1 562.4	1 032.4
Personnel expenses, total	31 233.2	17 896.8	22 875.1	14 437.4
Personnel expenses capitalized in R&D expenses	2 543.3	2 338.7	2 543.3	2 338.7
EXECUTIVE BODIES				
Salaries of the president and his deputies	2 252.8	1 182.2	930.7	696.7

No remunerations have been paid to the members of the Board.

The president of the parent company can, if he wants to, retire at the age of 55.

Other notes

HOLDINGS IN GROUP COMPANIES

	Domicile	Holding	Book value
MECRA tekniikka Oy	Lohja	60,0 %	300 000.00
PMJ automec (UK) Ltd.	Hartford, UK	100,0 %	206 060.00
PMJ automec USA, Inc.	Dallas, USA	100,0 %	1 037 530.50
PMJ testline Oy	Lohja	100,0 %	15 000.00

	GROUP	
	1998	1997
IMPUTED TAX ASSETS AND DEFERRED TAX LIABILITIES (FIM 1000)		
Imputed tax assets		
Consolidation and other differences	1 996.8	
Imputed defferred tax liabilities		
Periodisation differences	304.6	
ACCUMULATED DEPRECIATION DIFFERENCES ENTERED IN SHAREHOLDERS' EQUITY (FIM 1000)		
Share	783.2	

SHARE OPTIONS

The extraordinary meeting of shareholders held on April 28, 1998, decided to grant share options to members of the boards of directors, management and key personnel of the parent company and Group companies as part of an incentive scheme. The share options are granted without consideration, but are tied to the continuation of employment or the employment relationship. The share options confer the right to subscribe shares stepwise over three years:

- the subscription of Series A shares (60 000 max.) on the basis of the share options begins on May 1, 2000
- the subscription of Series B shares (60 000 max.) on the basis of the share options begins on May 1, 2001
- the subscription of Series C shares (80 000 max.) on the basis of the share options begins on May 1, 2002

Total: 200 000

For all share options, the subscription period ends on December 31, 2003. The company's Board of Directors distributed the share options on the basis of its authorizations, and 85 people were entered in the share option scheme. The subscription price of shares is FIM 40/share, which is the subscription price used in the initial public offering of PMJ automec Corporation. On the basis of the subscriptions, PMJ automec Corporation's share capital can increase by a maximum of FIM 600 000.00, or 200 000 new shares. If all the subscription rights conferred by the share options are used, the company's share capital will rise to FIM 12 978 900.00.

Key ratios (FIM 1000)

	1998 12 months	1997 12 months	1995–96 14 months	1994–95 12months	1993–94 12 months
Turnover	128 066.9	71 179.9	61 750.2	51 043.2	25 804.1
Operating profit/loss	11 717.6	4 492.6	5 230.3	8 053.9	2 481.2
% of turnover	9.1	6.3	8.5	15.8	9.6
Profit before extraordinary items, reserves and taxes	10 529.8	2 390.4	3 714.3	7 448.2	1 994.0
% of turnover	8.2	3.4	6.0	14.6	7.7
Profit before reserves and taxes	11 017.8	2 390.4	3 714.3	7 488.8	2 568.2
% of turnover	8.6	3.4	6.0	14.7	10.0
Return on equity (ROE), %	19.1	10.1	28.3	161.6	neg.
Return on investment (ROI), %	20.9	16.8	36.1	87.6	35.6
Equity ratio, %	59.1	35.5	40.3	26.6	13.0
Gearing ratio, %	-5.5	91.1	52.9	87.6	207.0
Interest-free liabilities	28 364.8	17 755.4	13 128.0	14 790.1	9 185.7
Gross investments in fixed assets	10 384.7	8 741.9	6 065.0	2 703.1	1 681.3
% of turnover	8.1	12.3	9.8	5.3	6.5
Research and development expenses	7 335.6	4 087.7	3 795.0	2 017,1	1 122.0
% of turnover	5.7	5.7	6,1	4.0	4.3
Order backlog, FIM million	46.0	24.4	12.0	19.0	17.0
Personnel	151	97	80	50	40
Earnings/share, FIM/share	1.96	0.33	1.29 *)	11.44	4.72
Shareholders' equity/share, FIM	15.17	5.04	4.36	12.60	4.22
Dividend/share, FIM	0.40 **)	0.06	0.18	1.20	-
Dividend/earnings, %	20.4	18.0	13.8	10.5	-
Dividend yield, %	0.35				
Price earning ratio P/E	57.8				
Adjusted average number of shares during the financial yea	3 775 615	3 028 800	1 664 100	490 050	422 550
Adjusted number of shares at the end of the financial year	4 126 300	3 126 300	2 763 300	400 050	535 050

*) The profit for the financial year has been calculated on a 12-month basis.

**) The Board of Directors`proposal

Calculation of key ratios

ROE (%): = $\frac{\text{Profit after financial items - direct taxes}}{\text{Shareholders' equity + minority interest+ depreciation difference (average)}}$ x 100

ROI (%): = $\frac{\text{Profit after financial items + interest expense and other financial expenses}}{\text{Total assets - non-interest bearing liabilities (average)}}$ x 100

Equity ratio (%): = $\frac{\text{Shareholders' equity + minority interest+ depreciation difference}}{\text{Total assets- advance payments received}}$ x 100

Gearing ratio (%) = $\frac{\text{Interest-bearing liabilities - cash and banks and securities}}{\text{Shareholders' equity + minority interest + voluntary reserves + (depreciation difference - imputed deferred tax liability)}}$ x 100

Earnings/share (EPS), FIM/share: = $\frac{\text{Profit after financial items +/- minority interest of the profit for the financial year - direct taxes}}{\text{Adjusted number of shares at the end of the financial year (average)}}$

Shareholders' equity/share, FIM: = $\frac{\text{Shareholders' equity + depreciation difference- minority interest}}{\text{Adjusted number of shares at the end of the financial year}}$

Dividend/share: = $\frac{\text{Dividends}}{\text{Adjusted number of shares at the end of the financial year}}$

Divident yield (%) = $\frac{\text{Dividend per share}}{\text{Average share price on December 31, 1998}}$ x 100

Price/earning ratio (P/E) = $\frac{\text{Share price at the year end}}{\text{Earnings per share}}$ x 100

Net gearing (%) = $\frac{\text{Interest bearing libilities -cash, bank receivables and marketable securities}}{\text{Shareholders`equity + minoity interst +volontary reserves and accumulated depreciation difference less deferred tax liability}}$ x 100

Key ratios (EUR 1000)

	1998 12 months	1997 12 months	1995–96 14 months	1994–95 12 months	1993–94 12 months
Turnover	21 539.3	11 971.6	10 385.6	8 584.8	4 339.9
Operating profit/loss	1 970.8	755.6	879.7	1 354.6	417.3
% of turnover	9.1	6.3	8.5	15.8	9.6
Profit before extraordinary items, reserves and taxes	1 771.0	402.0	624.7	1 252.7	335.4
% of turnover	8.2	3.4	6.0	14.6	7.7
Profit before reserves and taxes	1 853.1	402.0	624.7	1 259.5	431.9
% of turnover	8.6	3.4	6.0	14.7	10.0
Return on equity (ROE), %	19.1	10.1	28.3	161.6	neg.
Return on investment (ROI), %	20.9	16.8	36.1	87.6	35.6
Equity ratio, %	59.1	35.5	40.3	26.6	13.0
Gearing ratio, %	-5.5	91.1	52.9	87.6	207.0
Interest-free liabilities	4 770.6	2 986.2	2 208.0	2 487.5	1 544.9
Gross investments in fixed assets	1 746.6	1 470.3	1 020.1	454.6	282.8
% of turnover	8.1	12.3	9.8	5.3	6.5
Research and development expenses	1 233.6	687.5	638.3	339.3	188.7
% of turnover	5.7	5.7	6.1	4.0	4.3
Order backlog, million	7.6	4.1	2.0	3.2	2.9
Personnel	151	97	80	50	40
Earnings per share	0.33	0.06	0.22 *)	1.92	0.79
Shareholders' equity/share	2.55	0.85	0.73	2.21	0.71
Dividend/share	0.07 **)	0.01	0.03	0.20	-
Dividend/earnings, %	20.4	18.0	13.8	10.5	-
Dividend yield, %	0.35				
Price earning ratio, P/E	57.8				
Adjusted average number of shares during the financial year	3 775 615	3 028 800	1 664 100	490 050	422 550
Adjusted number of shares at the end of the financial year	4 126 300	3 126 300	2 763 300	400 050	535 050

*) The profit for the financial year has been calculated on a 12-month basis.

**) The Board of Director`s proposal

Income Statement (EUR)

	GROUP Jan 1, –Dec 31,1998		PARENT COMPANY Jan 1, –Dec 31,1998	
Turnover	**21 539.3**	**100.0 %**	**20 719.3**	**100.0 %**
Increase (+) or decrease (-) in inventories				
of completed or unfinished products	-619.8		-617.4	
Other operating income	91.1		93.7	
Materials and services				
Materials. equipment and supplies				
Purchases during the financial year	8 994.6		9 775.4	
Change in inventories	-1 104.1		-1 069.9	
External services	1 116.2		1 921.3	
Personnel expenses	4 825.3		3 419.6	
Depreciation and value adjustments				
Depreciation according to plan	762.9		628.2	
Other operating expenses	4 444.9		3 387.3	
Operating profit	**1 970.8**	**9.1 %**	**2 133.7**	**10.3 %**
Financial income and expenses				
Income from shares in Group companies			14.0	
Other interest and financial income				
From Group companies			22.1	
From others	129.6		128.9	
Interest expenses and other financial expenses				
To Group companies			-13.3	
To others	-329.4		-308.1	
Profit before extraordinary items	**1 771.0**	**8.2 %**	**1 977.3**	**9.5 %**
Extraordinary items				
Extraordinary income	82.1			
Profit before appropriations and taxes	**1 853.1**	**8.6 %**	**1 977.3**	**9.5 %**
Appropriations				
Increase (-) or decrease (+) in depreciation difference			-87.5	
Income taxes	-673.6		-543.7	
Change in imputed taxes	217.0			
Profit before minority interest	**1 396.5**	**6.5 %**	**1 346.1**	**6.5 %**
Minority interest	-70.6			
Net profit	**1 325.9**	**6.2 %**	**1 346.1**	**6.5 %**

Balance Sheet (EUR)

	GROUP Dec.31, 1998	PARENT COMPANY Dec.31, 1998
ASSETS		
Fixed assets		
Intangible assets		
Incorporation expenditure	36.2	30.0
R&D expenses	293.5	293.5
Intangible rights	148.1	140.5
Goodwill	12.4	12.4
Other long-term expenses	325.0	317.4
R&D projects in progress	826.9	826.9
	1 642. 1	1 620. 7
Tangible assets		
Land and water areas	147.7	147.7
Buildings and structures	549.6	549.6
Machinery and equipment	817.9	530.9
	1 515.2	1 228.2
Investments		
Shares in Group companies		262.1
Other shares and participations	21.1	20.1
Goodwill	109.1	
	130.2	282.2
	3 287.5	**3 131.1**
Variable assets		
Inventories		
Materials and supplies	1 500.2	1 421.9
Work in process	682.0	682.0
Production in process	1 364.8	936.8
Completed products and goods	637.1	191.9
	4 184.1	3 232.6
Receivables		
Short-term		
Sales receivables	6 599.6	5 112.8
Receivables from Group companies		2 785.4
Loan receivables	3.8	2.3
Other receivables	15.4	
Prepaid expenses and accrued income	876,5	839,1
Deferred tax assets	335.8	
	7831.1	8 739.6
Cash in hand and banks	3 518.7	3 335.2
Assets, total	**18 821.4**	**18 438.5**

	GROUP Dec.31, 1998	PARENT COMPANY Dec.31, 1998
LIABILITIES		
Shareholders' equity		
Share capital	2 082.0	2 082.0
Share premium fund	6 232.2	6 232.2
Reserve fund	605.2	605.2
Translation difference	-2.8	
Retained earnings	459.5	570.9
Book profit	1 325.9	1 346.1
	10 702.0	10 836.4
Minority interest	**173.0**	
Accumulated depreciation		
Depreciation difference		139.3
Compulsory reserves		
Other compulsory reserves	263.2	263.2
Liabilities		
Long-term		
Loans from financial institutions	1 499.8	1 468.3
Pension loans	551.4	551.4
Other loans	386.8	386.8
	2 438.0	2 406.5
Short-term		
Loans from financial institutions	326.3	305.3
Pension loans	106.2	106.2
Advances received	409.3	409.3
Accounts payable	1 890.9	1 621.1
Debts to Group companies		787.4
Other loans	136.3	42.5
Accrued liabilities and prepaid income	2 325.0	1 521.3
Deferred tax liabilities	51.2	
	5 245.2	4 793.1
Liabilities , total	**18 821.4**	**18 438.5**

Proposal for the distribution of profits

The Group's non-restricted and distributable shareholders' equity	9 637 564.43 mk
The Parent company's non-restricted equity	11 219 569.29 mk
of which the net profit is:	8 003 561.37 mk

PMJ automec Corporation's Board of Directors proposes that the earnings be disposed of as follows:

- a dividend of FIM 0.40 be paid per share:	1 650 520.00 mk
- and retained in non-restricted equity:	9 569 049.29 mk
	11 219 569.29 mk

Virkkala, March 9,1999

Heikki Kiesi Jarmo Kanervo

Turo Levänen Markku Jokela

Auditors' report

To the shareholders of PMJ automec Corporation:

We have examined the accounting records, consolidated financial statements and administration of PMJ automec Corporation for the financial year January 1–December 31, 1998. The financial statements prepared by the Board of Directors and the President include the report of the Board of Directors as well as the consolidated and parent company income statement, balance sheet and notes to the financial statements. Based on our audit, we express an opinion on these financial statements and the company's administration.

The audit has been conducted in accordance with generally accepted auditing standards. The accounting records as well as the accounting policy, content and format of the financial statements have accordingly been examined to a sufficient extent to ascertain that the financial statements do not contain material errors or deficiencies. The purpose of our audit of the company's administration has been to determine whether the Board of Directors and the President have complied with the rules and regulations of the Finnish Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Finnish Accounting Act and the other rules and regulations concerning the preparation of financial statements in Finland. The financial statements give a fair and true view, as defined in the Accounting Act, of both the consolidated and parent company result of operations as well as of the financial position. The financial statements including the consolidated financial statements can be adopted and the Board of Directors and the President of the parent company can be discharged from liability for the financial year audited by us. The proposal of the Board of Directors for dealing with the earnings is in compliance with the Finnish Companies Act.

Helsinki, March 11, 1999

SVH Pricewaterhouse Coopers Oy
Authorised Public Accountants

Esko Saarinen
Authorised Public Accountant

The Board of Directors, Management Group

Members of the Board of Directors

HEIKKI KIESI,
born 1953, Licentiate in Laws, Senior Lawyer
Chairman of the Board since 1994

Founded Kiesi Juridia Oy in 1990. Previously worked as the head of Kaukomarkkinat Oy's legal department as well as an attorney at Kaukomarkkinat Oy and Ekono Oy.

JARMO KANERVO,
born 1954, M.Sc. (Econ.)
Member of the Board of Directors since1994
Vice chairman of the Board since 1998

Executive Vice President of PMJ automec Corporation and the President's deputy. Previously worked as a controller at the Cultor Group, the Amer Group and Mölnlycke, as the CFO of the Evox-Rifa Group, the Metalex Group and Lundia, and as the IT Manager of Oy Gustav Paulig Ab.

TURO LEVÄNEN,
born 1960, M.Sc. (Eng.), MBA
Member of the Board of Directors since 1994

Project director at SITRA. Previously worked as director of Finnish Industrial Investment ltd. and as the managing director of Fimet Oy

MARKKU JOKELA,
born 1957, B.Sc. (Eng.)
Member of the Board of Directors since 1989

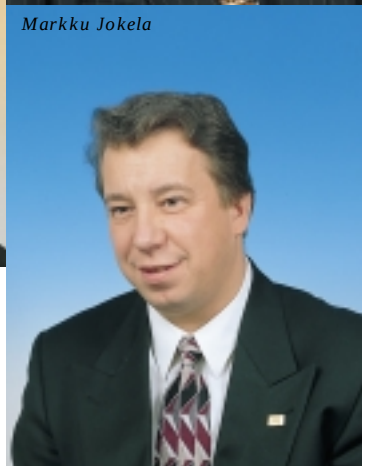
President of PMJ automec Corporation. He has previously worked at Metalex Oy's factory in Espoo, as a production manager at Nokia's PCB factory, as a project manager at Oy AGA Ab, and a production manager and project director at Kalmeri Ab.

Heikki Kiesi

Turo Levänen

Jarmo Kanervo

Markku Jokela



The members of the Board of Directors hold, either directly or through companies controlled by them, a total of 1 934 200 PMJ shares, representing 46.9% of the shares and votes, as well as total of 30 000 share options conferring subscription rights stepwise over three successive years, beginning May 1, 2000, and ending on December 31, 2003. If all the share options are used, the number of sheres subscribed on the basis of the options will represent 0.69% of the shares outstanding after the subscription.

Management Group

JOKELA, MARKKU, born in 1957	President, B.Sc. (Eng.)
KANERVO, JARMO, born in 1954	Executive Vice President, M. Sc.(Econ.) Finance and Investor Relations
KAUPPILA, SISKO, born in 1953	Accounting Manager, B.Sc. (Econ.)
KORHONEN, RAIMO, born in 1961	Vice President, Technician, Sales in Finland
MORRIS, JOE, born in 1959	President, B.Sc.(hons.), MBA, PMJ automec USA, Inc.
MUURONEN, KARI, born in 1955	Vice President, M.Sc. (Eng.), R&D
NORDSTRÖM, GUY, born in 1952	Director, technical student, Customer Service
SIPILÄ, MIKKO, born in 1954	Vice President, M. Sc.(Econ.), MBA, Operations
STRENGELL, OSMO, born in 1966	Factory Director, B.Sc.(Eng.)

Shares and Shareholders

Shares and share capital

PMJ automec Corporation has floated a total of 4,126,300 shares having a par value of FIM 3 each, all of which confer one vote at a general meeting of shareholders.

According to the Articles of Association, the company's share capital shall be a minimum of FIM 9 million and a maximum of FIM 36 million, within which limits the share capital can be raised or lowered without amending the Articles of Association. The company's share capital, which has been fully paid in and is recorded in the trade register, amounted to FIM 12,378,900 on December 31, 1998. The company's shares have been transferred to the book-entry system.

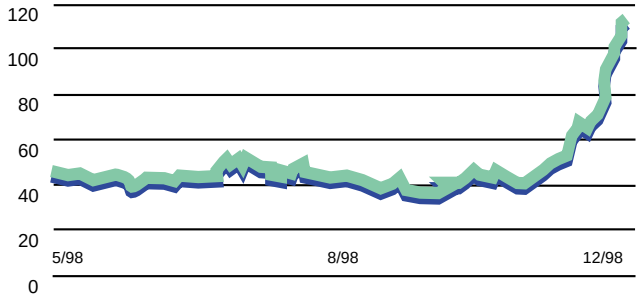
Quotation of the shares

PMJ automec Corporation's shares have been available for public trading since May 15, 1998, and at present they are quoted on the I-list of HEX Helsinki Exchanges.

The board of directors' authorization to increase the share capital

The Board of Directors of PMJ automec Corporation is not authorized to increase the share capital.

Share price development



During the financial year, the share price was FIM 42.00 at its lowest and FIM 120.70 at it highest. The average share price during the review period was FIM 57.83.

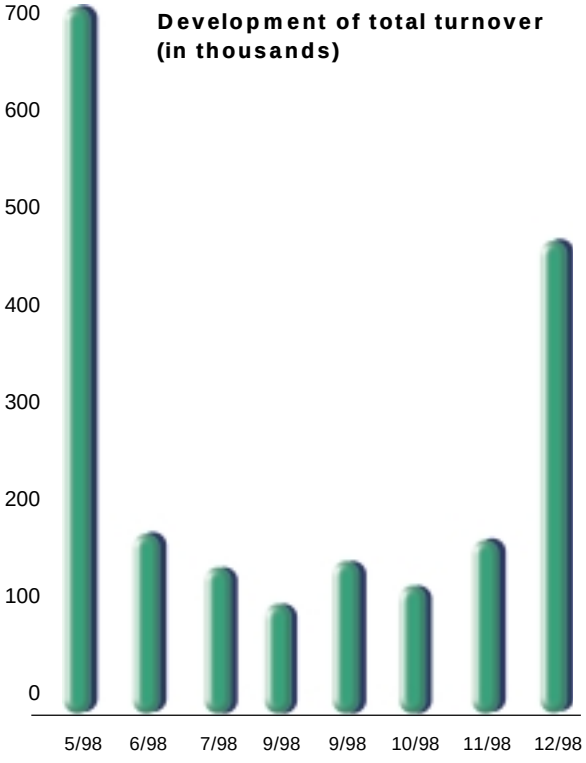
Sharesholders

At the end of 1998, the company had 771 registered shareholders. A total of 41,613 PMJ shares were in foreign ownership, representing 1.01% of the shares, and in addition there were 387,200 shares, or 9.38%, in the nominee register.

The members of the company's Board of Directors owned, either directly or through companies controlled by them, a total of 1,934,200 PMJ shares, representing 46.9% of all the voting rights.

Trend in share prices and share turnover

The company's shares were first quoted on the OTC list maintained by HEX Helsinki Exchanges on May 15, 1998. On the first day of trading, the share price rose from the subscription price of FIM 40 to FIM 53. From May to November, the share price fluctuated between FIM 42 and FIM 60. In December, the share price was FIM 120 at its highest, and stood at FIM 116 at the end of the month. Share turnover was brisk, accounting for 1 774 355 pieces or 43% of the shares outstanding. The company's market value was FIM 478 million at the end of the financial year.

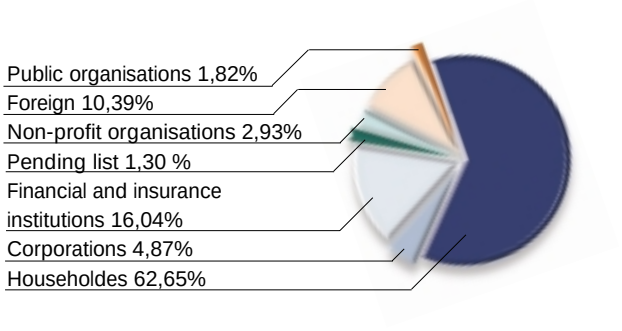


PRINCIPAL SHAREHOLDERS ON 31 DECEMBER 1998

Owners	Shares, No.	% of shares
Jokela, Markku	1 851 350	44.86 %
Trust Fund Leonia Share	163 550	3.96 %
Evli-Select Trust Fund	90 000	2.18 %
Korhonen, Raimo	87 000	2.11 %
FIM Forte Trust Fund	83 400	2.02 %
The Finnish National Fund for Research and Development	66 000	1.60 %
Jokela, Pirjo	66 000	1.60 %
Jokela, Joni	66 000	1.60 %
Evli Nordic Small Co.Trust Fund	64 000	1.55 %
Trust Fund Evli Mix	50 300	1.22 %
Nominee-registered	387 200	9.38 %
Others	1 151 500	27.92 %
Total	**4 126 300**	**100.00 %**

OWNERSHIP STRUCTURE ON 31 DECEMBER 1998

Type of shareholders	Shares, No.	%
Corporations	201 080	4.87 %
Financial and insurance institutions	661 750	16.04 %
Public organisations	74 900	1.82 %
Non-profit organisations	120 900	2.93 %
Householdes	2 584 957	62.65 %
Foreign	428 813	10.39 %
Pending list	53 900	1.30 %
Total	4 126 300	100.00 %



OWNERSHIP STRUCTURE ON 31 DECEMBER 1998

Number of shares	Shareholders, No.	Shareholders, %	Shares-/voting rights, No.	Shares-/voting rights, %
1 - 9 999	731	94.80 %	541 950	13.13 %
10 000–19 999	16	2.08 %	211 150	5.12 %
20 000–29 999	9	1.17 %	201 900	4.89 %
30 000–59 999	5	0.65 %	212 200	5.14 %
60 000–89 999	6	0.78 %	432 400	10.48 %
90 000–	4	0.52 %	2 472 800	59.94 %
Pending list			53 900	1.30 %
Total	**771**	**100.00 %**	**4 126 300**	**100.00 %**

News in brief

March 26, 1998 PMJ's Annual General Meeting

PMJ automec Corporation has decided to apply for listing on the OTC list maintained by the Helsinki Exchanges. In order to expand its ownership base, the company will carry out a rights issue and give share options to its key employees. The issue and the share options will be decided on at an extraordinary meeting of shareholders that will be convened separately. The company's financial statements were adopted at the Annual General Meeting.

April 8, 1998 PMJ's extraordinary meeting of shareholders

From April 20 to 27, 1998, PMJ automec Corporation will carry out a share issue and offering with the aim of listing the company on the OTC list of the Helsinki Exchanges. The shares will be offered to institutional investors, the public and the Group's own employees.

April 20, 1998 PMJ 's share issue and offering is suspended

At 15:15 on Monday, April 20, 1998, PMJ automec Corporation has decide- to suspend the share issue and offering for institutional investors and retail investors due to oversubscription resulting from large demand. The share issue began today, Monday, April 20, 1998.

April 21, 1998 Cooperation agreement between Siemens and PMJ

The German company Siemens Electronic Assembly Systems and PMJ automec Corporation made agreement on the marketing and delivers of automated assembly equipment for odd-form components.

April 29, 1998 Final decision on PMJ's share issue and offering, and approving the subscription commitments

PMJ automec Corporation took its final decision on the share issue and offering. The total of 1,100,000 shares offered were oversubscribed almost eightfold during the offering. The subscription price of the shares was FIM 40. Some 230 investors took part in the first Finnish share subscription to be held over the Internet; the share issue and offering were open for six hours before being closed due to oversubscription.

May 15, 1998 Market-making agreement between PMJ, the banking company Evli Oyj, and HEX Helsinki Exchanges

PMJ automec Corporation, Evli Oy and Hex Oy have this day signed a market-making agreement dealing with the listing of the company's shares on the OTC list in accordance with Article 10 of Chapter 3 of the OTC and broker's list regulations.

May 14, 1998 The increase of PMJ's share capital is recorded in the trade register

The increase of PMJ automec Corporation's share capital from FIM 9.378.900 to FIM 12.378.900 has been fully paid in and recorded in the trade register on May 14, 1998. The company now has 4,126,300 shares, all of which confer one vote. The new shares issued during the rights issue and the old shares sold during the offering were recorded in the book-entry accounts of the participating investors on May 14, 1998. The quoting of the shares on the OTC list of the Helsinki Exchanges will begin tomorrow, May 15, 1998.

June 11, 1998 PMJ's Interim Report, January 1 - April 30, 1998

The turnover of the PMJ automec Group doubled in January-April 1998 compared to the previous period, and amounted to FIM 33.8 million (1997: FIM 14.7 million). In addition, operating profit during the review period grew significantly and was FIM 1.8 million (1997: -1.5 million), which represents 5.4% of turnover. Profit before extraordinary items was FIM 1.2 million (FIM -2.4 million), which is 3.7% of turnover. Turnover is expected to continue growing strongly.

July 6, 1998 PMJ hits a record high in June

PMJ automec Corporation has landed purchase orders worth of FIM 22 million during the month of June. Almost without an exception, the deliveries will be made abroad, such as to Italy, which is a new territory for the company. In addition, the company has won major orders, including an order from ABB in Sweden.

August 25, 1998 PMJ had a strong summer season

PMJ automec Corporation has won orders worth around FIM 50 million during the summer. These orders were placed by numerous customers representing different industries in Europe and the USA, including customers from the consumer electronics industry, with which PMJ has not previously done business with. Among these companies is the Danish Bang&Olufsen. During the last 12 months, PMJ has landed new orders to the tune of approximately FIM 140 million.

October 8, 1998 PMJ's Interim Report, January 1 - August 31, 1998

PMJ automec Corporation's turnover grew by 138% during the period from January 1 to August 31, 1998, and was FIM 74.8 million (1997: FIM 31.5 million). Profit before extraordinary items also grew noticeably during the review period, amounting to FIM 7.7 million (1997: -3.3 million), representing 10.3% of turnover. The company has continued to grow in all of its main market areas. The result is expected to develop favourably during the last four months of the year, too.

November 26, 1998 PMJ wins more orders from Osram and Motorola

PMJ automec Corporation has received more orders both from Motorola and Osram. These orders are valued at a total of over FIM 10 million and strengthen PMJ's relationship with its customers.

December 3, 1998

PMJ lands an order for a final assembly line from Nokia
PMJ automec Corporation has won a purchase order from Nokia. This order, which is worth approximately FIM 7 million, comprises the installation of a final assembly line at a Nokia factory in early spring 1999. This is the first final assembly line to be delivered that includes many of the automatic assembly cells which were developed by PMJ during 1998 and are the fastest, most flexible final assembly cells on the market.

December 7, 1998 PMJ collaborates with Alcatel France to supply production equipment

PMJ automec Corporation has signed a significant collaboration agreement with the French telecommunications company Alcatel. PMJ will deliver two automated production lines to the Alcatel factory in Laval, France. This is PMJ's first delivery to the French market.

Product list and glossary

PMJ's automation and PCB handling equipment for end-of-line automation of electronics manufacture

HiSAC®-products:

- Depanelling cells
- Final assembly cells
- Labeling cells
- Multifunction cells
- Odd-form PCB assembly cells
- Pin insertion cells
- Soft beam® soldering cells
- Soldering cells
- Test cells

PCB handling equipment:

- Conveyors
- Destackers
- Flip units
- LIFO/FIFO Buffers
- Magazine loaders/line unloaders
- Overhead conveyors
- Turn units
- Walk trough conveyors

Contact information

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Fax: +1-972-660 1106

www.pmjautomec.com

Hisac (High Speed Assembly Cell)=

PMJ's registered product name

In-line production cell =

Production equipment that can be connected to form an integral part of the production line

Soldering cell =

A piece of equipment that is used in electronics manufacture to solder components to a PCB

Depaneling cell =

A piece of equipment that is used in electronics manufacture whereby PCBs are cut free from their panels. The types of depaneling cells are

- Bottom router = the depaneling is done from underneath the PCB
- Top router = the depanelling is done from above the PCB

Assembly cell =

A piece of equipment used in electronics manufacture whereby components are assembled on a PCB

Final assembly cell =

A piece of equipment, especially developed for production of mobile phones, that is used for assembly of (mobile phone) parts to make an end product

Modular production cell =

A production cell consisting of independent modules, e.g. PMJ's HiSAC® module

Module =

An independent part of a production cell

Multifunction cell =

A piece of equipment used in the electronics manufacture where several different tasks (up to 7) can be performed in the same call

PCB handling equipment =

Equipment that has been developed for transporting and handling PCBs between cells, for example, a conveyor, a magazine loader/line unloader, a destacker and a flip unit.

Labeling cell =

A piece of equipment that is used to place a label on a PCB. The label makes it easier to indentify and to trace the product.

Test fixture =

A part of a test cell

Test cell =

A piece of equipment used in the electronics manufacture to verify the faultlessness of the manufactured product.

PMJ

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Completing the line