

Componenta to merge operations of Alvesta and Karkkila foundries – decision on location of new unit during September-October

Componenta is merging the operations of two of the group's present foundries. This will form a large, competitive foundry to serve customers especially in northern Europe. The foundry will be located in either Alvesta, Sweden or Karkkila, Finland. It is hoped to complete the studies needed for making the decision about the location in the next few weeks. The merger will take place in the summer of 2004.

The automated foundries in Alvesta and Karkkila are almost the same size in terms of net sales and personnel. Componenta Alvesta had net sales in 2002 of EUR 12.1 million and some 120 employees. Componenta Karkkila's net sales last year totalled EUR 14.1 million and the unit employs about 130 people. The production units had a combined output in 2002 of 18,100 tonnes. In the past few years capacity utilization at both foundries has been low and in consequence their results have been unsatisfactory.

In the merger the entire production of both foundries will be transferred to a single foundry. The new foundry will have annual net sales of EUR 26 million and will employ 180 – 200 people.

Merging these operations will have a major impact on the entire group. Bringing together the machinery, equipment and expertise of these two foundries will eliminate the existing surplus production capacity and create a competitive unit that operates with better capacity usage. This restructuring, which is in line with the corporate strategy, will have a positive impact on the financial performance of the entire group. It has been calculated that it will improve the result by EUR 3.5 – 5.5 million annually as from 2005.

Starting up the new foundry will require investments of EUR 6 – 8 million, depending on the location. The costs for running down the foundry that is to be closed are estimated at EUR 2 – 3 million and write-downs in this connection will be some EUR 3 – 4 million.

The company aims to complete the studies required to decide on the location of the new foundry during September or October, after which the required personnel negotiations can be started.

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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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