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Componenta changes pricing cycle due to huge increase of raw material prices

Prices for main raw materials like recycled steel scrap and pig iron produced from iron ore have risen more than 100 % between end of last year and June 2008. Componenta is therefore adopting a price balancing system that updates the effect of raw material prices on a monthly basis instead of the earlier quarterly adjustments.

The raw material price compensation system introduced by Componenta in 2004 with quarterly evaluation periods has proven not to be able to follow the rapid changes fast enough. Currently the quarterly applied surcharges differ significantly from the actual market prices. This has led to a situation where the supplier is compensated for the rapidly increased material costs only after a considerable delay.

Componenta has decided to balance the effect of this delay by additional quarterly invoices or credit notes to its customers. The new system will cover the difference between the actual market prices and the earlier system having four month delay due to quarterly adjustments. The new system will take care that there are no significant differences between materials purchased and products invoiced. Should the material prices go down the new system will lead to faster compensation to customers as well. The impact on Q2/2008 invoicing and operating profit is estimated to be approximately 5 %.

The customers are separately notified of the above arrangement.

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Componenta is a metal sector company with international operations and production plants located in Finland, Turkey, the Netherlands and Sweden. The net sales of Componenta were EUR 635 million in 2007. The Group employs about 5,100 people. Componenta's shares are quoted on the OMX Nordic Exchange in Helsinki. Componenta specializes in supplying cast and machined components and total solutions made of them to its global customers who are manufacturers of vehicles, machines and equipment.

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