

COMPONENTA



Annual Report 2003

 Casting Future Solutions

Casting Future Solutions

Strategic goals

The Group's strategic goal is to be the preferred partner of customers in the engineering of casting solutions.

By 2006, most of our business will be based on engineering partnership and total solutions. Thanks to the efficient operations of internal and external production chains we will be competitive. We have also significantly improved our profitability and divested business that is not part of our core business or that is unprofitable. Through continuous improvement and development we ensure that our personnel are highly skilled and committed.

To meet our strategic goal we need to have long-term customer relationships and close business partnership with our customers. At the same time we must have expertise, knowledge and know-how, and make the right decisions concerning products and operating methods. We are continuously taking action to maintain and improve these important areas of expertise.

Financial targets

Componenta's long-term financial targets are as follows:

- Return on investment (ROI) to be at least five per cent above the yield on long-term government bonds.
- Organic growth to exceed growth in customer industries by at least five percentage points. This growth is based on increasing the share of engineering co-operation and total solutions in our business and on the increasing outsourcing of operations by manufacturing companies.
- Equity ratio of at least 40 per cent.
- Dividend of 30 - 50 per cent of result.



<http://www.componenta.com/2003/enindex.html>

Values

Componenta's values are openness, honesty and human orientation. These values are reflected in our daily operations in the following ways:

- We are open to new ideas and change, and are willing to develop. Through this we look to continually improve our ways of working.
- We are honest with ourselves and each other. We do what we promise.
- Our work - with colleagues, superiors, subordinates, customers and other partners - is based on trust and mutual respect.

Componenta is publishing its 2003 annual report in a printed version and on the Internet. Both contain the full financial statements for 1 January – 31 December 2003, a presentation of the Group's strategy and business, reviews of human resources and environmental matters, and a presentation of the Board of Directors and Executive team. Componenta's Corporate Governance is presented in full in the Internet annual report.

The annotation >>[http://www.componenta.com/...](http://www.componenta.com/) in the printed report means that the Internet report contains more information about the topic.

As from 2003, Componenta has increasingly switched its investor communications to the Internet. The company no longer mails annual reports and interim reports automatically. Publications and releases are available immediately after their release date on the Internet at www.componenta.com. Published releases can be ordered from that address direct to your e-mail. You can also order a printed version of publications by telephone at +358 9 2250 2701 or by e-mail at ir.componenta@componenta.com.

An expert supplier of casting solutions

Componenta's business idea is to supply its customers in the European heavy truck, power and transmission, machine building and off-road industries with competitive cast component solutions that create added value.

Componenta's products are ready-to-install cast, geared and machined components. The components produced by Componenta are often strategic parts in the customer's product. More details about Componenta's customer sectors and the products supplied to them can be found on the Group's Internet website.

Componenta creates added value for its customers through R&D partnership. The Group has concentrated its R&D and sales functions at its Customer Product Center (CPC). The Group's experts in casting, machining and logistics often work together with the customer in developing a component right from the earliest stages. This gives the best results, both for the product itself and

for the production process. The products are manufactured in specialized production chains consisting of foundries and machine shops, which are coordinated by the CPC during the running in stage for the products.

Today Componenta is one of the largest cast component manufacturers in northern Europe. The small, cast-to-order foundry established 85 years ago in Helsinki has grown into a consortium of many companies – a group that contains five foundries, seven machine shops and three forges in Finland and Sweden. The Group has net sales of EUR 178 million, of which almost three quarters is exported mainly to other Nordic countries and to Central Europe. The shares of Componenta Corporation are quoted on the main list of the Helsinki Exchanges.



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Heikki Lehtonen

Development of our core business continues

Looking at Componenta's operations in 2003, the performance was satisfactory, whereas the actual result was still indifferent. Despite a small decline in net sales and the uncertainty in the markets, the result after financial items improved significantly from the previous year. This gives grounds for concluding that the steps taken during the year have been on the right track and achieved what was expected of them. This gives confidence to continue along the same lines.

Componenta's operations are based on specialized business units and efficient production chains consisting of foundries and machine shops. We supply competitive, value-adding casting solutions to customers in different industrial sectors, and our strategic goal is to be the preferred engineering partner in casting solutions for our customers. To achieve this goal, we need to adapt our business operations into closer cooperation with customers and to improve profitability by focusing on our core capabilities, enhancing our internal operations, and divesting non-core and underperforming business.

We introduced a new organization at the start of the year, which enabled us to improve our own operations and the way we work with customers, and the merger carried out during the year simplified our corporate structure. To improve profitability we continued in all our business units the cost-cutting programme started at the end of 2002, cutting fixed and variable costs and revising the product structure.

The most important step towards improved profitability was the decision to reduce the number of business units and raise the capacity usage of the remaining units. In August we announced that we would combine the operations of two loss-making foundries operating at less than full capacity. In October we chose Karkkila as the location for the unit that would remain and be rebuilt. The criteria for this choice were competitiveness, flexibility and the size of the net investments required. The decision will have a major impact on the Group's competitiveness and on its future. Since this decision was taken, the practical steps of transferring operations from Alvesta to Karkkila, making the necessary new purchases, and training new employees have got well under way. In building the new foundry we are examining the entire production process at the current Karkkila foundry and will change it in many ways, taking into account the impact on the environment and other issues. The whole project is a major effort, and carrying it through will demand many hours work and expertise in various areas. The revamped Karkkila foundry will start operations in August 2004.

In general, the economic prospects for 2004 are more positive than those for the past few years. Expectations for an upward turn in the economy have strengthened, although uncertainty can still be seen in many places. Order volumes in Componenta's customer sectors have

grown during recent months and this trend is expected to continue. The speed of growth in Europe, however, is hard to forecast.

Increasing competition is also bringing pressure to adapt existing structures. The changes taking place among our customers and the increase in the purchasing power of customers mean that changes must also take place among suppliers and subcontractors. As a strong player in its sector, Componenta wishes to be involved, within its capabilities, in developing its sector. The agreement signed on 24 January to sell the shares of associated company Thermia reinforces the company's financial position and places us in a better position to develop our core business.

My warmest thanks to Componenta's shareholders, personnel, customers and other partners for our work together in 2003.

Heikki Lehtonen
President and CEO



Heikki Bergholm



Juhani Mäkinen



Matti Tikkakoski

Group management



www.componenta.com/2003/en04.html

The administration of Componenta Corporation is based on the Finnish Companies Act and the company's Articles of Association.

The principles of corporate governance in force during 2003 can be seen in the web version of the annual report.

Board of Directors

Heikki Bergholm, b. 1956

M.Sc. (Eng)

Board Member since 2002,

Chairman since 2003

President and CEO of

Suominen Corporation

Member of the Board of Directors of

Pohjola Group plc, Sponda Plc and

Suominen Corporation.

100,000 Componenta shares

3,750 warrants (issued in 2001)

Juhani Mäkinen, b. 1956

Attorney

Board Member since 2000

Chairman of the Board of Directors of

Hannes Snellman Attorneys at Law Ltd

Chairman of the Board of Directors of

Oy Forcfit Ab

Vice Chairman of the Board of Directors of Myllykoski Oyj

2,000 Componenta shares

6,000 warrants (issued in 2001)

Matti Tikkakoski, b. 1953

B.Sc. (Econ.)

Board Member since 2003

Senior Vice President of Å & R Carton AB

1,500 warrants (issued in 2001)

Heikki Lehtonen, b. 1959

M.Sc. (Eng)

Board Member since 1987

President and CEO of Componenta

Corporation

Vice Chairman of the Board of Directors of

Jaakko Pöyry Group Ltd, Raute Plc and

The Family Business Network Finland

Member of the Board of Directors of

Otava Books and Magazines Group Ltd

3,786,131 Componenta shares

35,376 warrants (issued in 2001)

Executive team

Heikki Lehtonen, b. 1959

M.Sc. (Eng.)

President and CEO

Lauri Huhtala, b. 1965

M.Sc. (Econ.)

Director, Foundries

800 Componenta shares

7 500 warrants (issued in 2001)

Olli Karhunen, b. 1959

M.Sc. (Eng.)

Director, Power & Transmission

1 800 Componenta shares

7 500 warrants (issued in 2001)

Jari Leino, b. 1961

Engineer

Director, Sales and Development

2 000 Componenta shares

7 500 warrants (issued in 2001)

Kimmo Virtanen, b. 1968

M.Sc. (Econ.)

CFO

7 500 warrants (issued in 2001)

Pirjo Aarniovuori, b. 1955

Communications Manager

2 500 warrants (issued in 2001)



Lauri Huhtala



Olli Karhunen



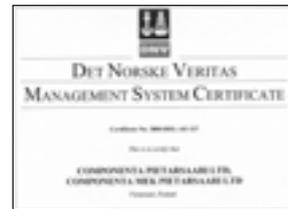
Jari Leino



Kimmo Virtanen



Pirjo Aarniovuori



Componenta takes environmental impact into account in its operations

Componenta is committed to the continuous improvement of its operations and through this to reducing the environmental impact of its production processes. In this way the company is preventing, reducing and eliminating factors that have a harmful impact on the air, water system or soil. By taking into account the environmental impact, the company is responding to the expectations of its stakeholder groups and ensures that it remains competitive in a developing, challenging market.

Operations are governed by the environmental policy

The goals set in Componenta's environmental policy are to reduce energy consumption and usage of materials, to restrict particle and VOC emissions, to reduce noise levels and increase the recycling of waste.

The environmental management systems at the business units contain individual targets relating to these goals.

Energy analyses have been carried out to assess energy consumption at the business units. In 2003 the energy analyses for the Pori and Pietarsaari foundries were completed, including proposals for reducing energy consumption. Some of these energy saving measures have already been implemented. Material usage has been reduced through improved internal recycling of cutting fluids. The main focus in the past few years in reducing VOC emissions has been on replacing solvent-based with water-based paints. The sorting of waste has increased and in 2003 two contracts were signed for the reuse of waste.

It is Componenta's goal to build an environmental management system conforming to ISO 14001 standards at all its

units. All our foundries and most of our machine shops have a certified environmental management system. The environmental management system at the Wirsbo forge was completed in 2003 and will be certified at the beginning of 2004. The environmental management system is still under construction at the Åmål machine shop.

High quality work is part of the environmental strategy

Production is governed by quality standards that also benefit the environment. Making things correctly first time saves energy and materials. Proper management of quality issues has an impact on air, water and waste emissions. In the design of castings and the planning of production, paying attention to economic factors also addresses environmental issues.

Skilled personnel are one factor in success

One of the strategic goals of Componenta Group is to ensure that the Group's personnel are highly skilled and committed and remain so in the years to come. Key objectives for the next few years in the Group's human resources management and personnel development are flexible use of human resources, raising the level of expertise through training and other forms of learning, developing incentive schemes, and making initial training more effective.

Some 1,565 people are employed at Componenta's business units, 54.4% in Finland, 44.9% in Sweden and 0.7% in other countries.

The year 2003

A major event affecting the entire Group and its personnel in 2003 was the decision to combine the operations of Componenta Karkkila and Componenta Alvesta, two

foundries of similar size operating at low capacity usage. It was decided to locate the new foundry produced by the merger in Karkkila, Finland. The new foundry will employ altogether 180 – 200 people, and by summer 2004 some 50 – 70 new workers will be needed there. A joint project was started in December 2003 to recruit and train new employees.

Locating the new foundry in Karkkila also means terminating the operations of Componenta Alvesta AB in Sweden. The Alvesta foundry, which employs 120 people, will cease operations by the end of May 2004.

Professional development and training

The Group has arranged training to maintain and develop professional skills, either internally or using available external courses. The focus in 2003 was on internal training of the Group's supervisory staff,

which was tailored for personnel working in supervisory positions and as expert advisors.

From personnel proposal schemes to continuous improvement

Many business units in Componenta Group have introduced a new working method, Continuous Improvement. This creates greater interest among personnel in their own work and their working environment and opens up ways for them to get involved in developing and improving these.

Maintenance of work fitness

Componenta accepts responsibility for the well-being of its personnel. The company offers personnel opportunities to maintain their physical fitness for their work. Componenta's programme to maintain work fitness includes a wide range of sports and

Report by the Board of Directors



<http://www.componenta.com/2003/en06.html>

Focus areas for environmental efforts

In future in its environmental work the company will focus on more efficient use of energy, maximum reuse of waste (= by-products) and reducing waste volumes, and efficient use of materials.

The expansion of capacity at the Karkkila foundry in 2004 is one focus area for the company's environmental work in the near future. Almost the entire production layout will be renewed in the expansion and product flows will be optimized. Attention has been paid to environmental aspects such as noise, work ergonomics and clean air in planning these. At the same time the resulting environmental impact of the expansion is being assessed.

At the start of 2003 the Iraq war cast a shadow over prospects for the global economy. The ending of the war and the declining impact of other destabilizing factors have created the right conditions for economic growth and for industry to restart investments.

Componenta's sales in 2003 totalled EUR 177.8 (180.8) million, which was 2% down on the previous year. Sales in the final quarter rose 4% to EUR 46.1 (44.5) million.

Manufacturing of heavy trucks in Europe rose 0.9% during the year. Volumes delivered by Componenta in 2003 to the heavy truck industry were however 3% below the previous year, due to a significant fall in deliveries of brake components. Deliveries in the final quarter were similar to those in the corresponding period of the previous year.

Deliveries to the power and transmissions industries in 2003 were 4% above those in the previous year. Demand in the sector for diesel engine, electric motor and wind turbine components picked up towards the end of 2003. Componenta's deliveries in the final quarter to the power and transmissions industries were 27% higher than in the corresponding period in the previous year.

Production by Nordic machinery and equipment manufacturers remained at a low level during 2003 as a result of poor investment demand. Componenta's sales to the machine building industry was 1% above the previous year, while deliveries to off-road manufacturers fell 5% from the previous year.

Net sales and order book

The Group had net sales in the January – December review period of EUR 177.8 (180.8) million. Net sales declined 2% from the previous year. The Group's order book at the close of the review period stood at EUR 25.1 (24.9) million. Net sales in the final quarter of the year totalled EUR 46.1 (44.5) million, an increase of 4% from the previous year.

Exports and foreign operations accounted for 71% (72%) of the Group's net sales. Net sales by market area were as follows:

Finland 29% (28%), other Nordic countries 51% (52%), Central Europe 17% (17%) and other countries 3% (3%).

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, excluding one-time items, of EUR 8.1 (2.8) million and the result after financial items, excluding one-time items, was EUR 0.5 (-6.3) million. One-time items totalled EUR -8.0 (4.2) million. These consisted of costs arising from the merging of the operations of Karkkila and Alvesta of EUR 4.0 million from the write-down of non-current assets and EUR 2.8 million for running down the foundry, EUR 1.4 million in one-time costs for the cost-cutting programme at the Wirsbo forge, a write-down of EUR 0.4 million on receivables from SEW-Eurodrive, and the cancellation of a write-down of EUR 0.7 million for the shares of Karkkilan Keskustakiinteistö Oy. The 2002 one-time income of EUR 4.2 million consisted mainly of profits on sales of non-recurring items and of negative goodwill recognized during the year. The operating result for the final quarter, excluding one-time items, was EUR 2.3 (-0.1) million and the result after financial items was EUR 0.7 (-2.3) million.

The consolidated result after financial items, excluding one time write-downs and costs, improved from the previous year in consequence of the programme of remedial action carried out, the improved results of associated companies, and lower financing costs. High prices for steel scrap and lower net sales than the previous year slowed down this improvement.

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



<http://www.componenta.com/2003/en07.html>

keep fit activities, specific rehabilitation activities for those whose work fitness has deteriorated, and common leisure activities.

Incentive schemes

Componenta has a share option scheme and a bonus scheme for key personnel.

When the Group celebrates a major anniversary, it awards employees the long service medals issued by the Central Chamber of Commerce. November 2003 saw the 85th anniversary of the founding of the parent company of Componenta Group, and on account of this 209 people were given medals for 10, 20, 30 or 40 years' service at events held at the business units.

Combining the operations of Alvesta and Karkkila will eliminate excess capacity, remove the need for duplicate investments and create a competitive unit that operates with better capacity usage. This arrangement, which is in line with the Group's strategy, will have a positive impact on the financial performance of the Group. It is estimated that this will give an annual improvement of EUR 5 million in the result as from 2005. Some of the cost savings will have an impact on the result for the current year. Net investments for starting up the new foundry will be EUR 6 million.

The Group's net financial costs amounted to EUR 7.6 (9.1) million.

The Group's operating profit, including one-time items, was EUR 0.1 (7.0) million, the result after financial items was EUR -7.5 (-2.1) million and the net result was EUR -4.5 (1.0) million.

Income taxes were EUR 3.0 Me (3.1) million positive, due to the reduction in deferred tax liability recorded through the reversal of accelerated depreciation and the tax receivables of loss-making units. Total tax receivables in the balance sheet are utilized in Finland over 3 - 5 years and in Sweden over 1 - 2 years.

Earnings per share were EUR -0.47 (0.11).

The return on investment was 0.8% (4.4%) and return on equity -11.8% (2.5%).

Financing

The Group's equity ratio was 17.8% (18.2%). The equity ratio including the capital note in shareholders' equity was 31.1% (31.4%).

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. By 31 December 2003 the company had sold sales receivables totalling EUR 11.9 million. This programme aims to reduce the amount of capital tied up in sales receivables still further during 2004.

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 31 December 2003 Componenta Corporation had outstanding preferred capital note to the value of EUR 25.4 million.

The Group had EUR 31.2 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 debt, excluding the EUR 25.4 million preferred capital note, totalled EUR 99.4 (116.5) million. Net gearing, including the preferred capital note in shareholders' equity, was 168% (171%).

The cash flow from operations was EUR 22.0 (6.5) million, and of this the change in net working capital was EUR 9.9 (1.6) million. The cash flow from investments was EUR -0.3 (-5.7) 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, power and transmission, machine building and off-road industries.

Cast and Other Components had net sales of EUR 144.5 (148.7) million and an operating profit of EUR 8.2 (5.8) million. The order book on 31 December 2003 stood at EUR 20.4 (19.6) million. The decision to run down the Alvesta foundry weakened the business group's result in the final quarter.

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 resulted in the number of personnel in Främmestad being reduced by 38 to 133 during the 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.

Other Business had net sales of EUR 33.3 (32.1) million and an operating profit, excluding extraordinary items, of EUR -0.1 (-3.0) million. The order book at the end of the review period stood at EUR 4.7 (5.3) million.

Componenta Wirsbo's sales increased from the previous year and the result improved in consequence of the cost cutting programme. 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. The programme of remedial action at Wirsbo was intensified towards the end of the year.

Componenta Group's share of the result of the associated companies was EUR 1.3 (0.2) million. Thermia's net sales rose to SEK 495 (429) million and profit after financial items to SEK 37 (20) million. Keycast's net sales grew 4% to SEK 33.6 million and result after financial items to SEK 1.7 (-0.2) million. Ulefos-NV recorded a poorer operational result, mainly due to the difficult state of the market in Norway. Because of changes in exchange rates, Componenta Group's share of the result was similar to the previous year. The management of the associated company changed at the end of the year and remedial action has started at the company's factory in Norway.

Changes in corporate structure

The Boards of Directors of Componenta Corporation and its fully owned subsidiary Componenta Finance Ltd approved a merger plan on 15 May 2003. In accordance with the plan, Componenta Finance Ltd, including its assets and liabilities, was merged with its parent company without giving any consideration. The reason for the merger was to simplify the corporate structure. The merger of Componenta Finance Ltd with its parent company Componenta Corporation was recorded in the Trade Register on 31 December 2003. A merger profit of EUR 14.0 million was recorded from the merger.

Shares and share capital

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 31 December 2003 the quoted price of Componenta Corporation shares stood at EUR 2.92 (1.81). The average price during the year was EUR 2.65, the lowest quoted price was EUR 1.39 and the highest EUR 3.40. The share capital had a market value of EUR 28.1 (17.4) million at the end of the re-

view period and the volume of shares traded during the review period was equivalent to 53.8% (11.3%) of the share stock.

The Group has distributable funds of EUR 1.0 million. The parent company has distributable funds of EUR 13.7 million, of which the profit for the financial period is EUR 12.7.

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.

Notification in accordance with chapter 2, section 9 of the Securities Market Act in 2003

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. On 31 December 2003, Etra-Invest Oy owns 1,845,700 Componenta shares and holds 19.20% of Componenta Corporation's voting rights and share capital.

On 19 December 2003, Componenta was informed by Heikki Lehtonen and Cabana Trade S.A. that Heikki Lehtonen's holding of Componenta Corporation's voting rights and share capital had fallen below one third (33.3%) through a share transaction on 19 December 2003. Correspondingly, the holding of Cabana Trade S.A. of the company's voting rights and share capital had risen above one third (33.3%) through the share transaction. Cabana Trade S.A. is a company 100% owned by Heikki Lehtonen that has its domicile in Luxembourg. Following this share transaction, companies owned by Heikki Lehtonen - Cabana Trade S.A., Helsingin Santapaperi Oy and Oy Högfors-Trading Ab - hold 3 786 131 shares in Componenta Corporation, which represents 39.38% of the share capital and voting rights.

Authorization for share issues or purchasing own shares

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

The Board of Directors proposes to the Annual General Meeting on 10 February 2004 that the Meeting would authorize the Board of Directors to decide upon acquiring the company's own shares, provided that the combined nominal value of shares held by the company and its subsidiaries or the voting rights they hold after the acquire may not exceed five per cent of the company's share capital or of the voting rights attached to all the shares.

Investments

Investments in production facilities in 2003 totalled EUR 1.6 (7.9) million. The Group's gross investments totalled EUR 1.6 (9.8) million. The cash flow from investments was EUR -0.3 (-5.7) million.

Board of Directors and Management

Componenta's Annual Shareholders' Meeting on 12 February 2003 elected Heikki Bergholm, Juhani Mäkinen, Matti Tikkakoski and Heikki Lehtonen to the Board of Directors. The Board elected Heikki Bergholm as its Chairman and Juhani Mäkinen as Vice Chairman.

Kimmo Virtanen started as the new CFO and a member of

the corporate executive team on 18 August 2003 after CFO Sirpa Koskinen left to work for another company.

The corporate executive team of Componenta Group is formed by President and CEO Heikki Lehtonen; Lauri Huhtala, Director, Foundries; Olli Karhunen, Director, Power and Transmission; Jari Leino, Director, Sales and Development; CFO Kimmo Virtanen and Communications Manager Pirjo Aarniovuori.

Personnel

During the financial year the Group had an average of 1595 (1705) employees. The Group had 1565 (1616) employees on 31 December 2003. At the end of 2003, 54.4% (52.8%) of the Group's personnel were in Finland, 44.9% (46.6%) in Sweden and 0.7% (0.5%) in other countries.

Introduction of IAS/IFRS standards

During 2003 Componenta started to train personnel, define the information required in financial statements, examine the changes in accounting principles, and examine and implement the changes needed in information systems. At the beginning of 2004 a new reporting system is being introduced that will allow the production of financial statements to IAS/IFRS standards. The opening IAS/IFRS balance sheet and the impact of IAS standards on shareholders' equity will be defined during 2004. The goal for Componenta's IAS/IFRS project is to prepare the first official IAS/IFRS financial statements for the financial year starting on 1 January 2005.

Proposal for dividend

The Board proposes to the Annual General Meeting of Shareholders that no dividend be paid for 2003.

Prospects for 2004

Componenta's prospects for 2004 are based on general external financial indicators, order forecasts given by customers, and on Componenta's order intake and order book.

The lessening of uncertainty and the cuts in interest rates have created the conditions for industrial investments to start up. Any increase in investments is likely to be slow, so it may well still be necessary to wait for decisions on major industrial investments. The three-year decline in demand for heavy truck components has ended and demand has started to rise.

The growth in demand for power and transmission industry components that started towards the end of 2003 is expected to continue during 2004.

Demand from Nordic machinery and equipment manufacturers and the off-road industry towards the end of 2003 matched expectations. Sales in these sectors are expected to pick up slightly during 2004.

Despite some recent positive signals, any start up of growth is still open to certain risks and these may still have an impact on the assessments made above.

Componenta Corporation's net sales in the first quarter of 2004 are expected to be slightly higher than in the corresponding period of last year. As a result of the remedial action taken in 2003, the result for the first quarter of 2004 should be better than last year. The cash flow from operations is expected to be clearly positive.

Consolidated income statement 1.1. – 31.12.

1,000 EUR		2003	%	2002	%
NET SALES	1	177,755	100	180,778	100
Other operating income	2	2,769		3,261	
Operating expenses	3	164,461		167,667	
Depreciation, amortization and write-down of non-current assets	4	15,976		9,376	
OPERATING PROFIT	5	87	0.0	6,996	3.9
Financial income and expenses	6	-7,570		-9,111	
PROFIT/LOSS AFTER FINANCIAL ITEMS		-7,483	-4.2	-2,115	-1.2
Income taxes	7	2,980		3,100	
Minority interest		17		29	
PROFIT/LOSS FOR THE FINANCIAL PERIOD		-4,486	-2.5	1,014	0.6

Consolidated balance sheet 31.12.

1,000 EUR		2003	2002
ASSETS			
NON-CURRENT ASSETS			
Intangible assets		2,090	3,360
Group goodwill		1,267	1,772
Tangible assets		113,633	127,254
Investments		16,656	16,815
	8	133,646	149,201
CURRENT ASSETS			
Inventories	9	20,913	20,231
Long-term receivables	10	3,685	9,638
Short-term receivables	11	31,849	35,954
Cash and bank accounts		523	2,941
		56,970	68,764
TOTAL ASSETS		190,616	217,965
LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	12	19,231	19,231
Share premium account		11,533	11,533
Legal reserve		5	5
Retained earnings		5,568	5,906
Profit/loss for the financial period		-4,486	1,014
Preferred capital note	14	25,414	28,590
	13	57,265	66,279
MINORITY INTEREST		2,045	2,070
NEGATIVE GOODWILL	16	-	-
PROVISIONS	17	2,566	-
LIABILITIES			
Non-current liabilities	19, 20	48,073	75,820
Current liabilities	21	80,667	73,796
	18	128,740	149,616
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		190,616	217,965

Parent company income statement 1.1. – 31.12.

1,000 EUR		2003	2002
NET SALES		2,056	1,352
Other operating income	26	-	1,000
Operating expenses	27	2,308	1,754
Depreciation and amortization	28	43	9
OPERATING PROFIT		-295	589
Financial income and expenses	29	-3,024	-2,443
PROFIT/LOSS AFTER FINANCIAL ITEMS		-3,319	-1,854
Extraordinary items	30	15,439	1,473
PROFIT/LOSS AFTER EXTRAORDINARY ITEMS		12,120	-381
Income taxes	31	572	535
PROFIT FOR THE FINANCIAL PERIOD		12,692	154

Parent company balance sheet 31.12.

1,000 EUR		2003	2002
ASSETS			
NON-CURRENT ASSETS			
Intangible assets		474	60
Tangible assets		332	32
Investments		42,722	56,924
	32	43,527	57,016
CURRENT ASSETS			
Long-term receivables	33	107,541	16,768
Short-term receivables	34	14,204	4,629
Cash and bank accounts		241	3
		121,986	21,400
TOTAL ASSETS		165,513	78,416
LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	35	19,231	19,231
Share premium account		11,533	11,533
Legal reserve		5	5
Retained earnings		979	1,787
Profit for the financial period		12,692	154
Preferred capital note	37	25,414	28,590
	36	69,854	61,300
UNTAXED RESERVES	38	8	-
LIABILITIES			
Non-current liabilities	40	44,797	6,883
Current liabilities	41	50,855	10,233
	39	95,651	17,116
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		165,513	78,416

Consolidated cash flow statement 1.1. – 31.12.

1,000 EUR	2003	2002
CASH FLOW FROM OPERATIONS		
Profit/loss before extraordinary items	-7,483	-2,115
Depreciation and amortization according to plan and write-down of non-current assets	15,976	9,376
Unrealized exchange rate gains and losses	-151	26
Other income and expenses, with no cash payment	4,096	-1,200
Financial income and expenses	7,721	9,085
Gains and losses from the sale of non-current assets	169	-2,169
Other adjustments	-1,208	-188
Cash flow before change in net working capital	19,120	12,815
Change in net working capital		
Current non-interest bearing receivables, increase (-)/decrease (+)	12,116	4,633
Inventories, increase (-)/decrease (+)	-1,151	532
Current non-interest bearing liabilities, increase (+)/decrease (-)	-1,078	-3,584
Cash flow from operating activities before financing and income taxes	29,007	14,396
Paid interest and other financial expenses	-8,898	-9,391
Dividends received	988	401
Interest income received	932	1,113
Income taxes paid	9	-13
Cash flow before extraordinary items	22,038	6,506
CASH FLOW FROM OPERATIONS (A)	22,038	6,506
CASH FLOW FROM INVESTMENTS		
Investments in tangible and intangible assets	-1,609	-6,973
Proceeds from tangible and intangible assets	1,229	3,613
Other investments and loans granted	-740	-494
Investments in shares and other investments	-1	-1,860
Repayments of loan receivables	721	-
Proceeds from other investments	65	10
CASH FLOW FROM INVESTMENTS (B)	-335	-5,704
CASH FLOW FROM FINANCING OPERATIONS		
Repayment of preferred capital note	-3,176	-2,645
Draw-downs of current loans	8,163	9,965
Repayments of current loans	-	-491
Repayments of non-current loans	-28,146	-4,966
Dividends paid	-962	-1,449
CASH FLOW FROM FINANCING OPERATIONS (C)	-24,121	414
CHANGE IN CASH AND BANK ACCOUNTS (A + B + C) increase (+)/decrease (-)	-2,418	1,216
Cash and bank accounts at the beginning of the period	2,941	1,725
Cash and bank accounts at period end	523	2,941
Change during the financial period	-2,418	1,216

Parent company cash flow statement 1.1. – 31.12.

1,000 EUR	2003	2002
CASH FLOW FROM OPERATIONS		
Profit/loss before extraordinary items	-3,319	-1,854
Depreciation and amortization according to plan	43	9
Other income and expenses, with no cash payment	269	-1,000
Financial income and expenses	3,024	2,443
Cash flow before change in net working capital	17	-402
Change in net working capital		
Current non-interest bearing receivables, increase (-)/decrease (+)	-211	-161
Current non-interest bearing liabilities, increase (+)/decrease (-)	144	-53
Cash flow from operating activities before financing and income taxes	-50	-616
Paid interest and other financial expenses		
	-3,955	-310
Interest income received	808	94
Cash flow before extraordinary items	-3,197	-832
Cash flow from extraordinary items	2,074	-
CASH FLOW FROM OPERATIONS (A)	-1,123	-832
CASH FLOW FROM INVESTMENTS		
Investments in tangible and intangible assets	-398	-79
Preferred capital note investments in Group companies	-	-134
Loans granted to Group companies	-19,976	-9,141
Investments in subsidiary shares	-	-1,061
Investments in shares and other investments	-	-751
Repayments of loan receivables	100	-
Proceeds from subsidiary shares	-	851
Proceeds from other investments	65	-
CASH FLOW FROM INVESTMENTS (B)	-20,209	-10,315
CASH FLOW FROM FINANCING OPERATIONS		
Repayment of preferred capital note	-3,176	-2,511
Draw-downs of current loans	14,943	8,216
Draw-downs of non-current loans	10,718	6,883
Dividends paid	-962	-1,442
CASH FLOW FROM FINANCING OPERATIONS (C)	21,523	11,146
CHANGE IN CASH AND BANK ACCOUNTS (A + B + C) increase (+)/decrease (-)	191	-1
Cash and bank accounts at the beginning of the period	3	4
Cash and bank accounts from a merged company	47	-
Cash and bank accounts at period end	241	3
Change during the financial period	191	-1

Accounting principles

The financial statements of Componenta Corporation and the consolidated financial statements are prepared in accordance with current laws and regulations in Finland. Finnish legislation is based on the 4th and 7th directives of the European Union.

The financial statements for foreign subsidiaries have been arranged to correspond to the Finnish Accounting Act.

The financial year for all group companies is the calendar year and it ended on 31 December 2003.

Scope of consolidated financial statements

The consolidated financial statements include Componenta Corporation and those Finnish and foreign subsidiaries in which the Group holds directly or indirectly shares with over 50% of the voting rights. Subsidiaries acquired during the financial year are included in the consolidated financial statements from the date of acquisition and subsidiaries sold during the financial year are included up until the date of sale.

Associated companies are companies in which the Group holds shares with 20% to 50% of the voting rights. The consolidated financial statements do not include certain small associated companies since the amounts concerned are insignificant. The non-consolidated associated companies do not affect the Group's distributable equity.

Principles for consolidation

The consolidated financial statements are prepared according to the acquisition cost method.

The excess of the acquisition cost of the shares of other subsidiaries over the shareholders' equity acquired is Group goodwill, which is amortized over 5 years. Group goodwill is presented as a separate item in the balance sheet. In the 2001 financial statements it was offset against negative goodwill.

In the consolidated financial statements of Componenta Karkkila, the excess of the acquisition cost of the shares of the subsidiaries over the shareholders' equity acquired is partly allocated to the non-current assets of the subsidiaries. On 31 December 2003, goodwill allocated to machinery and equipment under non-current assets totalled EUR 1.3 million.

The financial statements of associated companies are consolidated according to the equity method. The Group's share of the result of associated companies is entered under other operating income in the income statement. The difference between the acquisition cost of shares and the Group's share of the shareholders' equity of associated companies and of the accumulated untaxed reserves less deferred tax liability (goodwill) is amortized over 5 - 10 years. Amortization of goodwill from associated companies is recorded in the result of associated companies. The value of shares is presented in the balance sheet as the acquisition cost of the shares adjusted by the Group's share of the accumulated results of associated companies, including the accumulated amortization of goodwill, and by the Group's share of the sales profit arising from business divestments between the Group and associated companies.

Foreign subsidiaries and conversion differences

The income statements of foreign subsidiaries are converted into euros using the average exchange rates for the accounting period. These are the average of the average exchange rates quoted by the European Central Bank at each month end. Balance sheet items are converted into euros at the European Central Bank average exchange rate on the closing day.

The conversion difference arising from using different exchange rates for converting the income statement and the balance sheet is entered under conversion differences in the shareholders' equity. Conversion differences caused by changes in exchange rates when consolidating the shareholders' equity of subsidiaries have been recorded under shareholders' equity.

Foreign currency loans are used to hedge the shareholders' equity of foreign subsidiaries using the equity hedging method. Exchange rate differences for these loans are recorded net in the consolidated balance sheet as conversion differences under shareholders' equity.

Conversion differences from the restricted shareholders' equity of subsidiaries are not distributable funds.

Intra-group transactions

Intra-group transactions have been eliminated in the consolidation, as has the internal margin included in the inventories of Group companies. Intra-group receivables and liabilities have also been eliminated.

The Group's share of the capital gains from business divestments between the Group and associated companies is eliminated. The eliminated capital gains are recorded as income at the same rate as amortization in the associated company.

Foreign currency transactions

Foreign currency transactions are recorded at the exchange rate on the transaction date.

The foreign currency receivables and liabilities of the parent company and of Finnish subsidiaries are converted into euros at the European Central Bank's average exchange rate on the last day of the year. The foreign currency receivables and liabilities of non-Finnish Group companies are converted at the exchange rate for the country concerned on the last day of the year. Any resulting exchange rate differences are recorded in the income statement as sales or purchasing adjustments or as financial items, as appropriate.

Foreign exchange and interest rate derivative instruments

Currency-denominated open derivatives are valued at the exchange rate on the closing day of the period.

Derivative financial instruments concluded to hedge against foreign currency and interest rate risks are recorded in the income statement at the same time as the commitment that is hedged. Changes in the value of foreign exchange derivatives are entered in the income statement so that the interest portion is deferred and entered as interest income and expenses, and the exchange rate difference is recorded in the result when the commitment hedged is recorded in the income statement.

Minority interest

Minority interest is calculated as the minority shareholders' share of the result for the financial period and of the shareholders' equity of subsidiary companies.

Net sales

Indirect taxes, discounts given and exchange rate differences for sales have been deducted from sales income when calculating net sales.

Other operating costs include freight charges, other costs relating to sales and credit losses.

Other income from operations

Other income from operations includes income from the divesting of operations and the sale of subsidiary companies. Correspondingly, losses from the divesting of operations and the sale of subsidiary companies are recorded under other operating costs.

Extraordinary items

Extraordinary items for the parent company and individual companies include Group contributions received and given and taxes relating to these.

Direct taxes, deferred tax liabilities and assets

Consolidated direct taxes include direct taxes based on the taxable result of Group companies, calculated according to local tax regulations, and the changes in deferred tax liabilities and deferred tax assets.

Changes in deferred tax liabilities and assets have been calculated from the temporary differences between tax and financial periods, from eliminations made in consolidation, from the confirmed losses and losses for the financial year of Group companies, and from changes in accelerated depreciation and other untaxed reserves. Deferred tax assets for confirmed losses or for losses for the financial period have only been recognized to the extent that it is probable that they can be utilized. Taxes include taxes paid for the period and taxes for previous periods that have been due for payment or refund.

Deferred tax liabilities and assets are presented in the balance sheet as a net figure where they apply to the same tax authority.

Deferred tax liabilities for untaxed reserves are calculated for Finnish companies using a tax rate of 29% and for Swedish companies using a rate of 28%.

Deferred tax liabilities calculated from the revaluation of non-current assets are given in a note to the financial statements.

Taxes on Group contributions recorded under extraordinary items by the parent company and individual companies are included in extraordinary items.

Non-current assets and depreciation

Non-current assets are recorded in the balance sheet at their direct acquisition cost less planned depreciation and write-downs. In addition, certain buildings include revaluations made in previous years, and depreciation is not made on these revaluations. No depreciation is made on land and water areas.

Planned depreciation is calculated on a straight line basis on the original acquisition cost, based on the estimated useful economic life, as follows:

capitalized development costs	5 years
intangible rights	3 - 10 years
Group goodwill	5 years
other capitalized expenditure	3 - 20 years
buildings and structures	25 - 40 years
computing equipment	3 - 5 years
other machinery and equipment	5 - 25 years
other tangible assets	5 - 10 years

Depreciation of Group goodwill allocated to non-current asset items takes place according to the schedule for planned depreciation for the item in question. The profits and losses

from the sale of non-current assets are included in the operating profit.

Negative goodwill is recognized as income and presented as a separate item under depreciation of non-current assets.

Leasing

Leasing payments are treated as rental expenses. Unpaid payments based on leasing agreements are presented under contingent liabilities.

Capitalized development costs

In previous financial periods, development costs for new product series have been capitalized in the balance sheet. The planned depreciation period for these costs is 5 years. In other respects, the Group's minor research and development costs are recorded as expenses for the period.

Inventories

The acquisition cost of inventories includes indirect purchasing and manufacturing costs. Inventories are valued at the lowest of the acquisition cost, the replacement price or the probable sale price.

The use of inventories is entered according to the FIFO principle.

Pension obligations

Pension coverage for employees of Group companies in Finland is provided through insurance schemes in line with statutory arrangements. The schemes are funded through payments to an insurance company. According to an agreement made with the pension insurance company, the Group is responsible in Finland for unemployment payments and work disability payments included in pension insurance payments in their entirety at the moment when the pension starts.

Foreign subsidiaries operate pension schemes in accordance with local practice and legislation.

Untaxed reserves

Changes in untaxed reserves include the changes in accelerated depreciation and in other untaxed reserves.

In the separate financial statements of Finnish and Swedish subsidiaries, the change in the difference between planned and recorded depreciation is presented as change in untaxed reserves in the income statement, and the accumulated difference between planned and recorded depreciation is presented in the balance sheet under untaxed reserves.

In the consolidated balance sheet, untaxed reserves are allocated to shareholders' equity and the deferred tax liability. The change in untaxed reserves for the period is allocated in the income statement to the result for the period and to the change in the deferred tax liability.

Untaxed reserves recorded under consolidated shareholders' equity are not distributable funds.

Notes to the financial statement

Figures are in thousands of euros unless otherwise stated.

Notes to the consolidated income statement

Group	2003	2002
1. Net sales by geographical market area and by business group		
By geographical market area, MEUR		
Finland	51.0	50.2
Other Scandinavian countries	90.5	94.3
Central Europe	30.5	31.1
Other countries	5.8	5.1
	<u>177.8</u>	<u>180.8</u>
By business group, MEUR		
Cast and Other Components	144.5	148.7
Other business	33.3	32.1
	<u>177.8</u>	<u>180.8</u>
2. Other operating income		
Rental income	330	454
Profit from sale of non-current assets	122	272
Profit from sale of shares and divested operations	713	1,979
Other operating income	305	395
Share of profit/loss of associated companies	1,299	161
	<u>2,769</u>	<u>3,261</u>
3. Operating expenses		
Change in inventory of finished goods and work in progress	-739	1,164
Production for own use	-151	-120
Materials, supplies and products		
Purchases during the financial period	50,398	48,304
Change in inventories	344	2,589
	<u>50,742</u>	<u>50,893</u>
External services	11,023	13,498
Personnel expenses *)	62,964	66,733
Other operating expenses		
Rents	2,451	2,075
Losses from sale of non-current assets	181	81
Losses from sale of shares and divested operations	341	215
Expenses from closing down operations **)	2,828	-2,009
Other operating expenses	34,821	35,137
	<u>40,622</u>	<u>35,499</u>
Total operating expenses	<u>164,461</u>	<u>167,667</u>

**) Provision for closing down an operation made in 2001 recognized as income against operating expenses.

Group	2003	2002
*) Personnel expenses and average number of personnel		
Wages and salaries	47,474	49,973
Pensions and pension insurance payments	8,487	9,483
Other personnel expenses	7,003	7,277
	<u>62,964</u>	<u>66,733</u>
Remuneration to management ***)	664	831
Fringe benefits paid to management ***)	45	40
***) Management includes members of Boards of Directors, managing directors and vice-managing directors.		
The Company has no specific pension commitments for management.		
Average number of personnel by business group		
Cast and Other Components	1,324	1,417
Others	271	288
	<u>1,595</u>	<u>1,705</u>
4. Depreciation, amortization and write-down of non-current assets		
Depreciation and amortization		
Intangible assets		
Capitalized development costs	157	153
Intangible rights	62	82
Goodwill	32	32
Group goodwill	505	505
Other capitalized expenditure	461	533
	<u>1,217</u>	<u>1,305</u>
Tangible assets		
Buildings and structures	854	828
Machinery and equipment	9,942	9,862
Other tangible assets	12	12
	<u>10,808</u>	<u>10,702</u>
Write-down of non-current assets		
Machinery and equipment	3,951	296
Negative goodwill recognized as income	-	-2,927
Total depreciation, amortization and write-down of non-current assets	<u>15,976</u>	<u>9,376</u>
5. Operating profit by business group, MEUR		
Cast and Other Components	8,2	5.8
Other business	-8,1	1.2
	<u>0,1</u>	<u>7.0</u>

Group	2003	2002	Group	2003	2002
6. Financial income and expenses			7. Income taxes		
Financial income			Income taxes for the financial period	-413	-4
Dividend income	38	12	Income taxes from previous financial periods	10	275
Interest and other financial income	1,363	1,351	Change in deferred tax liabilities	1,915	1,244
Interest expenses and other financial expenses	-8,971	-10,474	Change in deferred tax assets	1,468	1,585
Total financial income and expenses	-7,570	-9,111		2,980	3,100

'Financial income and expenses' include net exchange rate gains and losses

To others 63 -445

Notes to the consolidated balance sheet

8. Non-current assets

Intangible assets	Capitalized development costs	Intangible rights	Other capitalized expenditure	Goodwill	Group goodwill	2003 total	2002 total
Acquisition cost at the beginning of the period	854	699	6,233	317	2,523	10,626	8,516
Increases	17	10	90	-	-	117	270
Offset against negative goodwill	-	-	-	-	-	-	2,523
Decreases	-	-364	-1,732	-	-	-2,096	-719
Reclassification	-	-	-	-	-	-	0
Conversion difference	-	1	-14	-	-	-13	36
Acquisition cost at period end	871	346	4,577	317	2,523	8,634	10,626
Accumulated amortization at the beginning of the period	-359	-526	-3,608	-251	-751	-5,495	-4,171
Offset against negative goodwill	-	-	-	-	-	-	-246
Accumulated amortization on decreases and reclassification	-	364	1,068	-	-	1,432	238
Conversion difference	-	-	3	-	-	3	-10
Amortization during the financial period	-157	-62	-461	-32	-505	-1,217	-1,305
Accumulated amortization at period end	-516	-224	-2,998	-283	-1,256	-5,277	-5,494
Book value at period end	355	122	1,579	34	1,267	3,357	5,132

Capitalized development costs consist of development costs of new products. The capitalization of development costs is made according to the decision of the Finnish Ministry of Trade and Industry. The capitalized development costs are amortized in 5 years.

Tangible assets	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Advanced payments and construction in progress	2003 total	2002 total
Acquisition cost at the beginning of the period	3,564	57,791	143,837	277	353	205,822	204,650
Increases	-	102	1,324	4	67	1,497	7,622
Decreases	-379	-1,196	-814	-37	-	-2,426	-7,800
Reclassification	-	27	306	-	-333	0	0
Conversion difference	4	57	-581	-	1	-519	1,350
Acquisition cost at period end	3,189	56,781	144,072	244	88	204,375	205,822
Accumulated depreciation at the beginning of the period	-	-7,782	-70,670	-114	-	-78,566	-72,728
Accumulated depreciation on decreases and reclassification	-	567	1,699	21	-	2,287	5,555
Conversion difference	-	-15	312	-	-	297	-691
Write-down during the financial period	-	-	-3,951	-	-	-3,951	-
Depreciation during the financial period	-	-854	-9,943	-12	-	-10,809	-10,702
Accumulated depreciation at period end	-	-8,084	-82,553	-105	-	-90,742	-78,566
Book value at period end	3,189	48,697	61,519	139	88	113,633	127,254

The figures in tangible assets include the following revaluations:

	Land areas	Buildings	2003 total	2002 total
At the beginning of the period	589	26,170	26,759	26,759
At period end	589	26,170	26,759	26,759

Deferred tax liabilities on revaluation

On 31 December 2003	6,521
On 31 December 2002	6,521

Book value of production machinery and equipment

On 31 December 2003	48,665
On 31 December 2002	64,095

Investments	Shares in associated companies	Other shares	Other investments	2003 total	2002 total
Acquisition cost at the beginning of the period	18,311	571	751	19,633	17,786
Increases	-	-	1	1	1,860
Decreases	-867	-38	-65	-970	-12
Conversion difference	-	-	6	6	-1
Acquisition cost at period end	17,444	533	693	18,670	19,633
Accumulated share of profit/loss and decreases	-2,818	-	-	-2,818	-2,609
Dividends received	-962	-	-	-962	-389
Conversion difference	-374	-	-	-374	511
Other increases/decreases	841	-	-	841	-492
Share of profit/loss for the financial period	1,299	-	-	1,299	161
Book value at period end	15,430	533	693	16,656	16,815

On 31 December 2003 the book value of the shares in associated companies includes 1,957 teur of goodwill (2,466 teur on 31 December 2002).

Group	2003	2002	Group	2003	2002
9. Inventories			Other short-term receivables		
Materials and supplies	9,596	9,788	Trade receivables	11,894	23,099
Work in progress	4,766	3,483	Loan receivables	2,017	351
Finished goods	6,523	6,960	Other receivables	4,139	4,075
Advance payments	27	-	Deferred tax assets	7,576	4,201
	20,913	20,231	Prepaid expenses and accrued income	4,311	4,038
10. Long-term receivables				29,936	35,764
From associated companies			Total short-term receivables	31,849	35,954
Loan receivables	64	4,121			
Other long-term receivables			Breakdown of prepaid expenses and accrued income		
Loan receivables	2,104	2,346	Periodization of loan charges	404	343
Other receivables	1,517	3,171	Periodization of issue loss	1,588	2,096
	3,621	5,517	Accrued interest income	575	269
Total long-term receivables	3,685	9,638	Exchange rate gains	151	26
			Periodization of pension expenses	181	0
11. Short-term receivables			Periodization of taxes	327	252
From associated companies			Others	1,199	1,221
Trade receivables	16	6		4,425	4,207
Other receivables	1,783	15			
Prepaid expenses and accrued income	114	169	There are no loans granted to managing directors and members of the Boards of Directors of Group companies.		
	1,913	190			

Group	2003	2002
Deferred tax assets		
From consolidation	443	964
From losses of Group companies	7,620	5,632
Offset with deferred tax liabilities	-487	-2,395
	<u>7,576</u>	<u>4,201</u>
Change in deferred tax assets in taxes		
For the financial period		
From consolidation	-520	-59
From the income statements of Group companies	-	-33
From losses of Group companies	1,988	1,677
	<u>1,468</u>	<u>1,585</u>
Offset with deferred tax liabilities	1,908	1,224
Change in the balance sheet during the financial period	<u>3,375</u>	<u>2,809</u>

12. Share capital and warrants

The Company's share capital on 31 December 2003 stood at EUR 19,230,618, and was divided into 9,615,309 shares, each of which carries one vote. The shares have a nominal value of 2 euros.

At the end of the financial period, the Company had issued warrants with entitlement to the following subscriptions:

	Number of shares	Holding %
Warrants	445,722	4.43 %
Number of shares including warrants	10,061,031	100.00%

Warrants issued by the Group

Issuer	Componenta Corporation
Number of warrants	445,722
Held by a Group company	87,707

Subscription date	1/2	1.10.2002 - 31.10.2006
	1/2	1.10.2004 - 31.10.2006

Subscription terms

One warrant entitles the holder to subscribe for one Componenta Corporation share with a par value of EUR 2 at a subscription price of EUR 4.60 per share. The subscription price will be adjusted by the distributed dividends. EUR 4.60 is the subscription price after the dividend for 2002. The original subscription price was EUR 4.85. The shares subscribed with the warrants entitle to dividend for the financial period in which the subscription takes place.

Group	2003	2002
13. Shareholders' equity		
Share capital at the beginning of the period	19,231	19,231
Share capital at period end	<u>19,231</u>	<u>19,231</u>
Share premium account at the beginning of the period	11,533	11,533
Share premium account at period end	<u>11,533</u>	<u>11,533</u>
Legal reserve at the beginning of the period	5	5
Legal reserve at period end	<u>5</u>	<u>5</u>
Retained earnings at the beginning of the period	6,920	7,676
Dividends paid	-970	-1,450
Change in minority interest	-	6
Conversion difference +/-	-382	-326
Profit/loss for the financial period	-4,486	1,014
Preferred capital note at the beginning of the period	28,590	28,705
Preferred capital note issue, net change	-	2,396
Repayment of preferred capital note	-3,176	-2,511
Preferred capital note at period end	<u>25,414</u>	<u>28,590</u>
Total shareholders' equity	<u>57,265</u>	<u>66,279</u>
Equity in untaxed reserves	97	278
Conversion difference from restricted shareholders' equity	-	24
Distributable shareholders' equity	<u>986</u>	<u>6,618</u>

14. Preferred capital note

Debtor: Componenta Corporation

On 31 December 2003 the loan was for appr. EUR 25.4 million. The loan is dated 15 February 2002, and it will mature on 19 March 2009.

During years 2001-2002 the loan has been drawn down EUR 31.1 million in total. On maturity date 19 March 2003 appr. EUR 3.2 million of the loan was repaid.

10% of the loan will be repaid yearly if Componenta Corporation and Componenta Group have full cover for their respective restricted equity in the balance sheets of the previous financial period. The loan period will be extended by one year at a time if there is no full cover.

Componenta Corporation has on the maturity date of the interest on 19 March each year the right to repay the loan partly or in whole, if the above mentioned conditions for repayment exist. The interest rate of the loan will be 4% above the 12 month

Group	2003	2002
Euribor, and it will be restated yearly. The loan carries interest of 6.464% p.a. until 19 March 2004.		
The interest paid annually shall not exceed the distributable non-restricted equity of Componenta Corporation or the Group.		
Any unpaid interest shall remain a liability of the Company. The preferred capital note ranks junior to the Company's other debt commitments.		
The loan is not secured. Accrued interest on the loan on 31 December 2003 has been recorded as an expense in the income statement and as a liability in the accrued expenses.		
15. Untaxed reserves		
Untaxed reserves	1,035	7,753
Equity elimination of acquired Group companies	-638	-5,249
Deferred tax liabilities of the untaxed reserves	-300	-2,226
Equity in untaxed reserves	97	278
The deferred tax liabilities of the untaxed reserves of the Swedish subsidiaries are calculated using a tax rate of 28 per cent.		
The deferred tax liabilities of the untaxed reserves of the Finnish subsidiaries are calculated using a tax rate of 29 per cent.		
16. Negative goodwill		
Negative goodwill at the beginning of the period, before offset against goodwill	0	2,934
Decrease in negative goodwill	-	-7
Recognized as income according to plan during the financial period	-	-2,631
Recognition as income against write-offs of non-current assets	-	-296
Negative goodwill at period end	0	0
17. Provisions		
Provisions for closing down of operations	2,566	-
Change in provisions in other operating expenses in the income statement	-	-1,973
18. Liabilities		
Interest bearing liabilities	99,955	119,479
Non-interest bearing liabilities	28,785	30,137
	128,740	149,616
Foreign currency breakdown of non-current liabilities, %		
EUR	68 %	65 %
SEK	32 %	35 %
	100 %	100 %

Group	2003	2002
19. Non-current liabilities		
Non-current interest bearing liabilities		
Loans from financial institutions	34,744	60,748
Loans from pension funds	13,221	14,763
Other liabilities	108	270
	48,073	75,781
Non-current non-interest bearing liabilities		
Other liabilities	-	39
Total non-current liabilities	48,073	75,820
Non-current loans falling due for repayment as follows		
2005	14,110	
2006 - 2008	28,108	
2009 -	5,280	
	47,498	
Non-current loans falling due for repayment in five or more years		
Loans from financial institutions	1,533	6,183
Loans from pension funds	3,747	1,577
	5,280	7,760
20. Deferred tax liabilities		
From untaxed reserves	300	2,226
From consolidation	187	169
Offset with deferred tax assets	-487	-2,395
	0	0
Change in deferred tax liabilities		
In taxes for the financial period		
From untaxed reserves	1,933	1,372
From consolidation	-18	-128
	1,915	1,244
Conversion difference	7	21
Offset with deferred tax assets, change during the financial period	1,908	1,223
Change in the balance sheet during the financial period	0	0
21. Current liabilities		
Current interest bearing liabilities		
Loans from financial institutions	30,582	24,462
Loans from pension funds	2,902	2,602
Other liabilities	18,398	16,634
	51,882	43,698
Current non-interest bearing liabilities		
Current non-interest bearing liabilities to associated companies		
Accounts payable	17	37

Group	2003	2002
Other current non-interest bearing liabilities		
Advances received	3	10
Accounts payable	9,354	9,419
Other liabilities	3,200	4,076
Accrued expenses and deferred income	16,211	16,566
	<u>28,768</u>	<u>30,061</u>
Total current non-interest bearing liabilities	28,785	30,098
Total current liabilities	80,667	73,796
Breakdown of accrued expenses and deferred income		
Accrued interest expenses	2,344	2,926
Accrued pension expenses	1,339	1,742
Accrued rents	444	419
Accrued salaries including social security expenses	2,630	2,458
Annual discounts	-	15
Holiday pay reserve including social security expenses	8,092	7,876
Accrued income taxes	6	12
Others	1,356	1,108
	<u>16,211</u>	<u>16,556</u>
22. Contingent liabilities		
Mortgages		
For own debts	16,794	14,706
General charges		
For own debts	16,528	16,865
Pledges		
For own debts	12,427	9,690
Other own commitments *)	13 139	12,465
Leasing commitments		
Next year	1,104	819
In more than one year	2,644	2,427
	<u>3,748</u>	<u>3,246</u>
*) For year 2003 including the Helsinki District Court decision on 31 December 2003, according to which Componenta Karkkila Oy was sentenced to compensate VR Ltd (Finnish Railways) train wheels supplied and indirect costs, plus accumulated interest, as well as VR's legal costs (total of EUR 1.1 million).		
Secured liabilities		
Liabilities secured with mortgages or general charges		
Loans from financial institutions	16,632	15,988
Loans from pension funds	13,399	14,382
	<u>30,031</u>	<u>30,370</u>
Liabilities secured with pledges		
Loans from financial institutions	6,568	6,781
Loans from pension funds	2,152	2,421
	<u>8,720</u>	<u>9,202</u>

23. Financial risk management and derivative instruments

The financial risks relating to Componenta Group's business operations are managed in accordance with the financial policy approved by the Board of Directors. This aims to protect the Group against adverse changes in the financial markets and safeguard the performance of the Group and its financial position. Management of financial risks takes place in the Corporate Treasury function.

Availability of financing and re-financing risk

The Group aims to ensure the availability of financing by spreading the maturing dates, sources of funding and financial instruments in its loan portfolio. The proportion of one source of funding may not exceed a limit set by the Board of Directors. The maturing dates for loans are presented in the notes to the consolidated balance sheet, item 19.

Liquidity risk

The financial policy states that the Group's liquidity should cover its commitments for the near future and is at least the equivalent of the net sales for half a month. In addition to cash reserves, the Group ensures its liquidity with unused committed credit facilities that amounted to EUR 31.2 million at the end of the financial year. Cash reserves are invested with the institutions on a list of counterparties approved by the Board of Directors that are considered to have a low credit risk.

Foreign exchange risk

In accordance with the Group's financial policy, the foreign exchange risk is divided into transaction risk, which arises from income and expenses denominated in foreign currencies, and translation risk, which arises from equity investments and income denominated in foreign currencies. The transaction position is calculated from the operational cash flow position, which includes the Group's commercial foreign currency flows for a 6 month period. The translation position is calculated from the shareholders' equity and accumulated profit of foreign subsidiaries in the consolidated balance sheet. In accordance with the financial policy, the Group's transaction position shall always be hedged at least 80 % and at most 120 %. The translation position is hedged in its entirety. For hedging, the Group uses foreign currency loans and deposits, and standard hedging instruments such as forward exchange contracts and currency options, which are reliably priced on the market. The Group's foreign exchange risk consists mainly of a surplus in Swedish and Norwegian crowns. The estimated transaction position for 6 months ahead in Swedish crowns was EUR 4.4 million at year end. The maturity of the derivatives is less than one year.

Interest rate risk

Because of the cyclical nature of the markets of the Group's customers, the financial policy states that the interest rates of Componenta's net loans position should be renewed on average after one and before two years. On 31 December 2003 the interest rates of loans fell due for renewal on average in 12 months. To manage interest rate risk, the loan portfolio is spread between variable and fixed rate interest loans and investments. The interest rate risk is also spread among several interest rate renewal periods, so changes in interest rates affect the Group's result in stages. The average interest renewal period of the net interest position is affected by the choice of interest rate periods and by interest rate swaps. Interest rate swaps have been used to increase the number of fixed interest agreements.

	31.12.2003	31.12.2003	31.12.2002	31.12.2002
	Nominal value	Current value	Nominal value	Current value
Currency derivatives				
Forward exchange contracts	14,701	63	37,638	13
Currency swaps	8,040	42	3,005	-10
Interest rate derivatives				
Interest rate options	6,000	-49	-	-
Interest rate swaps	24,000	-365	21,000	-494

The current value is the profit or loss from the derivative instrument according to the market price on 31 December. The nominal values of the derivative instruments may not necessarily correspond to the payments made by the parties, and thus when examined on their own do not give a true picture of the Group's risk position.

24. Group companies

Company	Domicile	Group share of holding %	Parent company share of holding %
Componenta Albin AB	Kristinehamn, Sweden	100.0	-
Componenta Alvesta AB	Alvesta, Sweden	100.0	-
Componenta Främmostad AB	Essunga, Sweden	100.0	-
Componenta Industri AB	Kristinehamn, Sweden	100.0	-
Componenta Karkkila Oy	Karkkila, Finland	100.0	100.0
Componenta Mek Pietarsaari Oy	Pietarsaari, Finland	100.0	-
Componenta Nisamo Oy	Lempäälä, Finland	100.0	-
Componenta Pietarsaari Oy	Pietarsaari, Finland	100.0	-
Componenta Pistons Oy	Pietarsaari, Finland	100.0	-
Componenta Pori Oy	Pori, Finland	100.0	-
Componenta Suomivalimo Oy	Iisalmi, Finland	100.0	-
Componenta Sweden AB	Kristinehamn, Sweden	100.0	-
Componenta Wirsbo AB	Surahammar, Sweden	100.0	-
Componenta Åmål AB	Åmål, Sweden	100.0	-
Oy Högfors-Consultants Ab	Karkkila, Finland	100.0	-
JOT Aqua AB	Stockholm, Sweden	100.0	-
JOT Components Holding BV	Rotterdam, The Netherlands	100.0	100.0
Karkkilan Koskiinteistö Oy	Karkkila, Finland	81.0	66.9
Karkkilan Lääkärikeskus Oy	Karkkila, Finland	60.0	60.0
Karkkilan Valimokiinteistö Oy	Karkkila, Finland	100.0	-
Kiinteistö Oy Ala-Emali	Karkkila, Finland	100.0	100.0
Kiinteistö Oy Uusporila	Karkkila, Finland	100.0	31.8
Kiinteistö Oy Ylä-Emali	Karkkila, Finland	100.0	100.0
Luoteis-Uudenmaan Kiinteistöt Oy	Karkkila, Finland	100.0	100.0
Uudenmaan Rakennustiimi Oy	Karkkila, Finland	100.0	100.0
Vanhan Ruukin Kiinteistöpalvelu Oy	Karkkila, Finland	100.0	100.0
Vesiterm AS	Tallinn, Estonia	100.0	-

25. Associated companies

Company	Domicile	Group share of holding %	Parent company share of holding %
Thermia AB *)	Sweden	35.8	-
Keycast Oy *)	Raahe, Finland	42.6	-
Ulefos NV AS *)	Norway	50.0	-
Profiz Business Solution Oyj *)	Helsinki, Finland	32.0	32.0
Högfors Basket Oy	Karkkila, Finland	50.0	-
Pommisuoja Oy	Helsinki, Finland	22.0	-
Kiinteistö Oy Niiharju	Helsinki, Finland	25.0	25.0

The associated companies marked with a *) sign have been consolidated by using the equity method. Other associated companies do not affect the Group's distributable equity.

Notes to the parent company financial statements

Notes to the parent company income statement

Parent company	2003	2002	Parent company	2003	2002
26. Other operating income			28. Depreciation and amortization		
Rental income	-	24	Intangible assets		
Profit from sale of shares	-	976	Other capitalized expenditure	27	3
	-	1,000	Tangible assets		
			Machinery and equipment	16	6
			Total depreciation and amortization	43	9
27. Operating expenses			29. Financial income and expenses		
Personnel expenses *)	898	490	Financial income		
Other operating expenses			Interest and other financial income		
Rents	198	140	From Group companies	1,050	96
Other operating expenses	1,212	1,124	From others	502	145
	1,410	1,264		1,552	241
Total operating expenses	2,308	1,754	Interest and other financial expenses		
			To Group companies	-16	-
			To others	-4,561	-2,684
				-4,576	-2,684
			Total financial income and expenses	-3,024	-2,443
			'Financial income and expenses' include		
			net exchange rate gains and losses		
			To Group companies	19	3
			To others	-16	1
				3	4
			30. Extraordinary items		
			Extraordinary income		
			Group contribution received	1,972	2,074
			Gain from merger	14,039	-
			Taxes on extraordinary items	-572	-601
			Total extraordinary items	15,439	1,473
			31. Income taxes		
			Income taxes for the financial period	-	-66
			Of which taxes on extraordinary items	572	601
				572	535

Notes to the parent company balance sheet

32. Non-current assets

Intangible assets	Other capitalized expenditure	2003 total	2002 total
Acquisition cost at the beginning of the period	63	63	2
Increases	441	441	61
Acquisition cost at period end	504	504	63
Accumulated amortization at the beginning of the period	-3	-3	0
Amortization during the financial period	-27	-27	-3
Accumulated amortization at period end	-30	-30	-3
Book value at period end	474	474	60

Tangible assets	Machinery and equipment	Other tangible assets	2003 total	2002 total
Acquisition cost at the beginning of the period	40	-	40	21
Increases	240	85	325	19
Decreases	-10	-	-10	-
Acquisition cost at period end	270	85	356	40
Accumulated depreciation at the beginning of the period	-7	-	-7	-1
Depreciation during the financial period	-16	-	-16	-6
Accumulated depreciation at period end	-24	0	-24	-8
Book value at period end	246	85	332	32

Investments	Shares in Group companies	Shares in associated companies	Other shares and holdings	Preferred capital note investments in Group companies	Other investments	2003 total	2002 total
Acquisition cost at the beginning of the period	33,467	-	-	22,705	751	56,924	33,461
Increases	41,171	484	375	-	-	42,030	24,517
Conversion difference	-	-	-	-	5	5	-
Decreases	-33,467	-	-	-22,705	-65	-56,237	-1,055
Acquisition cost at period end	41,171	484	375	0	691	42,722	56,924

Parent company	2003	2002	Parent company	2003	2002
33. Long-term receivables			Other short-term receivables		
From Group companies			Trade receivables	13	5
Loan receivables	105,721	15,567	Loan receivables	1,760	-
From associated companies			Other receivables	3,317	14
Loan receivables	64	-	Prepaid expenses and accrued income	2,599	2,371
From others				7,689	2,390
Loan receivables	656	-	Total short-term receivables	14,204	4,629
Other receivables	1,101	1,201	Breakdown of prepaid expenses and accrued income		
	1,757	1,201	Periodization of loan charges	403	216
Total long-term receivables	107,541	16,768	Periodization of issue loss	1,588	2,096
34. Short-term receivables			Accrued interest income	615	34
From Group companies			Exchange rate gains	246	3
Trade receivables	328	141	Others	11	25
Loan receivables	220	12		2,863	2,374
Other receivables	3,920	2,084	35. Share capital and warrants		
Prepaid expenses and accrued income	150	3	Please see item 12. Share capital and warrants in the notes to the consolidated financial statements.		
	4,619	2,240	36. Shareholders' equity		
From associated companies			Share capital at the beginning of the period	19,231	19,231
Loan receivables	1,783	-	Share capital at period end	19,231	19,231
Prepaid expenses and accrued income	114	-			
	1,896	-			

Parent company	2003	2002	Parent company	2003	2002
Share premium account at the beginning of the period	11,533	11,533	Non-current loans falling due for repayment in five or more years		
Share premium account at period end	11,533	11,533	Loans from financial institutions	1,120	-
Legal reserve at the beginning of the period	5	5	Loans from pension funds	309	-
Legal reserve at period end	5	5		1,429	-
Retained earnings at the beginning of the period	1,941	3,229	41. Current liabilities		
Dividends paid	-962	-1,442	Current interest bearing liabilities		
Profit for the financial period	12,692	154	Loans from financial institutions	29,035	8,216
Preferred capital note at the beginning of the period	28,590	6,000	Loans from pension funds	570	-
Draw-down of preferred capital note	-	25,101	Other liabilities	18,239	-
Repayment of preferred capital note	-3,177	-2,511		47,845	8,216
Preferred capital note at period end	25,414	28,590	Current non-interest bearing liabilities		
Total shareholders' equity	69,854	61,300	Liabilities to Group companies		
Distributable shareholders' equity	13,671	1,941	Accounts payable	44	-
			Accrued expenses and deferred income	82	-
				126	-
			Liabilities to others		
			Accounts payable	160	105
			Other liabilities	94	27
			Accrued expenses and deferred income	2,630	1,885
				2,884	2,017
			Total current non-interest bearing liabilities	3,010	2,017
			Total current liabilities	50,855	10,233
			Breakdown of accrued expenses and deferred income		
			Accrued interest expenses	2,365	1,829
			Accrued pension expenses	26	9
			Holiday pay reserve including social security expenses	272	47
			Others	49	-
				2,712	1,885
			42. Contingent liabilities		
			General charges		
			For own debts	2,523	-
			Pledges		
			For own debts	2,155	-
			For Group companies	4,416	-
				6,571	-
			Guarantees		
			For Group companies	9,376	56,247
			Other own commitments	3,805	4,454

37. Terms of the preferred capital note

Please see item 14. Preferred capital note in the notes to the consolidated financial statements.

38. Untaxed reserves

Accelerated depreciation		
Other capitalized expenditure	12	-
Machinery and equipment	-4	-
	8	-

39. Liabilities

Interest bearing liabilities	92,642	15,099
Non-interest bearing liabilities	3,010	2,017
	95,651	17,116

40. Non-current liabilities

Non-current interest bearing liabilities		
Loans from financial institutions	33,120	6,883
Loans from pension funds	1,851	-
Loans from Group companies	9,826	-
	44,797	6,883
Non-current loans falling due for repayment as follows		
2005	11,533	
2006 - 2008	22,010	
2009 -	1,429	

Parent company	2003	2002	Parent company	2003	2002
Leasing commitments			Secured liabilities		
Next year	173	40	Liabilities secured with general charges		
In more than one year	323	4	Loans from financial institutions	16,074	-
	496	44	Loans from pension funds	2,422	-
				18,496	-
			Liabilities secured with pledges		
			Loans from financial institutions	6,568	-

43. Derivative instruments

	31.12.2003	31.12.2003	31.12.2002	31.12.2002
	Nominal value	Current value	Nominal value	Current value
Currency derivatives				
Forward exchange contracts	14,701	63	-	-
Currency swaps	8,040	42	-	-
Interest rate derivatives				
Interest rate options	6,000	-49	-	-
Interest rate swaps	24,000	-365	-	-
Intra-group currency derivatives				
Forward exchange contracts	19,613	-35	-	-
Of which hedging future currency flows	7,942	-4	-	-

The current value is the profit or loss from the derivative instrument according to the market price on 31 December.

The nominal values of the derivative instruments may not necessarily correspond to the payments made by the parties, and thus when examined on their own do not give a true picture of the Company's risk position.

Group development

Group development 2000 – 2003

MEUR	Proforma			
	2000	2001	2002	2003
Net sales	225.7	193.8	180.8	177.8
Other operating income	7.4	4.1	3.1	1.5
Share of profit/loss in associated companies	-0.5	-0.5	0.2	1.3
Other operating expenses	-208.7	-184.1	-167.7	-164.5
Depreciation and write-down of non-current assets	-12.4	-17.3	-12.3	-16.0
Negative goodwill recognised as income	3.0	12.3	2.9	-
Operating profit	14.5	8.3	7.0	0.1
Financial income and expenses	-8.0	-6.0	-9.1	-7.6
Profit/loss after financial items	6.4	2.3	-2.1	-7.5
Profit/loss for the financial period	-	7.4	1.0	-4.5
Order book at period end	35.0	26.5	24.9	25.1
Change in net sales, %	-15.3	-14.1	-6.7	-1.7
Share of export and foreign activities in net sales, %	77.0	72.0	72.0	71.0

	Proforma			
	1.1.2001	31.12.2001	31.12.2002	31.12.2003
Balance sheet total	239	217	218	191
Net interest bearing debt, preferred capital note in debt	147	141	145	125
Net interest bearing debt, preferred capital note in equity	124	112	117	99
Invested capital	200	186	188	162
Return on investment, %	-	5.6	4.4	0.8
Return on equity, %	-	20.0	2.5	-11.8
Equity ratio, %	13.8	18.7	18.2	17.8
Equity ratio, %, preferred capital note in equity	23.2	32.0	31.4	31.1
Equity ratio, %, preferred capital note and negative goodwill in equity	29.6	32.3	31.4	31.1
Net gearing, %, preferred capital note in debt	446.0	348.0	365.0	368.3
Net gearing, %, preferred capital note in equity	223.1	162.3	170.5	167.7
Net gearing, %, preferred capital note and negative goodwill in equity	175.2	160.8	170.5	167.7
Investments in non-current assets	28.2	53.1	9.8	1.6
Number of personnel at period end	1,936	1,741	1,616	1,565
Average number of personnel	1,986	1,810	1,705	1,595

Group development by business group

Net sales, MEUR	1.1.-31.12.2003	1.1.-31.12.2002
Cast and Other Components	144.5	148.7
Other business	33.3	32.1
Componenta Group total	177.8	180.8
Operating profit, MEUR	1.1.-31.12.2003	1.1.-31.12.2002
Cast and Other Components	8.2	5.8
Other business	-8.1	1.2
Componenta Group total	0.1	7.0
Order book, MEUR	31.12.2003	31.12.2002
Cast and Other Components	20.4	19.6
Other business	4.7	5.3
Componenta Group total	25.1	24.9

Group development by quarter

MEUR	Q4/2003	Q3/2003	Q2/2003	Q1/2003	Q4/2002	Q3/2002	Q2/2002	Q1/2002
Net sales	46.1	38.2	47.2	46.3	44.5	39.1	50.1	47.1
Operating profit	-5.3	0.9	2.8	1.6	2.5	0.3	3.1	1.1
Net financial items	-1.6	-2.0	-1.9	-2.1	-2.4	-2.2	-2.4	-2.1
Profit/loss after financial items	-6.9	-1.1	1.0	-0.5	0.1	-1.9	0.7	-1.0

Quarterly development by business group

Net sales, MEUR	Q4/2003	Q3/2003	Q2/2003	Q1/2003	Q4/2002	Q3/2002	Q2/2002	Q1/2002
Cast and Other Components	36.8	31.5	38.8	37.4	36.4	32.4	41.1	38.8
Other business	9.3	6.7	8.4	8.9	8.1	6.7	9.0	8.3
Componenta Group total	46.1	38.2	47.2	46.3	44.5	39.1	50.1	47.1

Operating profit, MEUR	Q4/2003	Q3/2003	Q2/2003	Q1/2003	Q4/2002	Q3/2002	Q2/2002	Q1/2002
Cast and Other Components	1.7	1.5	2.9	2.1	1.0	-0.4	3.8	1.4
Other business	-7.0	-0.5	-0.1	-0.5	1.5	0.7	-0.7	-0.3
Componenta Group total	-5.3	0.9	2.8	1.6	2.5	0.3	3.1	1.1

Order book at period end, MEUR	Q4/2003	Q3/2003	Q2/2003	Q1/2003	Q4/2002	Q3/2002	Q2/2002	Q1/2002
Cast and Other Components	20.4	21.3	20.4	21.7	19.6	22.5	23.8	22.9
Other business	4.7	5.6	6.1	5.4	5.3	5.9	6.1	5.3
Componenta Group total	25.1	26.9	26.5	27.1	24.9	28.4	29.9	28.2

Group development without one-time items

MEUR	1.1.-31.12.2003	1.1.-31.12.2002
Net sales	177.8	180.8
Operating profit	8.1	2.8
Net financial items	-7.6	-9.1
Profit/loss after financial items	0.5	-6.3

Group development by business group without one-time items

Operating profit, MEUR	1.1.-31.12.2003	1.1.-31.12.2002
Cast and Other Components	8.2	5.8
Other business	-0.1	-3.0
Componenta Group total	8.1	2.8

Group development by quarter without one-time items

MEUR	Q4/2003	Q3/2003	Q2/2003	Q1/2003	Q4/2002	Q3/2002	Q2/2002	Q1/2002
Net sales	46.1	38.2	47.2	46.3	44.5	39.1	50.1	47.1
Operating profit	2.3	1.0	3.1	1.6	0.1	-1.6	3.4	0.9
Net financial items	-1.6	-2.0	-1.9	-2.1	-2.4	-2.2	-2.4	-2.1
Profit/loss after financial items	0.7	-1.0	1.3	-0.5	-2.3	-3.8	1.0	-1.2

Quarterly development by business group without one-time items

Operating profit, MEUR	Q4/2003	Q3/2003	Q2/2003	Q1/2003	Q4/2002	Q3/2002	Q2/2002	Q1/2002
Cast and Other Components	1.7	1.5	2.9	2.1	1.0	-0.4	3.8	1.4
Other business	0.6	-0.4	0.2	-0.5	-0.9	-1.2	-0.4	-0.5
Componenta Group total	2.3	1.0	3.1	1.6	0.1	-1.6	3.4	0.9

Shareholders and shares

Largest registered shareholders on 31 December 2003

Shareholder	Shares	Share of total voting rights %
1 Lehtonen Heikki	3,786,131	39.38
Cabana Trade S.A.	3,336,731	
Helsingin Santapaperi Oy	340,000	
Oy Högfors-Trading Ab	109,400	
2 Etra-Invest Oy Ab	1,845,700	19.20
3 Ilmarinen Mutual Pension Insurance Company	457,600	4.76
4 Inkinen Simo-Pekka	422,044	4.39
5 Lehtonen Anna-Maria	178,823	1.86
6 Local Government Pension Institution Finland	150,000	1.56
7 Lehtonen Yrjö M.	131,040	1.36
8 Bergholm Heikki	100,000	1.04
9 Investment Fund Alfred Berg Finland	91,500	0.95
10 Lehtonen Antti	83,000	0.86
Technology Industries of Finland	83,000	0.86
11 Finnish Cultural Foundation	75,000	0.78
12 Investment Fund Alfred Berg Small Cap	73,300	0.76
13 Investment Fund Alfred Berg Portfolio	71,000	0.74
14 Investment Fund Aktia Capital	67,600	0.70
15 Investment Fund Alfred Berg Optimal	63,000	0.66
Nominee-registered shares	164,200	1.71
Other shareholders	1,772,371	18.43
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%.

Breakdown of share ownership on 31 December 2003

Number of shares	Shareholders	%	Shares	%
1 - 100	128	11.73	8,507	0.09
101 - 500	406	37.21	116,520	1.21
501 - 1 000	251	23.01	204,408	2.13
1 001 - 5 000	227	20.81	544,571	5.66
5 001 - 10 000	28	2.57	191,990	2.00
10 001 - 50 000	30	2.75	656,175	6.82
50 001 - 100 000	12	1.10	921,800	9.59
100 001 - 500 000	7	0.64	1,788,907	18.60
500 001 -	2	0.18	5,182,431	53.90
Total = total issued	1,091	100.00	9,615,309	100.00

Notifications in accordance with section 9 of chapter 2 of the Finnish Securities Market Act in 2003

29 September 2003 Etra-Invest Oy Ab's holding in Componenta Corporation exceeded 15 per cent and was 15.44 per cent of the total shares and voting rights.

19 December 2003 Heikki Lehtonen's holding in Componenta Corporation declined below 1/3 while Cabana Trade S.A.'s holding in the company exceeded 1/3. After this sale the holding of the companies owned by Heikki Lehtonen is 39.38 per cent of the total shares and voting rights in Componenta Corporation.

Shareholders by sector on 31 December 2003

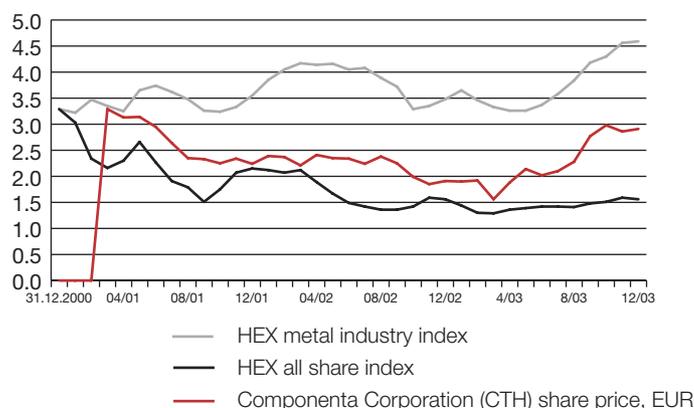
	%
Finnish companies	26.77
Financial institutions and insurance companies	4.81
General government bodies	7.48
Non-profit institutions	2.82
Households	21.58
Nominee-registered shares and other foreign shareholders	36.54
	100.0

Per share data

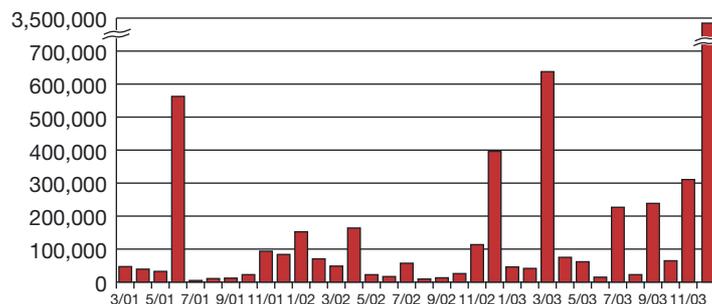
	2003	2002
Earnings per share (EPS), EUR	-0.47	0.11
Equity per share, EUR	3.31	3.92
Dividend per share, EUR *)	0.00	0.10
Payout ratio, %	0.00	94.73
Effective dividend yield, %	0.00	5.52
P/E multiple	-6.26	17.15
Share price at year end, EUR	2.92	1.81
Average trading price, EUR	2.65	2.13
Lowest trading price, EUR	1.39	1.71
Highest trading price, EUR	3.40	2.70
Market capitalization at year end, MEUR	28.1	17.4
Trading volume, 1,000 shares	5,171	1,089
Trading volume, %	53.8	11.3
Weighted average of the number of shares, 1,000 shares	9,615	9,615
Number of shares at year end, 1,000 shares	9,615	9,615

*) For the year 2003 a proposal of the Board of Directors.

Componenta Corporation (CTH) Share Price Development in 2001 - 2003, EUR



Componenta Corporation (CTH) Monthly Share Trading Volume in 2001 - 2003, pcs



Calculation of key financial ratios

Return on equity -% (ROE)	=	$\frac{\text{Profit/loss after financial items - income taxes}}{\text{Shareholders' equity without preferred capital notes + minority interest (quarterly average)}} \times 100$
Return on investments -% (ROI)	=	$\frac{\text{Profit/loss after financial items + interest and other financial expenses}}{\text{Balance sheet total - interest free liabilities (quarterly average)}} \times 100$
Equity ratio, %	=	$\frac{\text{Shareholders' equity, preferred capital notes excluded + minority interest}}{\text{Balance sheet total - advances received}} \times 100$
Earnings per share, EUR (EPS)	=	$\frac{\text{Profit/loss after financial items - income taxes +/- minority interest}}{\text{Average number of shares during the financial period}}$
Earnings per share with dilution, EUR	=	As above, but earnings have been increased by calculating interest on market terms and net of tax, on the capital increase corresponding to the outstanding warrants. The number of shares has been increased with the warrants outstanding. When calculating the dilution effect of warrants, the number of shares has been adjusted with the number of own shares which the company could have acquired, if it would have used the funds generated from the warrants to buy back of own shares at market price (= average trading price).
Average trading price, EUR	=	$\frac{\text{Trading volume,}}{\text{Number of shares traded during the financial period}}$
Equity per share, EUR	=	$\frac{\text{Shareholders' equity, preferred capital notes excluded}}{\text{Number of shares at period end}}$
Dividend per share, EUR	=	$\frac{\text{Dividend}}{\text{Number of shares at period end}}$
Payout ratio, %	=	$\frac{\text{Dividend}}{\text{Earnings (as in Earnings per share)}} \times 100$
Effective dividend yield, %	=	$\frac{\text{Dividend per share}}{\text{Market share price at period end}} \times 100$
Market capitalization	=	Number of shares x market share price at period end
P/E multiple	=	$\frac{\text{Market share price at period end}}{\text{Earnings per share}}$
Net interest bearing debt	=	Interest bearing liabilities + preferred capital notes - cash and bank accounts
Net gearing, %	=	$\frac{\text{Net interest bearing debt}}{\text{Shareholders' equity, preferred capital notes excluded + minority interest}} \times 100$

Proposal of the Board of Directors for the distribution of profits

The distributable equity according to the consolidated balance sheet is EUR 986,000. The distributable equity according to the parent company balance sheet is EUR 13,670,977.07, of which the net profit for the financial period is EUR 12,691,988.97.

The Board of Directors proposes to the Annual General Meeting of Shareholders that no dividend will be paid.

Helsinki, 21 January 2004

Heikki Bergholm

Juhani Mäkinen

Matti Tikkakoski

Heikki Lehtonen

Auditor's Report

To the shareholders of Componenta Corporation

I have audited the accounting, the financial statements and the corporate governance of Componenta Corporation for the period 1.1. - 31.12.2003. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on my audit I express an opinion on these financial statements and on corporate governance of the parent company.

I have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that I perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of my audit of corporate governance is to examine that the members of the Board of Directors and the Managing Director of the parent company have legally complied with the rules of the Companies' Act.

In my opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by me. The proposal by the Board of Directors regarding the result of the accounting period is in compliance with the Companies' Act.

Helsinki, 22 January 2004

Kari Miettinen
APA

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