

Componenta Corporation Interim Report 1 January – 30 September 2003

- Net sales during the first nine months were EUR 131.7 million (net sales of EUR 136.3 million in the same period in the previous year, a decline of 3%).
- Operating profit was EUR 5.3 (4.5) million and the result after financial items EUR -0.6 (-2.2 million).
- Earnings per share were EUR 0.03 (0.02).
- The Group's operating profit improved on the previous year, thanks to the programme of remedial action carried out, the improved results of the associated companies and lower financing costs.
- The Group's equity ratio, including the preferred capital note in equity, was 31.8% (31.4% on 31 December 2002).
- Since the end of the Iraq war, which cast a shadow over the global economy at the start of the year, the uncertainty affecting demand has declined.

Markets and developments by customer sector

The Iraq war was a major factor affecting prospects for the global economy at the start of 2003. With the end of the war and a lessening of other destabilising factors, the conditions are right for a start up of economic growth and investments by industry. The decline in interest rates along with the decline in the prevailing uncertainty creates conditions for improving the situation, but probably not until next year.

Production of heavy trucks has remained at a satisfactory level in Europe, even though volumes have fallen. Volumes supplied by Componenta to heavy truck manufacturers in the third quarter were at a similar level (-3%) to those in the same period last year.

Demand in the power and transmission industries in the third quarter was 2% below the corresponding period in the previous year. During the past six months, demand has improved in all segments of the business sector (components for diesel and electric engines and for wind generators).

Output by Nordic machinery and equipment manufacturers has continued at a low level in 2003 as a result of poor investment demand. Componenta's sales to the machine building industry in the third quarter were significantly (+7%) above the corresponding period in the previous year. The full review period was at the same level as the previous year.

Componenta's deliveries to off-road manufacturers in the third quarter were 17% down on the corresponding period in the previous year. Sales for the full nine months were 5% below the previous year.

Net sales and order book

The Group had net sales in the review period of January - September of EUR 131.7 (136.3) million. Net sales declined 3% from the previous year. The Group's order book improved from the start of the year and was similar to what it was as at the end of the previous quarter. At the end of

the review period the order book stood at EUR 26.9 (28.4 million, EUR 24.9 million on 31 December 2002).

Exports and foreign operations accounted for 72% (72%) of net sales. Componenta Corporation's net sales by market area were as follows: Finland 28% (28%), other Nordic countries 52% (52%), Central Europe 17% (18%) and other countries 3% (2%).

Net sales by customer sector were as follows: heavy truck industry 55% (55%), power and transmission 15% (14%), machinery and equipment manufacturers 14% (14%), off-road 12 % (12%) and others 4% (5%).

Result

Componenta Group made an operating profit of EUR 5.3 (4.5) million during the January – September period, and the result after financial items was a loss of EUR 0.6 million (loss of EUR 2.2 million). The result includes one time items of EUR –0.4 (1.3) million. These consist mainly of a write-down of part of the EUR 3.0 million receivables from SEW-Eurodrive. One-time income last year consisted mainly of profit on sales.

The Group's operating profit improved on the previous year, thanks to the programme of remedial action, the improved results of associated companies and lower financing costs. The improvement of operating profit was effected by high prices at the start of the year for scrap steel and lower net sales and lower non-recurring income than in the previous year.

Because of the continuing economic uncertainty, the Group has initiated steps to further raise efficiency and to maintain the positive cash flow, in addition to the restructuring programme that started last year. Implementation of this programme has progressed as planned.

During the third quarter a project was started aiming to merge the operations of two of the Group's foundries that were operating at low capacity usage and were loss-making. Combining the operations of Alvesta and Karkkila will eliminate surplus capacity, remove the need for duplicate investments, and will create a competitive unit that operates with better capacity usage. This arrangement, which is in line with the Group's corporate strategy, will have a positive impact on the financial performance of the entire Group. It has been estimated that it will give an annual improvement of EUR 5 million in the result as from 2005.

The Group's net financial costs amounted to EUR 5.9 (6.7) million and the net result was EUR 0.3 (0.2) million.

Income taxes in the review period were EUR 0.8 (2.4) million positive, due to the reduction in deferred tax liability recorded through the reversal of accelerated depreciation and to the tax receivables for loss-making business units.

Earnings per share were EUR 0.03 (0.02).

The return on investment was 4.7% (3.8%) and the return on equity was 0.8% (0.7%).

Financing

The Group's equity ratio was 19.2% (17.3%). Including the preferred capital note in shareholders' equity, the equity ratio was 31.8% (30.0%, 31.4% on 31 December 2002).

In March the company carried out an EUR 49 million financing arrangement lasting until 2006. As part of its action to make more effective use of capital, in March the Group started a programme to sell its sales receivables. On the basis of this arrangement, some of the sales receivables can be sold without any right of recourse. The target for this programme is to reduce by half the amount of capital tied up in sales receivables. By 30 September 2003 the company had sold sales receivables totalling EUR 8.7 million.

In March the Group repaid EUR 3.2 million, or 10%, of the principal of the preferred capital note in accordance with the terms for the note. On 30 September 2003 Componenta Corporation had outstanding preferred capital note to the value of EUR 25.4 million.

The Group had EUR 23.2 million in non-utilised long-term credit facilities at the end of the review period. The Group has a EUR 40 million commercial paper programme. The Group's interest-bearing net liabilities, excluding the EUR 25.4 million preferred capital note, totalled EUR 107.6 (125.1) million (EUR 116.5 million on 31 December 2002). Net gearing, including the preferred capital note in shareholders' equity, was 167% (184%).

The cash flow from operations was EUR 14.5 (0.6) million, and of this the change in net working capital was EUR 6.9 (-1.2) million. The cash flow from investments was EUR -0.3 (-8.3) million.

Performance of business groups

The Cast and Other Components business group, which forms the Group's core business, supplies ready to install cast and machined components to the heavy truck industry, the power and transmission industries, other machine building industry and the off-road industry.

Cast and Other Components had net sales in the January – September period of EUR 107.0 (112.3) million and an operating profit of EUR 6.5 (4.3) million. The order book stood at EUR 21.3 (22.5) million on 30 September 2003 (EUR 19.6 million on 31 December 2002).

Net sales in the third quarter totalled EUR 31.3 (32.4) million and the operating profit was EUR 1.5 (-0.4) million.

At the beginning of 2003, three major customers of Componenta Främmestad simultaneously made significant changes to their production strategies. To cut personnel costs and improve competitiveness, negotiations were held at Componenta Främmestad and a plan implemented which will result in the number of personnel in Främmestad being reduced by 50 to 120 this year.

Componenta's Other Business consists of operations that are not part of the company's core operations, such as the Wirsbo forges, associated companies, the Group's support functions and service units, as well as divested business.

Net sales for Other Business totalled EUR 24.7 (24.0) million in January – September, with an operating loss of EUR -1.1 (profit of EUR 0.2) million. The operating result includes EUR -0.4 million in non-recurring items. The order book stood at EUR 5.6 (5.9) million at the end of the review period (EUR 5.3 million on 31 December 2002).

Componenta Wirsbo's sales increased from the corresponding period of the previous year. The unit's result has improved from the same period of the previous year in consequence of the programme of remedial action. In August the managing director of Componenta Wirsbo resigned and Mr. Göran Jansson was appointed as the new managing director as from 1 November 2003.

Componenta Group's share of the result of the associated companies was EUR 0.8 (0.0) million. Thermia's net sales and result have performed extremely well over the past nine months, which has raised the result of the associated companies. The result was also boosted by Keycast's improved result and by exchange rate gains at Ulefos. The result was, however, significantly weakened by the poorer operational result of Ulefos NV, which was mainly due to the difficult state of the market in Norway. The associated company has started remedial action at the company's factory in Norway.

Events after the close of the period

At the beginning of October it was decided that the new foundry to be formed from merging the operations in Alvesta and Karkkila will be located in Karkkila. It was also decided to start personnel negotiations in Alvesta concerning the termination of the operations of Componenta Alvesta AB.

The new large, competitive foundry to be located in Karkkila will serve customers especially in northern Europe. The new foundry will have annual net sales of EUR 26 million and a clearly positive operating result. The foundry will provide 50 – 70 new jobs and will employ altogether 180 – 200 people. The criteria in choosing the location were competitiveness, flexibility and net investments.

Starting up the new foundry will require net capital expenditure of EUR 6 million. The costs for running down the foundry to be closed are estimated at EUR 3 million and the required write-down of non-current assets at EUR 4 million.

Change in corporate structure

Componenta Corporation and its fully owned subsidiary Componenta Finance Corporation signed a merger plan on 15 May 2003. According to the terms of the merger plan, Componenta Finance Corporation, including its assets and liabilities, will be merged with its parent company without giving any consideration. The reason for the merger is to simplify the corporate structure. The planned date for registering the completion of the merger is 31 December 2003.

Share capital and shares

The shares of Componenta Corporation are quoted on the main list of the Helsinki Exchanges. At the end of the review period the company's share capital stood at EUR 19.2 million. The shares have a nominal value of 2 euros. At the end of the review period on 30 September 2003 the quoted price of Componenta Corporation shares stood at EUR 3.00. The average price during the review period was EUR 1.94, the lowest quoted price was EUR 1.39 and the highest EUR 3.40. The share capital had a market value of EUR 28.8 million at the end of the review period (EUR 17.4 million on 31 December 2002) and the volume of shares traded during the review period was equivalent to 14.2% of the share stock.

The Annual Meeting of Shareholders decided on 12 February 2003 to pay a dividend of EUR 0.10 per share, in accordance with the proposal of the Board of Directors. The dividend was paid on 24 February 2003.

The subscription period for the warrants issued by Componenta Corporation in 2001 ended on 30 April 2003. The subscription period for the Componenta Finance Corporation warrants from the 1997 bond with warrants and for the 1998 warrants ended on 30 April 2003. No shares were subscribed with these warrants.

On 29 September 2003, Componenta Corporation was informed by Etra-Invest Oy that its holding of Componenta Corporation voting rights and share capital had risen above 15% with a purchase of shares on 26 September 2003. Following this transaction, Etra-Invest Oy owns 1,484,900 Componenta shares and holds 15.44% of Componenta Corporation's voting rights and share capital.

Authorization for share issues and purchasing own shares

The company's Board of Directors has no authorization for share issues or for purchasing the company's own shares.

Investments

Investments in production facilities during the review period totalled EUR 0.8 (6.4) million. The Group's gross investments totalled EUR 0.8 (7.5) million.

Changes in Group Management

Kimmo Virtanen started as the new CFO and a member of the corporate executive team on 18 August 2003 after Sirpa Koskinen left to work for another company on 7 May 2003.

Personnel

The Group's average number of employees during the review period was 1,592 (1,711). On 30 September 2003 the Group had 1,589 (1,719) employees. 54.6% (52.5%) of the Group's personnel were in Finland, 44.7% (47.0%) in Sweden and 0.7% (0.5%) in other countries.

Prospects for the near future

Componenta's prospects for the near future are based on general external financial indicators, order forecasts given by customers, and on Componenta's order intake and order book.

Industry is expected to continue to postpone investment decisions. The decline in uncertainty and the cut in interest rates create the conditions for industrial investments to start up. The first signs of an increase in investments are the starting up of smaller investments to rationalize and modernize. Timing for decisions on major investments are uncertain.

The decline in demand for heavy truck components, which has continued for three years, is thought to have ended and demand should start to pick up at the latest next year.

Demand for power and transmission components is expected to improve towards the end of the year.

Demand in the Nordic machine building industry was better than expected during the second and third quarters. The Group's deliveries to off-road manufacturers failed to match expectations in the second and third quarters and fell short of those in the same period in the previous year. Sales to machine building industry and to off-road industry during the final quarter are expected to stay on the same level as last year.

Despite a few positive signals in recent months, the start up of growth is still exposed to risk factors that may have an impact on the forecasts given above.

Componenta Group's net sales in the final quarter of 2003 are forecast to be similar to the corresponding period last year. Thanks to the streamlining programme started last year, the Group's cost structure is lighter than in the previous year. As a result, the operational result excluding non-recurring items, is expected to be better in the final quarter than in the previous year and the cash flow from operations to be firmly positive. A total of EUR 7 million will be recorded in the result for the year for the one-time write-downs and costs for closing down operations arising from the merger of the operations in Karkkila and Alvesta.

Income statement

MEUR	1.1.-30.9.2003	1.1.-30.9.2002	1.1.-31.12.2002
Net sales	131.7	136.3	180.8
Other operating income	0.6	2.5	3.1
Share of the associated companies' result	0.8	0.0	0.2
Operating expenses	118.6	125.8	167.7
Depreciation, amortization and write-down	9.2	9.1	12.3
Negative goodwill recognized as income	-	-0.5	-2.9
Operating profit	5.3	4.5	7.0
% of net sales	4.1	3.3	3.9
Financial income and expenses	-5.9	-6.7	-9.1
Result after financial items	-0.6	-2.2	-2.1
% of net sales	-0.5	-1.6	-1.2
Income taxes	0.8	2.4	3.1
Minority interest and conversion difference	0.0	0.0	0.0
Net profit	0.3	0.2	1.0

Balance sheet

MEUR	30.9.2003	30.9.2002	31.12.2002
Assets			
Non-current assets	140.3	149.4	149.2
Current assets			
Inventories	20.1	19.4	20.2
Receivables	41.7	54.4	45.6
Cash and bank accounts	1.0	3.4	2.9
Total current assets	62.8	77.2	68.8
Total assets	203.1	226.5	218.0
Liabilities and shareholders' equity			
Shareholders' equity			
Share capital	19.2	19.2	19.2
Other equity	17.8	18.0	18.5
Preferred capital note	25.4	28.6	28.6
Total shareholders' equity	62.4	65.8	66.3
Minority interest	2.0	2.1	2.1
Negative goodwill	-	0.5	-
Provisions	-	-	-
Liabilities			
Non-current liabilities			
Interest bearing	61.0	75.1	75.8
Interest free	0.0	0.0	0.0
Current liabilities			
Interest bearing	47.6	53.4	43.7
Interest free	30.0	29.6	30.1
Total liabilities	138.6	158.2	149.6
Total liabilities and shareholders' equity	203.1	226.5	218.0

Cash flow statement

MEUR	1.1.-30.9.2003	1.1.-30.9.2002	1.1.-31.12.2002
Cash flow from operations			
Profit/loss before extraordinary items	-0.6	-2.2	-2.1
Depreciation, amortization and write-down	9.2	8.6	9.4
Net financial income and expenses	5.9	6.6	9.1
Other income and expenses, adjustments to cash flow	-1.2	-5.2	-3.5
Change in net working capital	6.9	-1.2	1.6
Cash flow from operations before financing and income taxes	20.2	6.6	14.4
Net financial income and expenses	-5.7	-6.0	-7.9
Income taxes	0.0	0.0	0.0
Cash flow from operations	14.5	0.6	6.5
Cash flow from investing activities			
Capital expenditure in tangible and intangible assets	-0.8	-6.4	-7.0
Proceeds from tangible and intangible assets	1.2	0.7	3.6
Other investments and loans granted	-0.7	-2.9	-2.4
Proceeds from other investments and repayments of loan receivables	0.0	0.3	0.0
Cash flow from investing activities	-0.3	-8.3	-5.7
Cash flow from financing activities			
Dividends paid	-1.0	-1.4	-1.4
Share issue	-	-	-
Draw-down (+)/ repayment (-) of preferred capital note	-3.2	-2.6	-2.6
Draw-down (+)/ repayment (-) of current loans	3.9	19.2	9.5
Draw-down (+)/ repayment (-) of non-current loans	-15.9	-5.6	-5.0
Cash flow from financing activities	-16.1	9.5	0.4
Increase (+)/ decrease(-) in cash and bank accounts	-1.9	1.7	1.2

Key ratios

	30.9.2003	30.9.2002	31.12.2002
Equity ratio, %	19.2	17.3	18.2
Equity ratio, %, preferred capital note in equity	31.8	30.0	31.4
Earnings per share (EPS), EUR	0.03	0.02	0.11
Equity per share, EUR	3.85	3.87	3.92
Invested capital	173.1	196.9	187.8
Return on investment, %	4.7	3.8	4.4
Return on equity, %	0.8	0.7	2.5
Net interest bearing debt, MEUR	107.6	125.1	116.5
Net interest bearing debt, MEUR, preferred capital note in debt	133.0	153.7	145.1
Net gearing, %, preferred capital note in equity	166.9	184.4	170.5
Net gearing, %, preferred capital note in debt	340.5	391.4	365.0
Order book, MEUR	26.9	28.4	24.9

Investments in non-current assets, MEUR	0.8	7.5	9.8
Investments in non-current assets, % of net sales	0.6	5.5	5.4
Average number of personnel during the period	1,592	1,711	1,705
Number of personnel at period end	1,589	1,719	1,616
Share of export and foreign activities in net sales, %	71.6	72.1	72.0
Contingent liabilities, MEUR	61.2	56.3	59.7

Derivative instruments

MEUR	30.9.2003		30.9.2002		31.12.2002	
	Nominal value	Current value	Nominal value	Current value	Nominal value	Current value
Currency derivatives						
Forward exchange agreements	22.7	-0.2	35.3	-0.1	37.6	0.0
Currency swaps	1.7	0.0	2.6	0.0	3.0	0.0
Interest rate derivatives						
Interest rate options	6.0	0.0	-	-	-	-
Interest rate swaps	24.0	-0.5	21.0	-0.4	21.0	-0.5

Derivative instruments are used to hedge the Group's foreign exchange and interest rate risks.

Largest registered shareholders on September 30, 2003

Shareholder	Shares	Share of total voting rights
1 Lehtonen Heikki	3,786,131	39.38%
Lehtonen Heikki	3,336,731	
Helsingin Santapaperi Oy	340,000	
Oy Högfors-Trading Ab	109,400	
2 Etra-Invest Oy *)	1,419,200	14.76%
3 Ilmarinen Mutual Pension Insurance Company	457,600	4.76%
4 Inkinen Simo-Pekka	422,044	4.39%
5 Sampo Life Insurance Company Limited	237,800	2.47%
6 Lehtonen Anna-Maria	178,823	1.86%
7 Local Government Pensions Institution	150,000	1.56%
8 Lehtonen Yrjö M	131,040	1.36%
9 Technology Industries of Finland	122,600	1.28%
10 Bergholm Heikki	100,000	1.04%
11 Other shareholders	2,610,071	27.14%
Total	9,615,309	100.00%

*) Etra-Invest Oy's share of the voting rights and share capital of Componenta Corporation has exceeded 15% with a sale effected 26 September 2003. After this sale Etra-Invest Oy's shareholding in Componenta Corporation is 15.44%.

The members of the Board of Directors own 40.4% of the shares. All shares have equal voting rights. The members of the Board of Directors hold 10.5% of the outstanding warrants. If all the warrants were converted to shares, the holding of shares by the members of the Board of Directors would decrease to 39.1%.

Group development by business group

Net sales, MEUR	1.1.-30.9.2003	1.1.-30.9.2002	1.1.-31.12.2002
Cast and Other Components	107.0	112.3	148.7
Other business	24.7	24.0	32.1
Componenta Group total	131.7	136.3	180.8

Operating profit, MEUR	1.1.-30.9.2003	1.1.-30.9.2002	1.1.-31.12.2002
Cast and Other Components	6.5	4.3	5.8
Other business	-1.1	0.2	1.2
Componenta Group total	5.3	4.5	7.0

Order book, MEUR	30.9.2003	30.9.2002	31.12.2002
Cast and Other Components	21.3	22.5	19.6
Other business	5.6	5.9	5.3
Componenta Group total	26.9	28.4	24.9

Group development by quarter

MEUR	Q3/2003	Q2/2003	Q1/2003	Q4/2002	Q3/2002	Q2/2002	Q1/2002
Net sales	38.2	47.2	46.3	44.5	39.1	50.1	47.1
Operating profit	0.9	2.8	1.6	2.5	0.3	3.1	1.1
Net financial items	-2.0	-1.9	-2.1	-2.4	-2.2	-2.4	-2.1
Profit/loss after financial items	-1.1	1.0	-0.5	0.1	-1.9	0.7	-1.0

Quarterly development by business group

Net sales, MEUR	Q3/2003	Q2/2003	Q1/2003	Q4/2002	Q3/2002	Q2/2002	Q1/2002
Cast and Other Components	31.3	38.3	37.4	36.4	32.4	41.1	38.8
Other business	6.9	8.9	8.9	8.1	6.7	9.0	8.3
Componenta Group total	38.2	47.2	46.3	44.5	39.1	50.1	47.1

Operating profit, MEUR	Q3/2003	Q2/2003	Q1/2003	Q4/2002	Q3/2002	Q2/2002	Q1/2002
Cast and Other Components	1.5	2.9	2.1	1.5	-0.4	3.3	1.4
Other business	-0.5	-0.1	-0.5	1.0	0.7	-0.2	-0.3
Componenta Group total	0.9	2.8	1.6	2.5	0.3	3.1	1.1

Order book at period end, MEUR	Q3/2003	Q2/2003	Q1/2003	Q4/2002	Q3/2002	Q2/2002	Q1/2002
Cast and Other Components	21.3	20.4	21.7	19.6	22.5	23.8	22.9
Other business	5.6	6.1	5.4	5.3	5.9	6.1	5.3
Componenta Group total	26.9	26.5	27.1	24.9	28.4	29.9	28.2

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COMPONENTA CORPORATION

Board of Directors

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FURTHER INFORMATION

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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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