

# COMPONENTA



Casting Future Solutions

- ✓ Net sales during the first six months were EUR 93.5 million (net sales of EUR 97.2 million in the same period in the previous year, a decline of 4%).
- ✓ Operating profit of EUR 4.4 (4.2) million and a profit after financial items of EUR 0.5 million (loss of EUR 0.3 million).
- ✓ Earnings per share were EUR 0.09 (0.03).
- ✓ The Group's operating profit remained at the same level as the previous year, thanks mainly to the programme of remedial action carried out and despite the high prices for scrap steel and lower net sales than in the previous year. Lower financing costs also contributed to the improvement in the Group's result.
- ✓ The Group's equity ratio, including the preferred capital note in equity, was 31.3% (31.4% on 31 December 2002).
- ✓ The Iraq war cast a shadow over the global economy during the first half of the year, and since the war ended the uncertainty affecting demand has continued.

#### Markets and developments by customer sector

The Iraq war has been a major factor affecting prospects for the global economy. The war and other destabilising factors have caused further delays in any recovery in economic growth and investments by industry. The fall in interest rates since the end of the war and a possible decline in the prevailing uncertainty create conditions for improving this state of affairs, 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 second quarter were considerably lower (-8%) than in the same period last year. Exceptionally poor demand for truck brake components contributed to this, in addition to the factors mentioned above.

Demand in the power and transmission industries picked up as expected in the second quarter and was 3 per cent up on the corresponding period in the previous year. Sales for the first half of the year were, however, down on the same period in the previous year. The poor performance at the start of the year was mainly due to low demand for wind generator components. During the review period, demand has improved in all segments of the business sector (components for diesel and electric engines and for wind turbine 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 second quarter of 2003 were at the same level as in the corresponding period in the previous year. Sales fell 2 per cent compared with the first half of the previous year.

Componenta's deliveries to off-road manufacturers in the second quarter fell 9 per cent from the corresponding period in the previous year. Sales for the first half of the year were similar to those in the previous year.

#### Net sales and order book

The Group had net sales in the review period of January - June of EUR 93.5 (97.2) million. Net sales declined 4% from the previous year. The Group's order book improved from the start of the year, remaining the same as at the end of the previous quarter. At the end of the review period the order book stood at EUR 26.5 (29.9) million (EUR 24.9 million on 31 December 2002).

Exports and foreign operations accounted for 72% (73%) of net sales. Componenta Corporation's net sales by market area were as follows: Finland 28% (27%), other Nordic countries 52% (53%), Central Europe 17% (17%) and other

countries 3% (3%).

Net sales by customer sector were as follows: heavy truck industry 55% (54%), power and transmission 14% (14%), machinery and equipment manufacturers 14% (14%), off-road 13% (12%) and others 4% (5%).

#### Result

Componenta Group made an operating profit of EUR 4.4 (4.2) million during the first six months of the year, and the profit after financial items was EUR 0.5 million (loss of EUR 0.3 million). The result includes a one time item of EUR -0.3 million for the outstanding amount in the sale of SEW-Componenta decided by the Court of Arbitration. By the end of the review period SEW-Eurodrive had not paid the sum of more than EUR 2.6 million, including interest, that the court decided it should pay. According to the terms of the decision of the Court of Arbitration, interest of 8.4% is charged on the unpaid item.

The Group's operating profit remained at the same level as in the previous year, mainly because of the programme of remedial action and in spite of the high prices for scrap steel at the start of the year and lower net sales than in the previous year. These factors and lower financing costs contributed to the improvement in the Group's result.

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

The Group's net financial costs amounted to EUR 4.0 (4.5) million and the net result was EUR 0.8 (0.3) million.

Income taxes in the review period were EUR 0.4 million positive, due to the reduction in deferred tax liability recorded through the reversal of accelerated depreciation.

Earnings per share were EUR 0.09 (0.03).

The return on investment was 5.6% (5.1%) and the return on equity was 4.3% (1.3%).

#### Financing

The Group's equity ratio was 19.0% (17.5%). Including the preferred capital note in shareholders' equity, the equity ratio was 31.3% (30.1%, 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 trade receivables. On the basis of this arrangement, some of the trade 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 trade receivables. By 30 June 2003 the company had sold trade receivables totalling EUR 5.6 million.

In March the Group repaid EUR 3.1 million, or 10%, of the principal of the preferred capital note in accordance with the terms for the note. On 30 June 2003 Componenta Corporation's preferred capital note amounted to EUR 25.4 million.

The Group had committed credit facilities of EUR 22.3 million 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 109.7 (122.9) million (EUR 116.5 million on 31 December 2002). Net gearing, including the preferred capital note in shareholders' equity, was 169% (181%).

The cash flow from operations was EUR 11.4 (-1.0) million, and of this the change in net working capital was EUR 4.5 (-3.5) million. The cash flow from investments was EUR -1.0 (-4.3) million. The change in cash funds during the review period was EUR -2.3 (-0.5) 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 first half of the year of EUR 74.5 (79.9) million and an operating profit of EUR 5.0 (4.7) million. The order book stood at EUR 20.4 (23.8) million on 30 June 2003 (EUR 19.6 million on 31 December 2002).

At the beginning of 2003, three major customers of Componenta Främmestad simultaneously made significant changes to their production strategies. The changes will mean an annual reduction of some SEK 75 million in production at Främmestad. Deliveries of the products affected by these reductions will not cease until the end of 2003, in accordance with the contracts for them. 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 19.0 (17.3) million in the first half of the year and the operating loss was EUR 0.6 (loss of EUR 0.5) million. The order book stood at EUR 6.1 (6.1) 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 slightly improved from the same period of the previous year in consequence of the savings programme.

Componenta Group's share of the result of the associated companies was EUR 0.1 (-0.1) million. The result was boosted by Keycast's improved result and exchange rate gains at Ulefos. The result was weakened by the poorer operational result of Ulefos NV due to the difficult state of the market in Norway. The associated company has started remedial action at the company's factory in Norway.

## 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 Componenta Corporation 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 June 2003 the quoted price of Componenta Corporation shares stood at EUR 2.03. The average price during the review period was EUR 1.67, the lowest quoted price was EUR 1.39 and the highest EUR 2.19. The share capital had a market value of EUR 19.5 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 9.1% 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 accord-

ance 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 Ltd warrants from the 1997 bond with warrants and for the 1998 warrants ended on 30 April 2003. No shares were subscribed with these warrants.

## 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 0.6 (3.7) million. The Group's gross investments totalled EUR 0.6 (4.8) million.

## Changes in Group Management

Sirpa Koskinen, Componenta's CFO and a member of the corporate executive team, left to work for another company on 7 May 2003. Kimmo Virtanen, M.Sc. (Econ.), has been appointed CFO and a member of the corporate executive team at Componenta Group as from 18 August 2003.

## Personnel

The Group's average number of employees during the review period was 1,596 (1,722). On 30 June 2003 the Group had 1,614 (1,752) employees. 54.6% (54.1%) of the Group's personnel were in Finland, 44.9% (45.4%) in Sweden and 0.6% (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.

Industrial investment decisions are expected to be postponed again. The cut in interest rates creates the conditions for industrial investments to start up.

The decline in demand for heavy truck components, which has continued for three years, is thought to have ended.

Demand for power and transmission components is expected to continue to improve in the second half of the year. Demand in the Nordic machine building industry was better than expected during the second quarter.

The Group's deliveries to off-road manufacturers failed to match expectations in the second quarter and fell short of those in the same period in the previous year. Despite this, the previous positive trend in sales is expected to continue during the second half of the year.

Despite some positive signs recently, numerous factors put the start up of growth at risk, which can affect the above mentioned estimates.

Thanks to the streamlining programme started last year, the Group's cost structure is lighter than in the previous year. Componenta Group's net sales in the third quarter of 2003 are forecast to be almost the same as in the corresponding period last year. As a result of the streamlining programme, the operational result after financial items, excluding non-recurring items, is forecast to be loss-making, even though significantly better than in the previous year. The cash flow from operations is forecast to be clearly positive in the third quarter.

Helsinki, 11 July 2003

COMPONENTA CORPORATION

Board of Directors

Income statement, MEUR	1.1.-30.6.2003	1.1.-30.6.2002	1.1.-31.12.2002
Net sales	93.5	97.2	180.8
Other operating income	0.4	0.5	3.1
Share of the associated companies' result	0.1	-0.1	0.2
Operating expenses	83.5	87.7	167.7
Depreciation, amortization and write-down	6.1	6.2	12.3
Negative goodwill recognized as income	-	-0.4	-2.9
Operating profit	4.4	4.2	7.0
<i>% of net sales</i>	4.7	4.3	3.9
Financial income and expenses	-4.0	-4.5	-9.1
Result after financial items	0.5	-0.3	-2.1
<i>% of net sales</i>	0.5	-0.3	-1.2
Income taxes	0.4	0.6	3.1
Minority interest and conversion difference	0.0	0.0	0.0
Net profit	0.8	0.3	1.0

Balance sheet, MEUR	30.6.2003	30.6.2002	31.12.2002
<b>Assets</b>			
Non-current assets	142.2	150.8	149.2
Current assets			
Inventories	20.2	21.5	20.2
Receivables	44.3	52.1	45.6
Cash and bank accounts	0.7	1.2	2.9
Total current assets	65.2	74.9	68.8
<b>Total assets</b>	<b>207.4</b>	<b>225.7</b>	<b>218.0</b>

**Liabilities and shareholders' equity**

Shareholders' equity			
Share capital	19.2	19.2	19.2
Other equity	18.2	18.1	18.5
Preferred capital note	25.4	28.6	28.6
Total shareholders' equity	62.8	65.9	66.3
Minority interest	2.1	2.1	2.1
Negative goodwill	-	0.5	-
Provisions	-	-	-
Liabilities			
Non-current liabilities			
Interest bearing	61.6	78.9	75.8
Interest free	0.0	0.0	0.0
Current liabilities			
Interest bearing	48.8	45.2	43.7
Interest free	32.1	33.0	30.1
Total liabilities	142.5	157.2	149.6
<b>Total liabilities and shareholders' equity</b>	<b>207.4</b>	<b>225.7</b>	<b>218.0</b>

Consolidated cash flow statement, MEUR	1.1.-30.6.2003	1.1.-30.6.2002	1.1.-31.12.2002
<b>Cash flow from operations</b>			
Profit/loss before extraordinary items	0.5	-0.3	-2.1
Depreciation, amortization and write-down	6.1	5.8	9.4
Net financial income and expenses	4.0	4.5	9.1
Other income and expenses, adjustments to cash flow	0.5	-2.2	-3.5
Change in net working capital	4.5	-3.5	1.6
<b>Cash flow from operations before financing and income taxes</b>	<b>15.6</b>	<b>4.2</b>	<b>14.4</b>
Net financial income and expenses	-4.2	-5.2	-7.9
Income taxes	0.0	0.0	0.0
<b>Cash flow from operations</b>	<b>11.4</b>	<b>-1.0</b>	<b>6.5</b>
<b>Cash flow from investing activities</b>			
Capital expenditure in tangible and intangible assets	-0.6	-3.7	-7.0
Proceeds from tangible and intangible assets	0.0	0.7	3.6
Other investments and loans granted	-0.4	-1.3	-2.4
Proceeds from other investments and repayments of loan receivables	0.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>-1.0</b>	<b>-4.3</b>	<b>-5.7</b>
<b>Cash flow from financing activities</b>			
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	5.1	11.0	9.5
Draw-down (+)/ repayment (-) of non-current loans	-13.7	-2.1	-5.0
<b>Cash flow from financing activities</b>	<b>-12.7</b>	<b>4.8</b>	<b>0.4</b>
<b>Increase (+)/ decrease(-) in cash and bank accounts</b>	<b>-2.3</b>	<b>-0.5</b>	<b>1.2</b>

Key Ratios	30.6.2003	30.6.2002	31.12.2002
Equity ratio, %	19.0	17.5	18.2
Equity ratio, %, preferred capital note in equity	31.3	30.1	31.4
Earnings per share (EPS), EUR	0.09	0.03	0.11
Equity per share, EUR	3.89	3.88	3.92
Invested capital	175.3	192.6	187.8
Return on investment, %	5.6	5.1	4.4
Return on equity, %	4.3	1.3	2.5
Net interest bearing debt, MEUR	109.7	122.9	116.5
Net interest bearing debt, MEUR, preferred capital note in debt	135.1	151.5	145.1
Net gearing, %, preferred capital note in equity	169	181	171
Net gearing, %, preferred capital note in debt	342.2	384.9	365.0
Order book, MEUR	26.5	29.9	24.9
Investments in non-current assets, MEUR	0.6	4.8	9.8
Investments in non-current assets, % of net sales	0.6	4.9	5.4
Average number of personnel during the period	1,596	1,722	1,705
Number of personnel at period end	1,614	1,752	1,616
Share of export and foreign activities in net sales, %	72.0	73.0	72.0
Contingent liabilities, MEUR	61.5	53.2	59.7

Derivative instruments, MEUR	30.6.2003		30.6.2002		31.12.2002	
	Nominal value	Current value	Nominal value	Current value	Nominal value	Current value
Currency derivatives						
Forward exchange agreements	26.3	0.2	36.9	0.0	37.6	0.0
Currency swaps	0.9	0.0	0.4	0.0	3.0	0.0
Interest rate derivatives						
Interest rate options	6.0	0.0	-	-	-	-
Interest rate swaps	24.0	-0.7	18.0	-0.1	21.0	-0.5

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

#### Largest registered shareholders on 30 June 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 Ab	1,209,600	12.58
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 If P&C Insurance Company	200,000	2.08
7 Lehtonen Anna-Maria	178,823	1.86
8 Local Government Pensions Institution	150,000	1.56
9 Lehtonen Yrjö M	131,040	1.36
10 Technology Industries of Finland	122,600	1.28
11 Other shareholders	2,719,671	28.28
Total	9,615,309	100.00

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.-30.6.2003	1.1.-30.6.2002	1.1.-31.12.2002
Cast and Other Components	74.5	79.9	148.7
Other business	19.0	17.3	32.1
Componenta Group total	93.5	97.2	180.8

Operating profit, MEUR	1.1.-30.6.2003	1.1.-30.6.2002	1.1.-31.12.2002
Cast and Other Components	5.0	4.7	5.8
Other business	-0.6	-0.5	1.2
Componenta Group total	4.4	4.2	7.0

Order book, MEUR	30.6.2003	30.6.2002	31.12.2002
Cast and Other Components	20.4	23.8	19.6
Other business	6.1	6.1	5.3
Componenta Group total	26.5	29.9	24.9

## Group development by quarter

MEUR	4-6/03	1-3/03	10-12/02	7-9/02	4-6/02	1-3/02
Net sales	47.2	46.3	44.5	39.1	50.1	47.1
Operating profit	2.8	1.6	2.5	0.3	3.1	1.1
Net financial items	-1.9	-2.1	-2.4	-2.2	-2.4	-2.1
Profit/loss after financial items	1.0	-0.5	0.1	-1.9	0.7	-1.0

## Quarterly development by business group

Net sales, MEUR	4-6/03	1-3/03	10-12/02	7-9/02	4-6/02	1-3/02
Cast and Other Components	37.1	37.4	36.4	32.4	41.1	38.8
Other business	10.1	8.9	8.1	6.7	9.0	8.3
Componenta Group total	47.2	46.3	44.5	39.1	50.1	47.1

Operating profit, MEUR	4-6/03	1-3/03	10-12/02	7-9/02	4-6/02	1-3/02
Cast and Other Components	2.9	2.1	1.5	-0.4	3.3	1.4
Other business	-0.1	-0.5	1.0	0.7	-0.2	-0.3
Componenta Group total	2.8	1.6	2.5	0.3	3.1	1.1

Order book at period end, MEUR	4-6/03	1-3/03	10-12/02	7-9/02	4-6/02	1-3/02
Cast and Other Components	20.4	21.7	19.6	22.5	23.8	22.9
Other business	6.1	5.4	5.3	5.9	6.1	5.3
Componenta Group total	26.5	27.1	24.9	28.4	29.9	28.2

# COMPONENTA

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