

PMJ automec Corporation

Interim Report for January 1 – March 31, 2003

- Net sales amounted to EUR 7.6 (13.6) million.
- Operating profit totalled EUR 0.2 (0.5) million.
- Profit before taxes was EUR 0.1 (0.1) million.
- R&D expenditure was EUR 0.3 (0.3) million.
- The equity ratio on March 31, 2003 was 18% (December 31, 2002: 19%).
- Interest-bearing net debts unchanged at the end of the review period.
- The market situation remained challenging. At the time of publishing this interim report, the Group's order book stands at EUR 5.9 million.
- Financing arrangements concluded on April 14, 2003, shareholders' equity strengthened by EUR 3 million.

The figures given for comparison are those for the corresponding period in the previous year unless otherwise stated.

Group's key figures

(unaudited figures)

1 000 eur	1-3/2003	1-3/2002	1-12/2002
Net sales	7 635	13 566	38 307
Profit/loss before depreciation (EBITDA)	546	1 432	3 007
% of net sales	7 %	11 %	8 %
Operating profit/loss (EBIT)	168	507	-7 274
% of net sales	2 %	4 %	-19 %
Profit/loss before taxes (EBT)	130	130	-9 005
% of net sales	2 %	1 %	-24 %
R&D expenditure	311	313	1 482
% of net sales	4 %	2 %	4 %
Equity ratio, %	17.8 %	33.6 %	18.5 %
Personnel, average	306	383	357
Personnel, at end of period	292	367	318
Earnings per share (diluted), EUR	-0.01	0.00	-0.37

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April 29, 2003

Net sales and earnings development

PMJ automec Corporation's net sales amounted to EUR 7.6 (13.6) million. Net sales were EUR 0.4 million higher than the figure of EUR 7.2 million for the last quarter of last year.

The Group's operating profit was EUR 0.2 (0.5) million. The steps initiated last year to adjust to changed market conditions enabled the Company to post an operating profit despite the decline in net sales.

The Group's net financial items for the review period were EUR 0.0 (-0.4) million. The net financial items include a non-recurring exchange rate gain of EUR 0.3 million realised from exchange rate hedging.

Profit before taxes totalled EUR 0.1 (0.1) million. The net loss for the period was EUR 0.2 (0.0) million. Earnings per share were EUR -0.01 (0.00).

Business conditions and customers

PMJ automec operates in the global market for production automation for the electronics industry. The Company supplies production automation systems and testing equipment to the telecommunications, consumer electronics, industrial electronics and automotive electronics industries.

Business conditions remained largely unchanged during the review period. Companies continued to be reluctant to invest and sales of production automation remained at the same level as during the last quarter of last year. Continuing global uncertainty of market prospects encouraged customers to defer their purchasing decisions during the review period. This had the most impact on the performance of the automation business area, where most sales during the review concerned standard equipment. The testing business area continued to develop favourably, increasing its net sales by 17% compared to the last quarter of last year.

The geographical breakdown of the Company's net sales was: Europe 52% (59%), the Americas 34% (17%) and Asia 14% (24%).

As from the beginning of 2003 the Company has changed its reporting procedures for the breakdown of net sales by customer segment. The contract manufacturing segment is now categorised according to distribution by end product. Using the new customer segment categorisation, the breakdown of net sales by customer segment was as follows: telecommunications 55% (73%), automotive electronics 19% (9%) and other sectors of the electronics industry 26% (18%). Other sectors of the electronics industry mainly comprise automation applications of industrial electronics. Net sales developed as forecast in the automotive electronics and industrial electronics sectors. The Company aims to distribute its sales more evenly between the different sectors by making the automotive electronics and industrial electronics sectors priority areas in addition to telecommunications.

STOCK EXCHANGE RELEASE

April 29, 2003

At the end of the review period the Company received a substantial order for a production automation line from Grundfoss, a Danish manufacturer of industrial electronics. Valued at EUR 1.5 million, the delivery is scheduled for the second quarter of the year. The order is important testimony to the suitability of PMJ automec's products and solutions for the conventional industrial electronics sector and to the growing demand for electronics in different industrial sectors. The order bolsters the Company's selected strategy of seeking growth from outside the telecommunication sector.

Balance sheet and financing

The balance sheet figures on March 31, 2003 are compared to the balance sheet figures on December 31, 2002.

The balance sheet total at the end of the review period was EUR 28.0 (28.6) million. The Company's cash flow and net debts remained broadly unchanged. Net debts amounted to EUR 16.9 (16.9) million at the end of the review period. Accounts receivable declined to EUR 4.8 (7.1) million while inventories rose to EUR 10.4 (8.9) million.

Non-interest-bearing liabilities amounted to EUR 4.2 (4.5) million and interest-bearing liabilities to EUR 18.7 (18.7) million. The equity ratio was 17.8% (18.5%). Gross capital expenditure totalled EUR 0.2 million, representing 2.2% of net sales for the period.

Financing arrangements subsequent to the review period

On April 14, 2003 PMJ automec signed an agreement with the City of Lohja under the terms of which PMJ automec will sell its property holdings in Lohja to the City of Lohja, which will then lease the properties back to PMJ automec under a 10-year leasing contract. The properties will revert to PMJ automec's ownership on the expiry of the leasing period.

The real estate agreement was one part of PMJ automec's overall financing arrangements, which strengthened shareholders' equity and stabilised diversified liabilities by converting existing short-term credit lines into a subordinated loan of EUR 3 million. Options attached to the subordinated loan entitle the lender to subscribe for 4 million PMJ automec shares. The subscription price for shares purchased with the options is EUR 0.35. PMJ automec's Board of Directors has granted these options using the authorisation granted by the Annual General Meeting held on April 10, 2003. The options correspond to some 12% of the Company's total share capital and outstanding options.

In addition to the subordinated loan, the Company has converted its short-term credit lines into long-term financing totalling EUR 4 million. The percentage of PMJ

STOCK EXCHANGE RELEASE

April 29, 2003

automec's total interest-bearing liabilities that are long-term interest-bearing liabilities will rise to approximately 65% (December 31, 2002: 13%) after these arrangements are implemented. The subordinated loan will strengthen the Company's shareholders' equity by EUR 3 million, and taking this into account the equity ratio will rise to approximately 29 %.

Research & development

Expenditure on product development in January–March amounted to 4.1% of net sales, or EUR 0.3 (0.3) million, of which EUR 0.2 million was capitalised in the balance sheet.

Management and personnel

In January–March PMJ automec employed an average 306 (383) people. At the end of the review period the Group had 292 (367) employees, some 20% fewer than at the end of the corresponding period last year. Of the Group's personnel, 243 (277) worked in Finland at the end of the review period, representing 83% (75%) of total employees, and 49 (90) worked abroad, representing 17% (25%) of total employees.

The negotiations with personnel initiated in January 2003 ended on February 12, 2003 with a decision to adjust the Company's business operations by dismissing 20 employees and temporarily laying off a further 7, mainly in the Virkkala plant. The operations of PMJ cell solutions AS in Tallinn, which employs 22 people, were wound down. The full effect of these cost-saving measures will not be felt until the second half of the year.

Pasi Berggren, Director, Production and Quality, and member of the Group Management Team at PMJ automec resigned on March 1, 2003 to work for another company.

As from March 1, 2003 the Group Management Team comprises: Seppo Kolo, CEO; Jouni Suutarinen, Director, Technology; Osmo Strengell, Director, Projects; Antti Koivula, CFO; Guy Nordström, Director, Customer Service; Carl-Johan Pynnönen, Director, Sales and Marketing; Hannu Seppälä, CEO of PMJ test solutions Oy; and Allen Duck, CEO of PMJ automec USA, Inc.

Share performance and changes in ownership

The price of PMJ automec's share ranged between EUR 0.25 (Jan–Mar 2002: EUR 0.61) and EUR 0.40 (Jan–Mar 2002: EUR 0.78) during the review period, the average share price being EUR 0.31 (Jan–Mar 2002: EUR 0.71). A total of 1,835,100 (Jan–Mar 2002: 4,196,300) shares were traded during the review period, representing 6.5% (Jan–Mar 2002: 14.9%) of the Company's entire capital stock.

The Company's market capitalisation at the end of the review period was EUR 7.0 million (March 31, 2002: EUR 18.3 million).

STOCK EXCHANGE RELEASE

April 29, 2003

At the end of the review period the Company had 7,446 registered shareholders (March 31, 2002: 7,681). A total of 781,741 shares were nominee registered (March 31, 2002: 810,291) representing 2.8% of all shares. PMJ automec had a total of 28,133,470 shares outstanding at the end of the review period (March 31, 2002: 28,133,470) and it had one share series.

Annual General Meeting on April 10, 2003

PMJ automec Corporation's Annual General Meeting (AGM) held on April 10, 2003 adopted the financial statements for the fiscal year 2002 and, in accordance with the Board of Directors' proposal, decided not to pay a dividend for January 1 – December 31, 2002. The AGM also decided to use the share premium account to cover the confirmed losses in the balance sheet, as proposed by the Board of Directors. The members of the Board of Directors and CEO of the parent company were discharged from liability for the financial year ended December 31, 2002.

The AGM passed a resolution to elect five members to the Group's Board of Directors. The members elected to the Board of Directors were Markku Jokela, Kimmo Karhunen, Heikki Kiesi, Niilo Pellonmaa and Petri Väinölä. The new member of the Board of Directors, Petri Väinölä, has earlier worked for Nokia in several senior management positions. At the moment Mr Väinölä works as a management consultant and is employed by his own company. At the Board of Director's organisation meeting, held after the Annual General Meeting, Niilo Pellonmaa was elected Chairman of the Board.

The firm of independent public accountants KPMG Wideri Oy Ab, with Sune Almqvist, Authorised Public Accountant, acting as chief auditor, was elected as the Company's auditor.

In accordance with its proposal, the Board of Directors was authorised to decide on an increase in the Company's share capital through a rights issue and/or through issuing stock options and/or through the issue of convertible bonds in one or more lots so that the increase in the share capital shall be at most EUR 413,162.40. Hence, new shares with a par value of EUR 0.10 can be issued up to the maximum amount of 4,131,624 shares through a rights issue, option rights or convertible bonds. The total authorised amount equals approximately 15% of the share capital currently registered.

The authorisation includes the right to deviate from the shareholders' pre-emptive subscription right if, from the Company's point of view, there is a strong financial reason to do so, such as for financing or implementing an acquisition or similar arrangement, or to develop the Company's capital structure.

The Board of Directors has the right to resolve who is entitled to subscribe for shares, the subscription price, the grounds for determining the subscription price, other terms relating to a share subscription and other terms and matters relating to a rights issue, stock options and the issue of convertible bonds.

The authorisation is valid until April 10, 2004 – i.e., for one year from the date of the Annual General Meeting.

STOCK EXCHANGE RELEASE
April 29, 2003

Outlook for the future

Market conditions will continue to be challenging and difficult to forecast. PMJ automec will pursue its strategy of focusing its sales and marketing on selected customer segments; namely, the telecommunications, automotive electronics and industrial electronics sectors. Growth opportunities for the testing business appear to be better than those for the automation business, especially in the telecommunications sector. PMJ automec envisages expansion of the testing business into other customer segments also. The Company will continue its strategy of giving high priority to product development in both business areas.

The effects of the streamlining measures implemented in the review period will be reflected in the cost structure in full during the second half of the year. The Company's cost structure will then match the prevailing market conditions. The Company will monitor the cost structure closely, and if necessary adapt it to market changes. Despite the unpredictability of the Company's markets, PMJ automec expects net sales to be higher in the second quarter than in the first quarter. The Company's continuing target is to reach a positive result for the full year.

Virkkala, Finland, April 29, 2003.

PMJ automec Corporation

Board of Directors

STOCK EXCHANGE RELEASE
April 29, 2003

CONSOLIDATED INCOME STATEMENT

(unaudited figures)

EUR 1 000	1-3/2003	1-3/2002	1-12/2002
Net sales	7 635	13 566	38 307
Other operating income	51	37	449
Expenses, total	-7 146	-12 171	-35 707
Depreciation on fixed assets and other capitalized long-term expenses	-378	-925	-10 281
Share of results of associated companies	6	0	-42
Operating result	168	507	-7 274
Financial income and expenses	-38	-377	-1 731
Result before extraordinary items and taxes	130	130	-9 005
Income taxes *	-292	-158	-237
Minority interests	0	27	36
Consolidated net result	-162	-1	-9 206

CONSOLIDATED BALANCE SHEET

(unaudited figures)

EUR 1 000	31.3.2003	31.3.2002	31.12.2002
ASSETS			
Fixed assets			
Intangible assets	3 676	12 868	3 736
Tangible assets	4 200	5 165	4 386
Investments	102	86	95
	7 978	18 119	8 217
Current assets			
Inventories			
Materials and supplies	3 964	4 627	4 132
Work in progress	5 635	4 499	4 040
Finished products and goods	836	1 186	703
	10 435	10 312	8 875
Receivables			
Accounts receivable	4 799	12 276	7 141
Other receivables	2 991	1 550	2 532
	7 790	13 826	9 673
Cash in hand and at bank			
	1 783	1 130	1 827
Total assets	27 986	43 386	28 592
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Shareholders' equity	4 949	13 944	5 183
Minority interests	0	152	0
Obligatory provisions	150	1 870	240
Liabilities			
Long-term	2 192	3 212	2 192
Short-term	20 695	24 208	20 977
	22 887	27 420	23 169
Total shareholders' equity and liabilities	27 986	43 386	28 592

* Taxes according to the estimated result of the year 2003

STOCK EXCHANGE RELEASE
April 29, 2003

CONSOLIDATED CASH FLOW STATEMENT

(unaudited figures)

EUR 1 000	1-3/2003	1-3/2002	1-12/2002
Cash flow from operations	152	1 137	2 801
Cash flow into and from investments	-140	-84	-372
Financial cash flow	-27	-1 626	-2 206
Increase(+)/ decrease(-) in financial assets	-15	-573	223

GROUP KEY FIGURES

(unaudited figures)

EUR 1 000	1-3/2003	1-3/2002	1-12/2002
Net sales	7 635	13 566	38 307
Operating result	168	507	-7 274
% of net sales	2,2 %	3,7 %	-19,0 %
Result before extraordinary items and taxes	130	130	-9 005
% of net sales	1,7 %	1,0 %	-23,5 %
Total assets	27 986	43 386	28 592
Equity ratio, %	17,8 %	33,6 %	18,5 %
Gearing ratio, %	340,9 %	129,0 %	325,2 %
Gross investments	166	101	671
% of net sales	2,2 %	0,7 %	1,8 %
R&D expenditure	311	313	1 482
% of net sales	4,1 %	2,3 %	3,9 %
Personnel, average	306	383	357
Personnel, at end of period	292	367	318
Non-interest bearing liabilities	4 232	8 153	4 487
Interest bearing liabilities	18 655	19 267	18 682
Per-share key figures			
Equity per share, EUR	0,18	0,50	0,18
Earnings per share, EUR/share (diluted)	-0,01	0,00	-0,37
Earnings per share, EUR/share (undiluted)	-0,01	0,00	-0,33
Share price trend			
High, euros	0,40	0,78	0,78
Low, euros	0,25	0,61	0,33
Average, euros	0,31	0,71	0,57
Price at end of period, euros	0,25	0,65	0,36
Market capitalization at end of period, EUR millions	7	18	10

STOCK EXCHANGE RELEASE
April 29, 2003

CONTINGENT LIABILITIES

(unaudited figures)

EUR 1 000	31.3.2003	31.3.2002	31.12.2002
Pension loans	636	904	717
Corporate mortgages granted	235	235	235
Real-estate mortgages granted	101	101	101
Loans from financial institutions	17 757	18 053	18 639
Corporate mortgages granted	7 537	7 537	7 449
Real-estate mortgages granted	3 380	3 380	3 380
Other loans	261	303	261
Real-estate mortgages granted	336	336	336
Used bank guarantee facility	224	1 358	1 897
Real-estate mortgages granted	185	185	185
Given as collateral			
Corporate mortgages granted, total	7 772	7 772	7 684
Real-estate mortgages granted, total	4 002	4 002	4 002
Other contingent liabilities			
On behalf of Group companies	0	899	0
Leasing commitments			
falling due during the next 12 months	74	166	197
falling due later	31	184	85
Rental liabilities			
falling due during the next 12 months	8	96	172
falling due later	40	215	48
Liabilities due to derivative contracts			
Forward exchange contracts	0	12 093	8 010
of which taken out to hedge the parent company's accounts	0	2 464	0
of which taken out to hedge the parent company's other receivables	0	9 629	8 010

STOCK EXCHANGE RELEASE
April 29, 2003

For additional information, please contact:

Seppo Kolo
CEO

Tel. +358-19-6610 204

Antti Koivula
CFO

Tel. +358-19-6610 228

(The telephone numbers have been changed.)

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