

Componenta's new foundry to be located in Karkkila

Componenta is merging the foundries in Alvesta and Karkkila. This will form a large, competitive foundry to serve customers especially in northern Europe. The new foundry will be located in Karkkila. Personnel negotiations will be started at Componenta Alvesta in Sweden concerning the termination of the foundry's operations.

The automated foundries in Alvesta and Karkkila are almost the same size in terms of net sales and personnel. Componenta Alvesta had net sales of EUR 12.1 million and 120 employees in 2002. Componenta Karkkila's net sales last year totalled EUR 14.1 million and the unit employs 130 people. In the past few years capacity utilization at both foundries has been low. The Karkkila foundry recorded an operating loss of EUR -0.1 million in 2002, and the Alvesta foundry a loss of EUR -1.3 million.

The criteria in choosing the new foundry location were competitiveness, flexibility and net investments. Productivity and quality are higher at Componenta Karkkila than at Componenta Alvesta. In Finland it is possible to cost-effectively adapt operations to fluctuations in demand. The new foundry will be located in Karkkila in the company's own real estate which will decrease the needed net investments. The company will make an agreement with the town of Karkkila under which the town will purchase for the current price (EUR 2.4 million) Componenta's holding in the real estate company Karkkilan Keskustakiinteistöt Oy.

As a result of the merger, the entire production of both units will be concentrated at one foundry. The production process at the new foundry will be implemented using a new layout. The key machine in production, the HWS automatic moulding machine, will be moved to Karkkila from the Alvesta foundry. At the same time, the frame height of the moulding machine will be raised, which will make it possible to manufacture larger items and to offer customers a wider product range. Melting and sand production capacity will also be increased at Karkkila and investments will be made to raise productivity for example in the core making and cleaning shops.

The new foundry in Karkkila will have annual net sales of EUR 26 million and a clearly positive operating profit. The foundry will provide 50 – 70 new jobs and will employ altogether 180 – 200 people.

Starting up the new foundry will require net investments of EUR 6 million. The closing costs for a foundry are estimated at EUR 3 million and the required write-downs at EUR 4 million.

Merging the operations of the Karkkila and Alvesta foundries will eliminate surplus production capacity, remove the need for duplicate investments, and create a competitive unit that operates with higher capacity utilization. This restructuring, which is in line with the corporate strategy, will have a positive impact on the financial performance of the entire group. The annual result improvement has been estimated to be EUR 5 million as from 2005.

Detailed planning and preparations for moving the machinery and for the investments for the new Karkkila foundry will start immediately. Recruitment and training of personnel will also begin as soon as possible. The new foundry will start up operations in August 2004.

COMPONENTA

RELEASE
FREE FOR PUBLICATION
2.10.2003 at 10.30 am

Componenta has foundries in Finland in Pori, Pietarsaari and Iisalmi. The Group has also three machine shops and forges in Sweden and three machine shops in Finland. The net sales of the Group in 2002 totalled MEUR 180 and the Group employed 1700 people.

Helsinki, 2 October 2003

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Componenta is a metal sector company with international operations and production plants located in Finland and Sweden. The company's net sales exceed EUR 180 million and the group employs about 1,700 people. Componenta's shares are quoted on the Main List of the Helsinki Exchanges. The group's customers operate in the heavy truck, power and transmission, machine building and off-road industries. Componenta specializes in supplying ready-to-install cast, geared and machined components directly to the customer's assembly line.

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