

# ANNUAL REPORT **2012**



## **Strategy**

Preferred casting solutions provider

p. 6

## **Customer service**

Throughout the supply chain

p. 8

## **Sustainability**

Building on strong values and sustainability

p. 10

SOLUTIONS

360°

The foundation for all of our processes and ways of operating is our goal to be our customers' preferred casting solutions provider. We grow as One Componenta, together with our customers. The principles of sustainable development are integrated into our business. We aim to reduce the environmental impact of a cast component for its entire life cycle. We pay attention to people and invest in development of competence, wellbeing and safety.

Componenta is a major casting solutions provider in Europe. We know our customers' industries and challenges and offer them solutions based on our excellence and experience in cast components, their engineering and manufacturing.

Our customers are manufacturers of vehicles, machines and equipment in various industries, who are local or global players and often market

leaders in their own sectors. Our solutions and services for them cover the complete cast component supply chain.

In 2012, Componenta's net sales amounted to EUR 545 million and the number of employees to approximately 4,300.

The company's shares are quoted on the NASDAQ OMX Helsinki.

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## FOR THE READER

Componenta's 2012 Annual Report consists of two separate reports. The present Annual Report contains information about Componenta's key themes and measures in 2012 including corporate responsibility and sustainability related issues. The Financial Statements 2012 gives information on performance and financial position of Componenta. In addition to these, we have also published a separate Corporate Governance Statement

for 2012. The Annual Report for 2012 includes an independent third-party GRI Application Level check and verification that Componenta's report meets the requirements for GRI's Application Level B. All mentioned reports including the reporting principles and the GRI content index are available on our website at [www.componenta.com](http://www.componenta.com). The website also provides further information about our business.

### Sales by market area



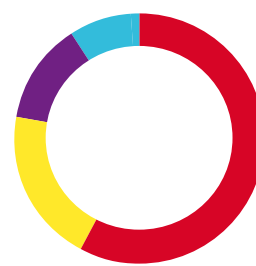
Germany 19%	France 7%
Sweden 18%	Italy 6%
Turkey 14%	Other European countries 4%
UK 10%	USA 4%
Finland 8%	Other countries 2%
Benelux 8%	

### Sales by customer industry



Heavy trucks 28%
Construction and mining 23%
Machine building 19%
Agricultural machinery 15%
Automotive 15%

### Personnel by country



Turkey 58%
Finland 20%
Netherlands 13%
Sweden 9%

### Componenta operations by segment 2012

	Net sales <sup>*)</sup>	Share of net sales	Operating profit <sup>**)</sup>	Order book
Turkey operations	259.9	44%	14.5	39.9
Finland operations	100.7	17%	1.1	13.8
Holland operations	101.8	18%	-5.2	14.7
Sweden operations	126.1	21%	-1.0	21.8

<sup>\*)</sup> Excluding other business and internal eliminations

<sup>\*\*)</sup> Excluding one-time items

### Key Figures

	2012	2011
Order book, MEUR	<b>82.9 <sup>*)</sup></b>	99.5 <sup>**)</sup>
Net Sales, MEUR	<b>544.8</b>	576.4
Operating profit, excluding one-time items, MEUR	<b>10.0</b>	29.8
% of net sales	<b>1.8</b>	5.2
Result after financial items, excluding one-time items, MEUR	<b>-17.6</b>	3.9
Return on investment, excluding one-time items, %	<b>4.0</b>	10.2
Return on equity, excluding one-time items, %	<b>-24.8</b>	5.1
Equity ratio, preferred capital notes in equity, %	<b>23.2</b>	17.5
Interest bearing net debt, preferred capital notes in equity, MEUR	<b>213.0</b>	207.5
Net gearing, preferred capital notes in equity, %	<b>199.6</b>	271.2
Earnings/share, excluding one-time items, EUR	<b>-0.92</b>	0.09
Equity per share, EUR	<b>3.36</b>	1.93
Dividend per share, EUR	<b>0.00 <sup>***)</sup></b>	0.00
Investment in production facilities, MEUR	<b>19.2</b>	21.8
Number of personnel at end of year, including leased personnel	<b>4 277</b>	4 665
Capacity utilization rate, %	<b>63</b>	68
Energy consumption, GWh	<b>695</b>	747

<sup>\*)</sup> Order book on 13 January 2013

<sup>\*\*)</sup> Order book on 12 January 2012

<sup>\*\*\*)</sup> Board proposal

# THE YEAR IN BRIEF

## Share issue and hybrid bond

In relation to reaching the financial objectives updated by the Board of Directors at the beginning of the year, a share issue and hybrid bond, corresponding to EUR 35.8 million in total were executed. The funds raised through were used to strengthen the company's balance sheet and financial position.

## Better customer service

A customer service centre was opened with opening ceremonies in Peoria, the United States, where our local customers can have easy access and contact with Componenta. Towards the end of the year, we also opened a new office in Moscow, Russia.



Q1 / 2012



## International Trainee Program

was launched for the third time. The program provides students with the opportunity to perform their practical training first in their home country and later in another country where Componenta operates. It is also a key channel for acquiring new human resources.

Q2 / 2012



## Growing uncertainty

Uncertainty in the financial markets weakened predictability and confidence in the economy. As customers were reducing their stocks, the positive development experienced in the early part of the year slowed down, and our order book began to decline. Measures were taken to achieve savings in fixed costs.

## Start of adaptation

Continuing uncertainty in the European and world economy decreased the demand for investment goods in our customer segments and also the Group's expectations regarding net sales and operating profit. Due to the weakened outlook, we continued adaptation measures aimed at capacity and costs.



Q3 / 2012

## New long-term financing

A new syndicated credit facility of EUR 90 million was signed. The new financing arrangement, valid until the end of June 2015, replaced the previous credit facility, and clarified and stabilised the Group's long-term financing.



Q4 / 2012



## Efficiency programme and new operational model

An efficiency programme was initiated in October to improve profitability and productivity and realise cost savings in order to increase our competitiveness during 2012 - 2014. The programme contains of actions in all countries, where Componenta has operations. Simultaneously, we adopted a new operating model and revamped our organization.



Read more about the year 2012 events online [www.componenta.com](http://www.componenta.com)



# COMPONENTA'S YEAR 2012

We focused on improving profitability and ensuring our competitiveness, while also adapting our operations to lower volumes. Result-wise, the past year did not meet expectations.

The year 2012 started in a difficult economic situation with uncertainty in the financial markets caused by the European debt crisis. During the spring we saw some improvement, but in the late summer and early autumn demand took a strong turn for the worse. Componenta's order book declined significantly, and we had to adapt our production and personnel correspondingly.

In October, we launched a structural efficiency programme covering the entire Group in order to improve profitability and increase competitiveness. The efficiency programme will run until 2014 and aims to reduce our structural costs by a total of EUR 25 million annually.

Componenta's net sales fell by 5% from the previous year, and the operational result remained weak. In addition to lower volumes, the result was also deteriorated by the development of the Turkish lira and Turkey's faster cost inflation compared with eurozone inflation, as well as productivity issues in Turkey, Holland and Sweden. During the year, we completed two major financial negotiations leading to the rearrangement of Componenta's long-term financing. In March, we signed an extension to our previous syndicated credit facility of EUR 164 million. The credit facility was repaid over the summer, and in October it was replaced with a new syndicated credit facility of EUR 90 million, which is expected to cut the Group's financial expenses in the long term. The Group's net financial expenses were extraordinarily high in 2012 due to the said financing arrangements.

Towards the end of the year, we renewed the Group's operational structure in order to support the execution of the efficiency programme and to correspond to the slow growth in our operational environment. In the new structure, business units are divided into



operational divisions instead of the previous country-based organization. This improves our ability to effectively allocate our resources to the development of each function – casting, machining and aluminium production – and to benefit from the synergies within each division. After the change, we are also able to focus on serving our growing and/or new business areas more effectively.

In the midst of various challenges presented by our operational environment, we continued to work towards our strategic goals. We want to increase the share of our services in our customers' value chains and provide them with high-quality components and casting solutions involving engineering and logistics services. For this purpose, we centralised and strengthened our customer service, developed and trained our sales and engineering talents, and expanded our presence to a new and intriguing market area, Russia. We started to manufacture cast components from the new SSF material. With the new nodular cast iron, which has a high silicon content, we are able to improve the properties of our products, particularly with regard to elongation and machinability. During the past year, we have had several interesting projects with our customers. The creation and maintenance of long customer relationships is the foundation of our operations, as casting solutions require close engineering cooperation with the customer from the outset.

“Long customer relationships are the foundation of our operations”

Matters related to sustainability – economic, social and environmental responsibility – are important to us, our customers and other stakeholders alike. We know and bear our responsibilities in our daily operations, in good times and when we are facing challenges. The key measures taken and results

achieved in the different areas of sustainability in 2012 are reported as part of the present Annual Report, and related development measures will be continued in 2013.

Even though many of the earlier uncertainty factors have decreased by the beginning of 2013, the development of the economy remains challenging to predict. While some economic indicators predict positive development, the preconditions for initiating and sustaining growth, particularly in Europe, are virtually non-existent. However, I personally believe that the economy will slowly and gradually pick up in 2013. Regardless of the development of the environment, we at Componenta will continue the measures initiated in order to ensure our profitability and competitiveness.

I would like to express my sincere gratitude to our personnel, customers and owners for their solid cooperation and commitment in the challenging year of 2012.

**Heikki Lehtonen**  
President and CEO

# IMPLEMENTATION OF STRATEGY STARTS WITH SERVICE

In our operations, we combine the versatile engineering and production of cast components in order to provide innovative casting solutions for our customers. We want to be their preferred casting solutions provider.

Componenta excels in cast components, casting and machining. We operate both globally and locally as One Componenta with strong values, common ways of operating and underlying principles of sustainable development regardless of country or location. From start to finish, we provide our customers with the casting solutions they need, as ready-made components. We exist for our customers, contributing to their success and growing with them.

## MISSION STATEMENT

Our mission is Casting Future Solutions. Our approach is based on customer needs. We offer solid expertise in component engineering, materials and manufacturing to leading operators and product developers in different industrial sectors. Our custom-

ers benefit from our ability to balance our operations and services in different parts of the value chain. We are also actively shaping the traditional ways of operating in the foundry industry as it evolves towards new generation vehicles and machinery.

## VISION

Componenta's vision is to be the preferred casting solutions provider, both locally and globally.

## To realize our vision we

- grow and operate together as One Componenta offering the best customer experiences
- excel in delivery certainty, quality and cost-efficiency
- boost solution selling




## PREFERRED CASTING SOLUTIONS PROVIDER 2015

We provide our customers with services that cover the complete cast component supply chain. Each customer is assigned a customer service team that ensures the engineering and timely delivery of the best possible casting solution for the customer. The principles of sustainable development are taken into account early on in the engineering process and through the various stages of production. We cast future solutions today!



## STRATEGIC GOALS AND KEY MEASURES IN 2012

Goal	Measures in 2012	Results from measures																
<p><b>We grow and operate together as One Componenta</b></p>	<ul style="list-style-type: none"> <li>• Expanding the SAP Enterprise Resource Planning (ERP) system to Turkey.</li> <li>• Harmonising and improving the reporting practices.</li> <li>• Streamlining the flow of information with the new intranet, email system and collaboration tools.</li> <li>• Investigating the working atmosphere among white-collar employees with the Pulse survey.</li> <li>• Revamping the Group's structure and organization in order to boost operations and clarify management.</li> </ul>	<p><b>91%</b> of white-collar employees are committed to Componenta's strategy</p> <p><b>95%</b> of white-collar employees completely agree or somewhat agree that their input is important for the company's success</p>																
<p><b>We offer the best customer experience</b></p>	<ul style="list-style-type: none"> <li>• Developing and expanding customer service; training sales personnel and opening an office in Russia.</li> <li>• Combining sales, product development, engineering and supply chain management into one customer service entity.</li> <li>• Introducing the centralised model in sales support functions in Finland.</li> <li>• Renewing customer segmentation.</li> <li>• Conducting a customer satisfaction survey.</li> </ul>	<p><b>Improved customer ratings</b></p>  <table border="1"> <caption>Customer Ratings Data (Estimated)</caption> <thead> <tr> <th>Year</th> <th>Clarity of communications</th> <th>Ability to listen to the customer</th> <th>Ease of contacting</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>2.5</td> <td>3.0</td> <td>3.5</td> </tr> <tr> <td>2011</td> <td>3.0</td> <td>3.5</td> <td>4.0</td> </tr> <tr> <td>2012</td> <td>3.5</td> <td>4.0</td> <td>4.5</td> </tr> </tbody> </table>	Year	Clarity of communications	Ability to listen to the customer	Ease of contacting	2010	2.5	3.0	3.5	2011	3.0	3.5	4.0	2012	3.5	4.0	4.5
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2012	3.5	4.0	4.5															
<p><b>We excel in delivery certainty, quality and cost-efficiency</b></p>	<ul style="list-style-type: none"> <li>• Efficiency projects aiming to improve productivity and profitability in Finland, Turkey, the Netherlands and Sweden.</li> <li>• Developing reporting on production and delivery certainty.</li> <li>• Harmonising the quality management systems under one Multi-Site quality certification.</li> <li>• Developing the logistics warehouse operating model.</li> <li>• Improving quality with the Lean Six Sigma tools.</li> </ul>	 <p>In November 2012, Caterpillar awarded Componenta Främstad the Supplier Quality Excellence Program (SQEP) certification for meeting and sustaining high quality and delivery performance standards.</p>																
<p><b>We boost solutions selling</b></p>	<ul style="list-style-type: none"> <li>• Developing engineering functions in Orhangazi, Turkey.</li> <li>• Increasing know-how in the product development, engineering and customer segments.</li> <li>• Developing the sales process.</li> <li>• Training sales personnel in order to reinforce their solutions selling skills.</li> <li>• Adopting the new operating model in logistics in order to diversify our service portfolio.</li> </ul>	<p><b>Customers trust our expertise</b></p>  <table border="1"> <caption>Customer Trust Data (Estimated)</caption> <thead> <tr> <th>Year</th> <th>Ability to provide innovative solutions</th> <th>Personnel competence</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>3.5</td> <td>4.0</td> </tr> <tr> <td>2011</td> <td>3.8</td> <td>4.1</td> </tr> <tr> <td>2012</td> <td>4.0</td> <td>4.2</td> </tr> </tbody> </table>	Year	Ability to provide innovative solutions	Personnel competence	2010	3.5	4.0	2011	3.8	4.1	2012	4.0	4.2				
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# COMPONENTA'S BUSINESS INVOLVES

the engineering and manufacture of iron and aluminium cast components and solutions made from these for vehicles, agricultural and off-road machinery and the machine building industry. We serve our customers both locally and globally.

**I**n 2012, Componenta's business operations were divided into four business segments, namely Operations Turkey, Operations Finland, Operations Holland and Operations Sweden. See page 1 for key figures by segment.

At the beginning of November 2012, Componenta's operational structure was renewed by dividing the operations into three operational divisions, or business segments: the Foundry Division, Machine Shop Division and Aluminium Division. The new structure supports the implementation of the Group's productivity and profitability programme launched in October 2012 and clarifies management practices. Reporting corresponds to the new divisional structure from the beginning of 2013 onwards.

Componenta's customer service, which comprises the sales, engineering and product development functions and logistics services, has been concentrated in customer service centres, ensuring close cooperation with customers and the provision of expert services throughout the supply chain. Apart from Finland, Turkey, the Netherlands and Sweden, we also have customer service centres in the United Kingdom, Italy, France, Germany, the United States and Russia.

## **DEVELOPMENT OF THE OPERATIONAL ENVIRONMENT**

The demand outlook was satisfactory at the beginning of 2012, but weakened in almost all customer segments towards the end of the year. Continuing uncertainty in the financial markets and elsewhere decreased the demand for investment goods in Componenta's customer segments, which affected our order book. The declining order book was also significantly affected by the measures taken by several large customers, particularly in the construction and mining industry as well as the machine building industry, in order to reduce their production volumes and stocks towards the end of the year.

## **BUSINESS DEVELOPMENT**

Componenta aims to stand out from the competition by providing customers with solutions that support their business operations and by serving them with high quality. Standing out from the competition requires us to meet the customers' requirements regarding delivery time and product quality. It also calls for first-class customer service and cost-efficient operations.

During the year, we continued to take measures in accordance with the Group's strategy in order to achieve our long-term objectives. With the aim of increasing customer satisfaction, we invested in developing cooperation between sales and product development and enhancing communication and cooperation with customers in accordance with our common One Componenta way of working. The U.S. customer service centre, which opened in 2011, became established as the partner of choice for local customers, and at the end of 2012 Componenta expanded its presence to Russia with the opening of a new customer service office in the Moscow region.

The centralised customer service model implemented at the beginning of 2012 improved the sales support services provided to customers and increased the efficiency and fluency of internal operations. The service concept introduced in Finland will also be applied to the other countries in which Componenta operates.

Componenta provides customers with services that cover the complete supply chain of cast components and applications, ranging from engineering to production, finishing processes and logistics services. As a result of our material development work, we introduced a new, advanced grade of iron in production. During the year, we carried out several Six Sigma projects with the aim of developing the quality of our operations and products. After the SAP ERP system was deployed in Turkey, our common, Group-wide

enterprise resource planning covers all of our iron foundries.

The component supply chain was optimised by, among other things, continuing product transfers between foundries, meaning that the products are cast and machined in the most suitable location. At the end of the supply chain, optimal logistics solutions were developed in order to ensure the agreed component deliveries for further processing and to customers.

Operations in 2012 were marked by capacity and cost adjustments made due to the declining order book and production volumes towards the end of the year. In addition to reducing working hours, in October we initiated a special efficiency programme aiming to boost the company's competitiveness and profitability by increasing productivity and cutting costs. The programme consists of five different projects which will be carried out in the countries in which we operate, and it aims to achieve permanent structural changes and cost savings by 2014.

Within the framework of the programme, Componenta decided to close down one of the two automatic moulding lines in the Pietarsaari foundry by the end of September 2013 and to transfer the work to other foundries. Our units in the Netherlands and the Wirsbo forge in Sweden took measures to improve productivity and profitability. In order to strengthen our competitive advantage in machining operations it was decided to concentrate manufacturing of middle and

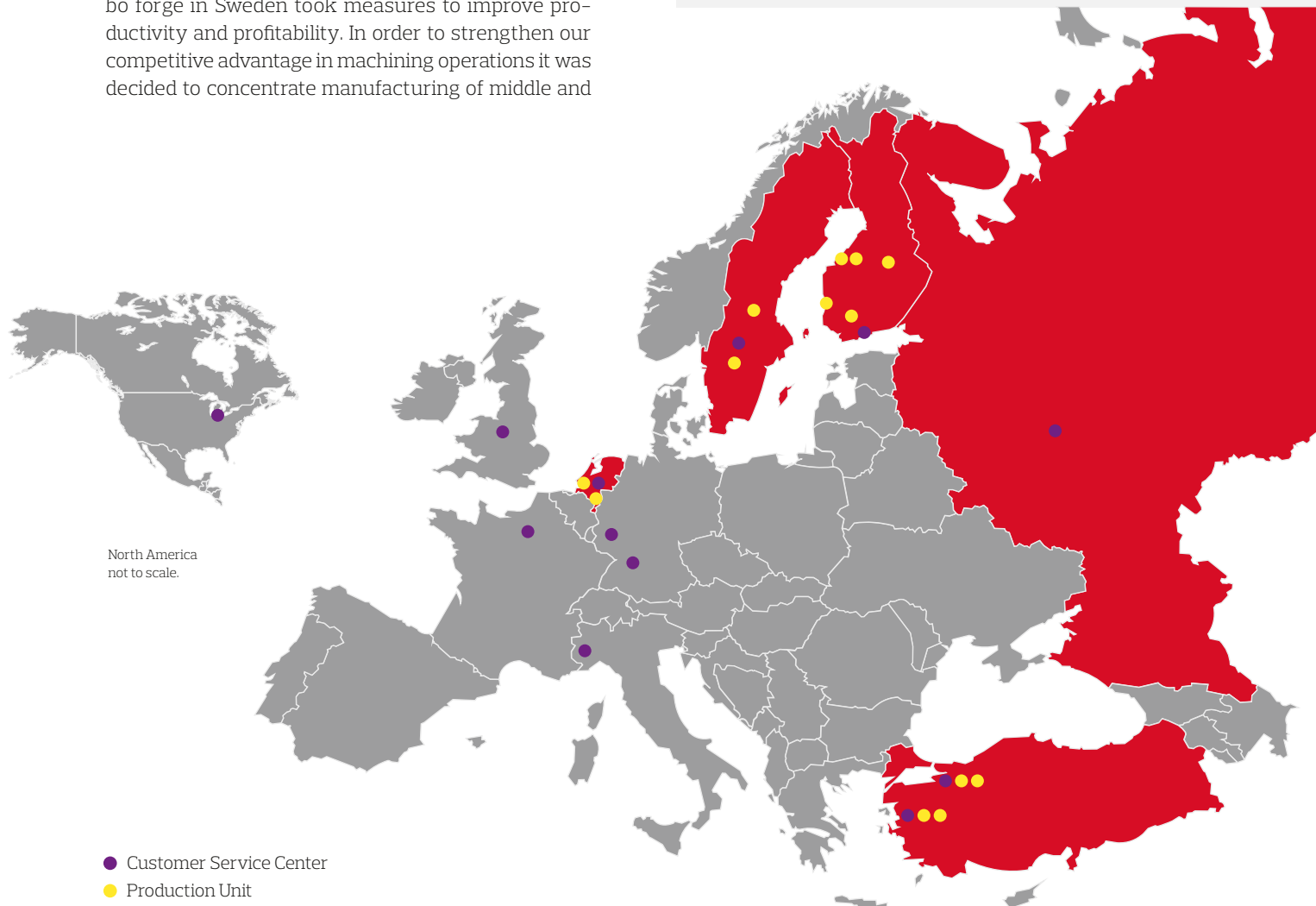
short series in Främmestad machine shop, Sweden and machining of long series in Orhangazi machine shop, Turkey. At the Orhangazi foundry in Turkey, the productivity improvement project launched in 2011 was continued by implementing several changes to the foundry's operational structure, management and processes.

[Read more online](#) 

## OUR BUSINESS IN 2012

Order book	<b>83 MEUR</b>
Net sales	<b>545 MEUR</b>
Operating profit	<b>10 MEUR*)</b>
Capacity utilization rate	<b>63%</b>
Investments	<b>19 MEUR</b>

\*) excluding one-time items



# CORPORATE RESPONSIBILITY AT COMPONENTA

We know and bear our responsibilities in our daily operations. We look after the environment, people and our profitability. We monitor and develop our economic, social and environmental responsibility.

Componenta's strategy and business operations are based on the Group's values and the principles of sustainable development. We comply with laws and regulations and our common, Group-wide operating principles and policies in daily management, operations and relationships with stakeholders.

In our operations, we take into account the ISO 26000 guidelines with regard to social responsibility. All Componenta production units have third-party certified quality and environmental management systems. Furthermore, three of our units employ a certified occupational health and safety management system.

## ENVIRONMENTAL IMPACT OF A COMPONENT DURING ITS LIFE CYCLE

Most of the raw material used for cast components is recycled material. The recycling percentage of additives used in the production process and waste generated is more than 70%. We also reuse the heat energy created in melting. We can minimise the environmental impact of our production through the high quality of our products and operations. Through cooperation in component engineering and choices

of material, we help our customers to develop more environmentally friendly products.

## LOOKING AFTER PEOPLE

Responsibility includes good leadership and consideration of people. We do not condone any form of bribery or discrimination under any circumstances. Our social responsibility comprises the development of our personnel's competence and occupational wellbeing and safety. We also audit our suppliers, and in the procurement of raw materials we pay special attention to environmental and safety requirements, social responsibility and ethics.

## PROFITABILITY ENSURES THE CONTINUITY OF OPERATIONS

Our economic responsibility is accountability for the Group's profitability and increasing shareholder value, and we will achieve both of these by operating competitively and developing our operations in the long term. Comprehensive risk management allows us to identify and prepare for risks that may impact our business.

[Read more online](#) 






## SIGNIFICANCE OF RESPONSIBILITY AT COMPONENTA

Componenta and in our relationships with stakeholders. Responsibility is a part of our competitiveness and contributes to our success as we compete for customers, employees and investors.

Responsibility means taking continuous, concrete measures that observe both people and the environment. This is an integral part of our business, both within

## SUSTAINABILITY AT COMPONENTA

We cast future solutions for our customers in accordance with sustainable business principles. We listen to the needs of our stakeholders and observe the requirements set for us by our operational environment. Our expertise, experience, common values and ways of working guide us towards our objective of becoming the preferred casting solutions provider.

Sustainable business	Goals	Measures in 2012
 <p><b>We do our share to minimise the environmental impact of a cast component during its life cycle</b></p>	<ul style="list-style-type: none"> <li>• Improving energy efficiency in production</li> <li>• Reducing the landfill waste generated by production</li> <li>• Developing new environmentally friendly casting solutions with customers in accordance with environmental requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Optimising energy consumption by means of casting planning and other measures</li> <li>• Acquiring more reuse applications for production waste</li> <li>• Engineering cooperation projects aiming to optimise component structure, material and production method</li> </ul>
 <p><b>Looking after people and promoting personnel competence and wellbeing</b></p>	<ul style="list-style-type: none"> <li>• Increasing the competence and occupational wellbeing of our personnel</li> <li>• Operating models and practices ensuring efficient business operations and management</li> <li>• Increasing the number of suppliers that meet the requirements of environmental management systems</li> </ul>	<ul style="list-style-type: none"> <li>• Implementing several Group-wide and/or function-specific training and development projects</li> <li>• Revamping the Group's business structure and organization</li> <li>• Continuing the audits of raw material suppliers with focus on quality, environmental issues and occupational safety</li> </ul>
 <p><b>We ensure the competitiveness and profitability of our operations and increase shareholder value</b></p>	<ul style="list-style-type: none"> <li>• Improving the company's financial solidity and profitability</li> <li>• Decreasing the Group's debt and achieving a good credit rating</li> </ul>	<ul style="list-style-type: none"> <li>• Initiating a Group-wide efficiency programme in order to boost profitability and competitiveness</li> <li>• Issuing new shares and a hybrid bond to strengthen the Group's balance sheet and financial position</li> <li>• Rearranging our long-term financing</li> </ul>

In the spring of 2011, Componenta was included in the OMX GES Sustainability Finland Index introduced by NASDAQ OMX Helsinki. This sustainability index concentrates on Finnish shares and includes 40 leading sustainable companies in Finland.





# SOCIAL RESPONSIBILITY AT COMPONENTA

Human resource management is a fundamental part of our business and its development. When the quality of human resource management is good, it acts as a key driver in daily operations and strategy implementation. This is supported by the Group's values and the principles and guidelines of our personnel policy.

Towards the end of the year, growing uncertainty in the markets and the poor predictability of customer behaviour led to a low capacity utilisation rate. As a result, in October 2012 we initiated a programme aimed at renewing our operations and increasing efficiency. In revamping the Group's operational structure and organization, special attention was paid to the number of organizational levels and the seamless flow of information. Due to declining production volumes, we also had to adjust the amount of work performed and the number of employees, both permanently and for a fixed period.

While adapting to the changes taking place in our operational environment, it is also important to secure the company's future and adequate resources. Our objective is to reinforce Componenta's position as a reliable, desired employer for its employees and a competitive, value-producing partner for its stakeholders. In our personnel strategy, which supports the achievement of business

goals, we emphasise long-term resource planning and increasing the commitment of our personnel.

Componenta's Group-wide personnel policy and values – Openness, Honesty and Respect – lay the foundation for daily operations and employee wellbeing. We respect our employees' rights, and international agreements on human rights and equality are integrated into Componenta's operating culture. In 2012, no incidents of discrimination were reported at Componenta.

In human resource management, we focused on developing sales competences, implementing the customer-oriented operating model and developing and managing Componenta's engineering resources.

## **PERSONNEL PLANNING ENSURES ADEQUATE AND CAPABLE HUMAN RESOURCES**

We resorted to effective personnel planning in 2012 to safeguard our ability to adapt to the rapidly changing market environment. We carried out organizational changes both in our Group-level



## **ALL ARE NEEDED FOR SHARED SUCCESS**

Know-how, experience and a willingness to learn are important for the development and success of individual Componenta employees and the entire Group. We value long employment relationships and offer a working environment where learning, job rotation and occupational safety and wellbeing are developed with a proactive approach. We create the conditions for our employees to develop their work and carry responsibility for achieving objectives.

functions and individual units, mainly through internal job rotation and appointments. In order to secure adequate and capable human resources in the future, we also continued to invest in development projects and training programmes important to our business.

The Group launched its third International Trainee Program in March, in which 33 university students from various Componenta countries were chosen for the two-year programme. Componenta's 360° assessment method was completed for adoption in training programmes and development projects. The Mindshift project launched in 2011, which aims to secure engineering know-how and future human resources, proceeded to the implementation phase. In order to strengthen our employer image and increase students' awareness of Componenta and the industry in general, we began to cooperate with educational institutes in the different countries in which we operate. Within

## “Job satisfaction was investigated with a Pulse survey in 2012”

the framework of this cooperation, which is called the Professor Network, teachers and professors at each local institute help us to arrange student visits to Componenta production units, and we send our experts to give them lectures on practical matters.

Componenta aims to offer career opportunities and responsibility to high-potential employees in the early stages of their careers. Their development is monitored and supported throughout their career path. Towards the end of the year, we completed our new HR information system, which will be implemented in 2013 to enable more advanced personnel planning and HR processes.

Componenta aims to stand out from the competition by providing customers with solutions that promote their business operations. This means

### DEVELOPMENT OF EMPLOYEE COMPETENCE AS A KEY PRIORITY

Componenta aims to stand out from the competition by providing customers with solutions that promote their business operations. This means

#### Key figures

	2012	2011	2010	2009	2008
Total number of own and leased personnel	4,642	4,717	4,155	3,797	5,207
Total number of own and leased personnel on duty, FTE	3,855	4,003	3,224	2,424	4,374
Change during the year, %	-2	14	9	-27	1
Absenteeism due to sickness and accidents, %	4.0	3.9	3.8	4.5	4.5
Recruitments	546	746	654	335	542
Turnover, %	18	17	10	26	13
Type of employment, %					
Permanent	82	73	81	93	93
Temporary	9	16	9	5	3
Leased	9	10	9	2	4

\*) Includes all days of absence from first to last.

#### Personnel by function, %



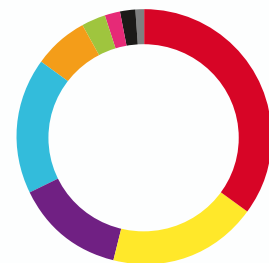
- Production (blue collar) 78% (82%)
- Production management 5% (4%)
- Administration and management 7% (5%)
- Quality and maintenance 5% (4%)
- Sales, product development and purchasing 5% (5%)

#### Personnel age structure



- 18-24 5% (7%)
- 25-29 14% (16%)
- 30-34 19% (20%)
- 35-39 20% (18%)
- 40-44 16% (15%)
- 45-49 11% (10%)
- 50-54 6% (6%)
- 55-59 6% (5%)
- 60-64 3% (3%)
- over 64 0% (0%)

#### Employment years



- 0-4 35% (35%)
- 5-9 19% (22%)
- 10-14 14% (18%)
- 15-19 17% (12%)
- 20-24 7% (6%)
- 25-29 3% (3%)
- 30-34 2% (2%)
- 35-39 2% (1%)
- over 40 1% (1%)



that, in addition to a high-quality product, we offer our customers services such as product design or a cost-effective logistics solution. Solutions selling requires strong service orientation from the entire organization as well as seamless cooperation between different functions in accordance with our One Componenta operating model. It also requires new solutions selling skills and a deeper customer understanding from our sales personnel, and therefore in the spring of 2012 we launched a sales personnel training programme called License to Sell.

Componenta's development programme for young professionals, Challenger, continued in 2012 in the form of mentoring. Challenger provides the opportunity to share knowledge and experience and create functional, international cooperation relationships between experienced Componenta employees and those in the early stages of their careers.

Internal communications and employee reachability at Group level became more effective with the deployment of Corebox, Componenta's new intranet. Apart from fast information sharing, the intranet also enables more interactive cooperation between Componenta employees.

### WORK ABILITY MANAGEMENT AT COMPONENTA

Through the management of work ability, we aim to reduce occupational accidents and absence due to illness, prevent retirement on disability pension and prolong our employees' careers. We work with our employees to develop their working environment and occupational wellbeing.

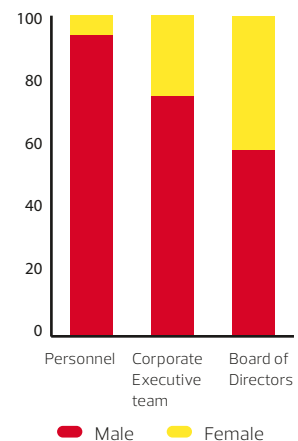
At Componenta, work ability management comprises occupational safety, preventive occupational healthcare, active supervision and clear operating models. Clear management practices,

### Education



- High school or vocational school 58% (60%)
- Basic education 24% (22%)
- University degree 10% (13%)
- Polytechnic or college degree 8% (5%)

### Gender distribution of personnel & management, %



provision of support, feedback and respect by superiors, meaningful and rewarding work, trust, functional communications and a supporting work community are our ways to secure our employees' ability to work. The purpose of preventive occupational healthcare is to support our employees' wellbeing and ability to cope at work throughout their careers. To support this, in 2012 we adopted an operating model covering the Finnish functions. We also encourage our employees to look after their wellbeing by supporting activities that contribute to physical and mental wellbeing.

We mapped our personnel's job satisfaction and working atmosphere by carrying out a Pulse survey targeted at our white-collar employees. The results were examined in each country and function, and necessary improvement measures were agreed with the personnel. A working atmosphere survey will be conducted in 2013 within business units.

# ENVIRONMENTAL THINKING IS PART OF OUR DAILY ROUTINES

Consideration of environmental aspects is a natural part of our business. We promote sustainable development and minimise the environmental impacts of our production.

**A**t Componenta, our environmental reporting and responsibility encompass the environmental impacts of our production units as well as the measures we take to minimise these impacts in our operations. In 2012, we paid special attention to energy consumption and the reuse of waste. Both are significant for our environmental responsibility, as the production of cast components requires plenty of energy and generates significant amounts of waste. By optimising our production processes and products we mitigate our environmental impacts, create added value for our customers and end users, and cut production costs.

Continuous monitoring of production-related environmental impacts and reporting on these form a part of the Group's risk management. Further information on production risks, incidents, environmental

permits for foundries and forges and the Group's quality and environmental policy is available on our website.

## QUALITY MANAGEMENT HAS AN IMPACT ON THE ENVIRONMENT

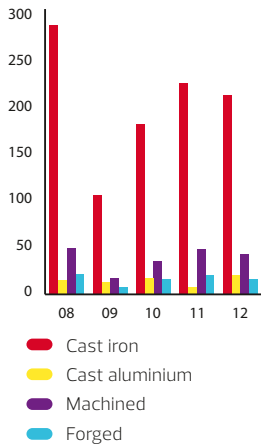
Continuous improvement of the quality of products and operations is one of Componenta's strategic goals. Quality is built into the product from the very beginning. Professional and competent personnel ensure that quality is created at every work stage. Componenta uses the Lean Six Sigma method. Six Sigma specialists and tools allow us to streamline our production in order to assure quality with the aim of doing things right the first time. This uses less raw materials, energy and work and reduces



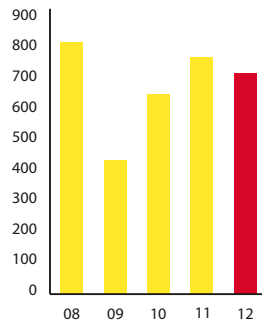
## RECYCLING AND REUSE

Approximately 70% of the raw material used for iron cast components is recycled material. Melting it requires energy, and the heat energy created in the process can be reused. The sand required for producing casting moulds circulates in the process, and finally most is reused. Chips produced in machining are melted, and cutting fluids are purified and reused. At the end of its life cycle, metal cast components can be recycled infinitely.

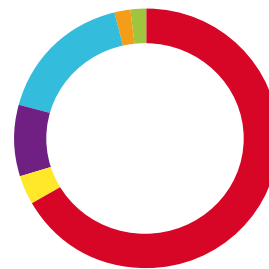
**Production tons**  
1,000 t



**Total energy consumption, GWh**

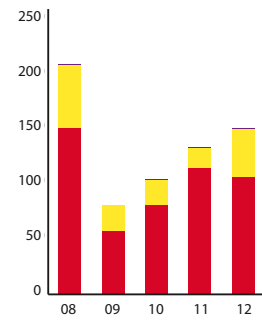


**Distribution of energy consumption**



- Electricity 67% (67%)
- District heat 4% (4%)
- Coke 9% (9%)
- Natural gas 17% (17%)
- Oil 2% (2%)
- Liquid gas 2% (2%)

**Waste, 1,000 t**



- Sorted and re-used
- Sorted, but not re-used
- Unsorted

emissions and waste, which in turn mitigates the environmental impacts of production.

In 2012, we continued to train Six Sigma specialists, also known as Black Belts, and carried out dozens of projects related to improving our operations and quality.

**CERTIFICATIONS AS A GUARANTEE OF CONSISTENT QUALITY**

All Componenta production units use third-party certified quality and environmental management systems. Depending on the applicable requirements, the quality management system conforms to either ISO 9001 or ISO/TS 16949 and the environmental management system to ISO 14001. In addition, three of our business units has the certified occupational health and safety management system to OHSAS 18001. In 2012 the establishment of the occupational health and safety management system was in progress in a few other units as well, and the objective is to expand it to all production units in the coming years.

In 2012, Componenta introduced a Multi-Site certification which stands for centralised administration of quality and environmental management systems. For customers, the Group's Multi-Site certification is a guarantee of consistent quality regardless of the place of manufacture. Internal benefits include the adoption of the One Componenta Way of Working.

**ENVIRONMENTAL IMPACTS OF COMPONENT PRODUCTION**

Foundries account for the most significant environmental impacts related to Componenta's operations. Foundries use energy for melting metal and water for cooling melting furnaces. The main raw materials

of components are pig iron and recycled metal. Sand is needed at the iron foundries for making casting moulds and cores. Casting sand is recycled internally, and some foundries have a sand reclamation plant. There are a number of work stages at the foundries that produce dust emissions which are reduced with filtering equipment. Air emissions, or VOC emissions, arise from painting and the chemicals used in the manufacture of cores. The waste generated at the foundries mainly consists of mould sand and filtered dust. Noise is caused by the handling of recycled metal, among other things.

The machining of components is mainly performed using CNC machining centres. Machining waste includes metal chips and cutting fluids. Components can be surface treated by, for example, phosphating and painting.

The main raw material used in the forges is steel bar. Bars are cut into forging blanks of the desired size and then heated, which requires energy. The heated blank is shaped using forging hammers, and this generates noise in the environment. Water is used for cooling the process. Forging also requires the use of oils. Waste mainly consists of metal which is supplied for reuse.

**Use of energy**

Reduction of energy consumption was one of Componenta's goals for 2012. However, decreasing production volumes at the foundries had a negative impact on energy efficiency, and the relative energy consumption target was therefore not reached.

Componenta units in Finland and the Netherlands are committed to national targets for reducing energy consumption. In Finland, Componenta is participating in a scheme of energy efficiency agreements





for different industrial sectors. The agreements extend to 2016 and include a commitment to both energy savings and improved energy efficiency. In the Netherlands, Componenta participated in the "Roadmap to 2030" target programme involving other Dutch foundries and Dutch metallurgical industry. The Roadmap targeted for a 50% energy saving by 2030 compared to 2005.


One of the ways to influence energy consumption at the foundries is casting planning. Casting planning offers the opportunity to model a casting through casting simulation and thereby reach the optimal result. Energy consumption is a part of the units' development and quality management programmes, and the units have taken several measures to reduce their energy consumption.

#### **Reuse of waste**

The amount of sand waste is substantial, although it is prevented by means of careful planning, reclamation plants, internal rotation and quality management. We pay special attention to sorting our waste and attempt to send it for reuse. A total of 71% of the waste generated at Componenta in 2012 was reused.

The reuse of waste fractions has been developed in cooperation with the concrete and cement industry. In 2012 we carried out many projects to reduce the amount of waste and projects where reuse of waste was enhanced. Read more on our website.

Most of the waste at the machine shops and forges comes from machining metal. Machine chips and forging burrs are supplied to steel industry smelting plants or to the Group's foundries.

Read more online 

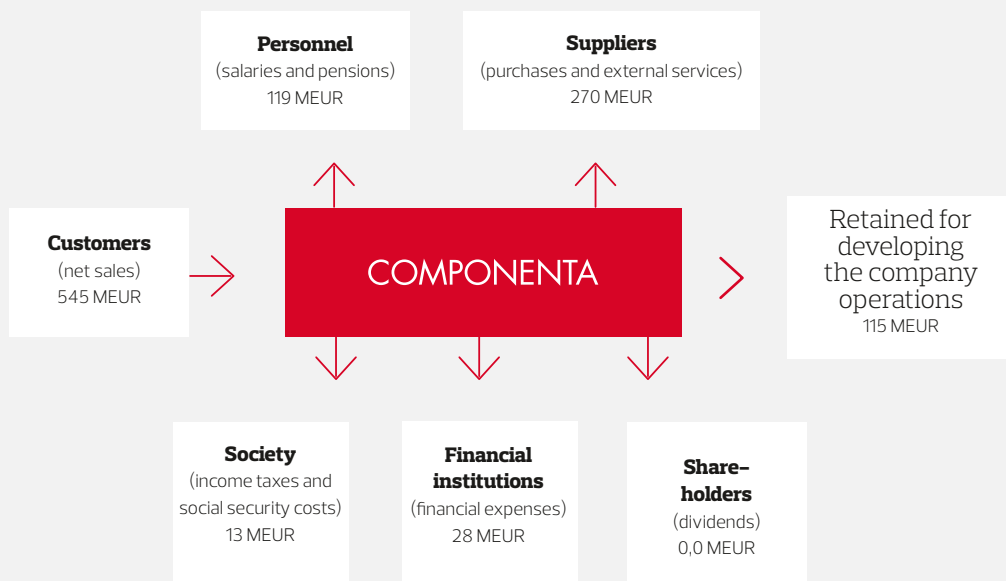
# A PROFITABLE COMPANY BENEFITS ALL STAKEHOLDERS

At Componenta, economic responsibility means safeguarding the Group's competitiveness and profitability. This requires open cooperation with our stakeholders and continuous development of our business operations.

**P**rofitable business demands effective production, know-how, adequate resources and solid management of finances. It also lays the foundation for other areas of responsibility and sustainable development, not to mention safeguarding the conditions for business in the future.

Profitable operations allow us to create economic added value for our stakeholders and meet their expectations. Componenta's main groups of stakeholders include customers, personnel, owners, investors, financial institutions, suppliers and subcontractors as well as society, authorities and the neighbours of our production units. We meet the expectations of our

## Added value to stakeholders



## Componenta's financial objectives 2015

	Objective 2015	Actual 2012
EBIT	12%	1.8% **)
Equity ratio *)	40%	23.2%
Return on investment	>20%	4.0% **)

\*) Preferred capital notes included in equity  
 \*\*) Excluding one-time items

At the beginning of 2012 Componenta gave up the net sales growth target and decided in the short term, in years 2012 - 2013, to concentrate on reaching the targets of financial solidity and profitability, to decrease the company's debt and to achieve a good credit rating.

customers by offering them modern casting solutions and services that cover the complete supply chain. Similarly, in order to meet the expectations of our personnel, we are a reliable employer and offer competitive remuneration and opportunities for development. We actively engage in an ongoing dialogue with all of our stakeholder groups and take their feedback into account in our operations and development activities. Read more online.

### A RESPONSIBLY MANAGED COMPANY

Componenta is a multinational casting solutions provider. In our business operations, we comply with all current laws and regulations and generally accepted business practices in all the countries in which we operate. Our common operating principles and policies, such as the Componenta Way to Operate and the Code of Conduct, guarantee consistent internal processes and practices regardless of the location and country of the unit or function.

International agreements on human rights and equality are integrated into Componenta's operating culture, and we comply with local labour laws everywhere, in every situation.

Componenta's values of Openness, Honesty and Respect are a strong foundation for the Group's daily operations and cooperation with stakeholders. Openness means that we are open to new ideas and to change and that we are willing to develop. Through this, we seek to continually improve our ways of working. Honesty is about being sincere with ourselves and with each other: we do what we promise. Respect means that our cooperation with all stakeholders is based on trust and mutual respect.

The administration and management of the Componenta Corporation is based on Finnish legis-

lation, the company's Articles of Association and the guidelines and rules of the Helsinki Stock Exchange and the Finnish Financial Supervisory Authority. Componenta complies with the Corporate Governance Code for Finnish listed companies.

Risk management is part of the company's monitoring system which ensures that the risks to which our business is exposed are identified, evaluated and monitored. This allows us to anticipate threats to and opportunities for business operations and ensure business continuity.

### MEASURES TO IMPROVE PROFITABILITY

In October 2012, we initiated an efficiency programme to boost the Group's competitiveness and profitability. The programme will run until 2014 and includes subprogrammes aimed at increasing productivity and cutting costs in all the countries in which Componenta operates.

We also clarified our management practices and revamped the Group's organization, which ensures sufficient management resources for the execution of the efficiency programme.

At the end of 2012, we also changed the Group's operating model and structure. Instead of the country-based structure, from the beginning of 2013 Componenta's production and development functions are managed through three divisions: Foundry Division, Machine Shop Division and Aluminium Division.

The Group's syndicated credit facility was extended in March. In October it was replaced with a new, long-term financing arrangement which is estimated to have a positive impact on Componenta's financial expenses in the long term.

Read more online 

# COMPONENTA CORPORATE GOVERNANCE

Transparent and clearly defined corporate governance serves shareholders and investors as well as personnel and other stakeholders. We present here the main points of Componenta's corporate governance for 2012.

Administration and management of Componenta Corporation are based on Finnish legislation, the Company's Articles of Association and the guidelines and rules of the Helsinki Stock Exchange and the Finnish Financial Supervisory Authority. Componenta complies with the Corporate Governance Code for Finnish listed companies, which is available on the internet at [www.cgfinland.fi](http://www.cgfinland.fi)

## Governing bodies of Componenta

Supreme authority at Componenta is exercised by the shareholders at the General Meeting of Shareholders. The company is managed by the Board of Directors and its Audit Committee, and by the President and CEO. The Group's Corporate Executive Team assists and supports the President and CEO in carrying out his duties.



\*) Componenta Group's financial administration conducts an internal audit of Group companies in accordance with the annual plan together with the external auditors.

## OPERATIONAL STRUCTURE OF THE GROUP

Componenta Group		
Foundry division	Machine shop division	Aluminium division
Orhangazi (TR) Weert (NL) Heerlen (NL) Högfors (FI) Pori (FI) Pietarsaari (FI) Suomivalimo (FI)	Orhangazi MS (TR) Främmostad (SE) Pistons (FI)	Manisa (TR) Manisa Wheels (TR)

The Group's operational structure was renewed in November 2012. Componenta is reporting on its financial performance and developments in its business operations in accordance with the new structure as from 1 January 2013. Reporting for 2012 is based on the former country organisation, in which the business operations in Finland, Turkey, the Netherlands and Sweden form separate reporting segments, each bearing the name of the country.

## GENERAL MEETING

Componenta's supreme decision-making body is the General Meeting. The Annual General Meeting of Componenta must be held within six months of the end of the financial period. The General Meeting decides on matters that come under its authority as defined in the Companies Act and the company's Articles of Association. These include approval of the financial statements, deciding on use of the profit shown in the balance sheet, and election of Board members and auditor.

In 2012 the Annual General Meeting was held on 23 February 2012 in Helsinki. Altogether 43% of the company's shares and votes were represented at the meeting.



## BOARD OF DIRECTORS

The Annual General Meeting elects each year Componenta's Board of Directors, which according to the Company's Articles of Association has 3 - 7 members. The term of office of the Board continues until the close of the following Annual General Meeting. The Board elects from its members a Chairman and Vice Chairman.

The Board of Directors draws up written Rules of Procedure for itself. The main tasks and duties of the Board of Directors are to:

- oversee the management and business operations of Componenta and make major decisions relating to the strategy, capital expenditure, organization, corporate restructuring and financing
- appoint the President and CEO and the members of the Group's Corporate Executive Team, and approve the organizational structure and the principles for incentive schemes
- ensure that the Company's accounting, supervision of financial management and risk management have been arranged appropriately
- approve the key operating principles and values, and confirm the annual business plans and budgets
- make proposals to the General Meetings and convene the meetings

In 2012 the Board of Directors had 7 members, and three of these were women. The AGM re-elected to the Board Pii Kotilainen, Heikki Lehtonen, Marjo Miettinen and Juhani Mäkinen. Riitta Palomäki, Matti Ruotsala and Harri Suutari were elected as new members. All Board members apart from Heikki Lehtonen are independent of the Company and of the shareholders. Heikki Lehtonen is President and CEO of Componenta Corporation. He is also a major shareholder in the Company through companies that he controls.

The Board of Directors had 17 meetings, of which 7 were telephone meetings, during the year, and the average attendance rate at Board meetings was 97%. Componenta's CFO Mika Hassinen served as secretary at the Board meetings, and other members of the Corporate Executive team attended the meetings where necessary at the invitation of the Board. The Board of Directors evaluated its own performance in 2012 under the leadership of the Chairman in February 2013. As well as guiding and supervising developments in Componenta's operations and finances, during 2012 the Board focused on renewing the Group's strategic business model and structure and on monitoring the implementation of the efficiency programme.

## BOARD COMMITTEES

Componenta has an Audit Committee of the Board of Directors, which consists of three (3) Board members. After the Annual General Meeting the Board of Directors elects from its members a Chairman and members for the committee, for one year at a time.

The Audit Committee has no independent decision-making power, but the Board of Directors makes decisions based on the work of the Audit Committee. The Chairman of the Audit Committee reports on the work of the committee at the next Board meeting after the Audit Committee meeting. Notice of Audit Committee meetings and the material for the meetings are sent to all Board members, who have the right to attend Audit Committee meetings.

The main tasks and duties of the Audit Committee are to:

- monitor and supervise the reporting process for financial statements and ensure that the reporting process generates correct information, and approve important accounting principles
- review and oversee the quality and integrity of the annual report, the annual financial statements and the interim reports
- monitor the financial position of the company and the sufficiency of financing, and prepare matters and proposals for the Board on a need-to-know basis;
- monitor the effectiveness of the Group's internal control processes, internal audit and risk management systems and their plans and processes
- review the Company's Corporate Governance Statement
- review the external audit plan and monitor the statutory audit of the financial statements and consolidated financial statements, and approve the budget of the external audit and new assignments that exceed the limits set by the Audit Committee
- meet with the external auditor quarterly and review all essential reports from the external auditor
- evaluate the independence of the statutory auditor or audit firm, particularly the provision of related services to the company to be audited
- prepare the proposal for the election of the auditor, and
- meet with the management of the company, the CEO, CFO and those responsible for risk management

After the AGM in February 2012, the Board of Directors elected Riitta Palomäki as chairman of the Audit Committee and Marjo Miettinen and Juhani Mäkinen as ordinary members. All members of the Audit Committee are independent of the company and its significant shareholders.

The Audit Committee met 4 times in 2012, and the attendance rate was 100%. Componenta CFO Mika Hassinen was secretary to the Audit Committee. The President and CEO, auditors and vice president responsible for risk management also regularly attended the meetings of the committee at the invitation of the committee. Reviewing the quality and integrity of interim reports, monitoring internal controls, and examining risk management systems were the most important matters dealt with by the Audit Committee in 2012. The Audit Committee assessed its work in 2012 under the leadership of its chairman in February 2013.



## COMPONENTA'S BOARD OF DIRECTORS AND ITS MEETINGS 2012

Name	Attendance at Board meetings	Attendance at Audit Committee meetings
Harri Suutari *) , chairman	16/16	-
Juhani Mäkinen, vice chairman	17/17	4/4
Pii Kotilainen	17/17	-
Heikki Lehtonen	17/17	-
Marjo Miettinen	16/17	4/4
Riitta Palomäki *)	16/16	4/4
Matti Ruotsala *)	14/16	-
<b>Board members until 23 February 2012</b>		
Heikki Bergholm	1/1	-
Matti Tikkakoski	1/1	-

\*) new members as from 23 February 2012

### PRESIDENT AND CEO

The President and CEO is responsible for managing and developing Componenta's business in accordance with the Finnish Companies Act and the instructions given by the Board of Directors.

The President and CEO prepares and presents matters for consideration at Board meetings and implements the decisions of the Board of Directors. He reports to the Board of Directors on matters including the Company's financial situation, its business environment and other major matters

Heikki Lehtonen has been President and CEO of Componenta since 1993.

The President and CEO is supported by the Corporate Executive Team in managing Componenta.

### CORPORATE EXECUTIVE TEAM

Componenta's Corporate Executive Team assists the President and CEO in managing and developing Componenta. The members of Componenta's Corporate Executive Team are those in charge of major corporate functions and the directors in charge of the Group's operations. At the end of 2012 the Corporate Executive Team had eight members, including the President and CEO. Two of the members are women. Communications Director Pirjo Aarniovuori is secretary to the Corporate Executive Team.

The Corporate Executive team meets regularly, at least once a month. Its main duties are to promote the achievement of the Group's long-term business targets, the creation of added value and the development of business operations, to ensure the efficiency of operations throughout the Group, to develop management practices, and to promote standard business models and principles.

At the beginning of 2012 the Corporate Executive Team comprised President and CEO Heikki Lehtonen,

COO Yrjö Julin and CFO Mika Hassinen; Hakan Göral, Senior Vice President, Operations, Turkey; Olli Karhunen, Senior Vice President, Operations, Finland; Patrick Steensels, Senior Vice President, Operations, Holland; Michael Sjöberg, Senior Vice President, Operations, Sweden; Anu Mankki, Senior Vice President, HR and Internal Communications; and Pauliina Rannikko, Senior Vice President, Legal and Risk Management.

The composition of the Corporate Executive team changed as from 1 March 2012 when Yrjö Julin resigned from the company and Seppo Erkkilä, Senior Vice President, Operations, Finland, and Antti Lehto, Senior Vice President, Sales and Product Development, joined the CET. On 1 November 2012 the composition of the CET changed when Hakan Göral resigned from the company and Componenta renewed its structure and business model in support of the efficiency programme launched by the Group.

As from the beginning of November 2012 the Corporate Executive team comprised: President and CEO Heikki Lehtonen; Juha Alhonoja, Senior Vice President, Machine Shop Division; CFO Mika Hassinen; Olli Karhunen, Senior Vice President, Foundry Division; Antti Lehto, Senior Vice President, Sales and Customer Services; Anu Mankki, Senior Vice President, HR and Internal Communications; Pauliina Rannikko, Senior Vice President, Legal and Risk Management; and Sabri Özdogan, Senior Vice President, Aluminium Division. In 2012 the CET focused on improving the productivity and profitability of business operations and on planning and implementing the measures required by the uncertain state of the market arising from the uncertainty in the financial market.

### EXTENDED CORPORATE EXECUTIVE TEAM

In 2012 the members of the Extended Corporate Executive Team included the Corporate Executive Team and the Vice Presidents, Development of Operations, Quality and Sales; the Vice President, Engineering, and the Communications Director. The task of the Extended Corporate Executive team was to assist the President and CEO in implementing and developing the Group strategy. It also updated Componenta's strategy for consideration by the Board of Directors.

Following the restructuring of the Group and the divisions in November 2012, the duties of the Extended Corporate Executive Team and its composition changed. The task of the new Extended Corporate Executive Team is to monitor developments in the finances and operations of the divisions and to plan and implement the necessary measures. The Extended Corporate Executive Team comprises the members of the Corporate Executive Team and Seppo Erkkilä, Vice President, Foundries in Finland; Patrick Steensels, Vice President, Heerlen Foundry in the Netherlands; and Ömer Lütfi Erten, Vice President, Orhangazi Foundry in Turkey.

## Main features of internal supervision and risk management systems relating to financial reporting process

The objectives of internal supervision and risk management in relation to Componenta's financial reporting are to ensure that reporting is reliable and that the Company has observed the relevant laws and regulations.

Componenta prepares its financial reports in accordance with international financial reporting standards (IFRS), the Finnish Securities Market Act, the Accounting Act and the guidelines and statements issued by the Finnish Accounting Board, and also complies with the instructions of the Finnish Financial Supervisory Authority and the regulations of NASDAQ OMX Helsinki Oy.

### SUPERVISION ENVIRONMENT

The purpose of Componenta's internal supervision is to ensure that the Group's operations are profitable and effective, that risk management is appropriate and sufficient, and that financial and operational reporting is reliable. Supervision is based on Componenta's values and the company's operating principles, policies and code of conduct (Componenta Way To Operate, Disclosure Policy and Code of Conduct). Internal supervision is part of management, administration and daily operations.

Financial reporting and supervision are based on budgets prepared and confirmed annually and on monthly reporting of results. The Group's Accounting Department is responsible for financial reporting processes and for standard instructions for these that are updated regularly. The controllers and management at the business units are responsible for ensuring that reporting is in accordance with the instructions given.

The Audit Committee established by the Board of Directors supervises the Group's financial reporting process, monitors the effectiveness of internal supervision, the internal audit and risk management systems, and reports on these to the Board.

### RISK ASSESSMENT

Risk management is part of the Company's monitoring system and it aims to identify the risks to which the Company's business is exposed, forecast the threats and opportunities for business operations, and ensure the continuity of business.

The Board of Directors confirms the principles for risk management and those responsible for this. The Audit Committee of the Board of Directors monitors the effectiveness of risk management systems. The President and CEO supervises the implementation of the risk management programme to ensure that it focuses on matters that are essential for local and operational activities. The Corporate Executive Team participates in identifying and evaluating risks, in allocating responsibilities and in monitoring the risks.

The Group's treasury department manages financial risks in accordance with the Treasury Policy approved by the Board of Directors.

In 2012 the Corporate Executive Team conducted the annual Enterprise Risk Management (ERM) process, identifying and evaluating the main risks and deciding on relevant action.

### SUPERVISION

Componenta regularly monitors the performance of its operations and how well it achieves financial targets through financial reporting that covers the entire Group. The effectiveness of internal supervision measures relating to financial reporting is monitored by the Board of Directors, the Audit Committee, the President and CEO, the Corporate Executive Team and the management teams for operations.

The Group-wide standard ways of working also include reporting, and the instructions for this have been brought together in the Controller's Manual, which is maintained by the Accounting Department. The Accounting Department has specified control measures for the reporting process and allocated responsibility for carrying these out.

Each operational business unit has its own controllers, who are responsible for its financial reporting together with unit and division management. The management team at each business unit and division analyses its own financial report, including volumes, income, costs, profitability and working capital, each month before the report meeting of the Corporate Executive Team.

The Board of Directors and its Audit Committee are responsible for the final assessment of the Group's result.

### COMMUNICATIONS

Open and adequate communication ensures an efficient, effective supervision environment. Information about reporting tools and the instructions and principles for financial reporting have been given to all those involved in financial reporting and they are also available on the Group's intranet. The financial organisation is regularly informed of future changes in IFRS and accounting principles, of new reporting requirements etc. The Group's chief finance officer reports regularly to the Audit Committee of the Board of Directors on matters relating to internal supervision.

### Audit

In 2012, the auditor elected by Componenta's AGM was Authorized Public Accountants PricewaterhouseCoopers Oy. The main auditor was Jan Holmberg. The fees based on invoicing paid to the auditors of companies belonging to Componenta Group totalled EUR 592,000, comprising auditing fees of EUR 398,000 and fees for other services EUR 194,000.

### Remuneration of key management personnel

is presented on our website [www.componenta.com](http://www.componenta.com)

# BOARD OF DIRECTORS



## Harri Suutari

b. 1959, B.Sc. (Eng.)  
Board Member since 2012, Chairman 2012 -

### Main occupation:

Board professional 2012 -

### Primary work experience:

President and CEO at PKC Group Oyj 2008 - 2012  
President and CEO at PKC Group Oyj 2002 - 2005

President and CEO at Ponsse Oyj 1994 - 2000

President and CEO at Kajaani Automatiikka Oy 1984 -1996

### Positions of trust:

Vice Chairman of the Board of Directors at PKC Group Oyj  
Member of the Board of Directors at Alma Media Oyj, Oy M-Filter Ab and Sunit Oy

### Componenta shares:

157,150



## Juhani Mäkinen

b. 1956, Counsellor of Law  
Board Member since 2000, Vice Chairman 2002 -, Member of the Audit Committee

### Main occupation:

Chairman of the Board of Directors at Aval Oy 2011 -

### Primary work experience:

Chairman of the Board of Directors at Hannes Snellman Attorneys at Law 2001 - 2010

Partner, Hannes Snellman Attorneys at Law 1985 - 2010

### Positions of trust:

Chairman of the Board of Directors at Oy Forcit Ab

Vice Chairman of the Board at Lemminkäinen Oyj

Member of the Board of Directors at Oy Karl Fazer Ab and Viking Malt Ltd

### Componenta shares:

56,666



## Pii Kotilainen

b. 1960, M.Sc. (Econ.)  
Board member since 2010

### Main occupation:

Executive Vice President, Human Resources at Outokumpu Oyj 2009 -

### Primary work experience:

Senior Vice President, Human Resources at Huhtamäki Oyj 2006 - 2008  
Many HR related positions in Nokia Group 1984 - 2006

### Positions of trust:

Member of the Board of Directors of HSE

### Componenta shares:

2,500



## Heikki Lehtonen

b. 1959, M.Sc. (Eng.)  
Board Member since 1987

### Main occupation:

President and CEO at Componenta Corporation 1993 -

### Primary work experience:

President and CEO at Santasalo-Gears Ltd 1987 - 1994  
Managerial and expert positions at JOT-Companies Ltd 1980 - 1987

### Positions of trust:

Vice Chairman of the Board of Directors at Pöyry Plc

Member of the Board of Directors of Otava Ltd and the Finnish Foundation for Share Promotion

Member of the Supervisory Board of Finnish Business and Policy Forum EVA

### Componenta shares:

6,253,840



**Marjo Miettinen**

b. 1957, M.Sc. (Ed.)  
Board Member since 2004, Member of the Audit Committee

**Main occupation:**

Chief Executive Officer at EM Group Oy 2006 -

**Primary work experience:**

Managerial and expert positions 1989 - 2001 and Chairman of the Board of Directors at Ensto Oy 2002 - 2006

**Positions of trust:**

Chairman of the Board of Teleste Oy and Teknari Oy

Member of the Board of Directors of EM Group Oy, Ensto Oy, Efore Plc and TUT foundation

**Componenta shares:**

15,000



**Riitta Palomäki**

b. 1957, M.Sc. (Econ.)  
Board Member since 2012, Chairman of the Audit Committee

**Main occupation:**

CFO at Uponor 2009 -

**Primary work experience:**

CFO at Kuusakoski Group Oy 2003 - 2009  
Vice President, Controlling at ABB Oy 2001 - 2003

Financial Director, Standard Lifting Equipment at Konecranes Oy 1997 - 2001

Financial Director at ABB Service Oy 1991 - 1997

Various managerial positions within ICT at ABB Industry Oy 1983 -1991



**Matti Ruotsala**

b. 1956, M. Sc. (Eng.)  
Board Member since 2012

**Main occupation:**

Executive Vice President at Fortum Corporation, Power Division 2009 -

**Primary work experience:**

President of Generation at Fortum Power and Heat Oy 2007 -2009  
Managing Director at Valtra Ltd 2005 - 2007 and Vice President at AGCO Corporation 2005 - 2007

Chief Operating Officer (COO) and Deputy to CEO at Konecranes Plc 2001 - 2005  
Several senior and managerial positions at Konecranes Plc and Kone Corporation 1982 - 2001

**Positions of trust:**

Chairman of the Board at Kemijoki Oy, PKC Group Oy and Teollisuuden Voima Oy

Member of the Board at Halton Group Ltd

# CORPORATE EXECUTIVE TEAM



## **Heikki Lehtonen**

b. 1959, M.Sc. (Eng)  
President and CEO 1993 -

## **Componenta shares:**

6,253,840

## **Primary work experience:**

President and CEO at Santasalo-Gears Ltd 1987 - 1994  
Managerial and expert positions at JOT-Companies Ltd 1980 - 1987



## **Juha Alhonoja**

b. 1975, Lic.Sc. (Tech.)  
Senior Vice President, Machine Shop Division 2012 -

Several managerial and development positions at Componenta Group and business units in Finland, Sweden and the Netherlands 2001 - 2008

## **Primary work experience:**

Vice President, Machining Technology at Componenta 2009 - 2012  
Director, Manufacturing at Gardner Denver 2008

## **Componenta shares:**

1,400



## **Mika Hassinen**

b. 1969, M.Sc. (Econ.), M.Sc. (For.)  
CFO 2008 -, Deputy to the CEO 2012 -

## **Componenta shares:**

10,000

## **Primary work experience:**

Senior Vice President, Finance & IT, Corporate Market Services at Stora Enso Oyj 2005 - 2007  
Managerial and expert positions at Stora Enso Oyj, Deutsche Bank AG Ltd and McKinsey & Co 1996 - 2005



## **Olli Karhunen**

b. 1959, M.Sc. (Eng.)  
Senior Vice President, Foundry Division 2012 -

Managerial positions at Componenta Group and its divisions and business units 1990 - 2006  
Expert and other positions at Kuusakoski Oy and Technical Research Center 1984 - 1990

## **Primary work experience:**

Senior Vice President, Componenta, Foundries Division 2006 - 2010, Operations Finland 2011, operations Development 2012

## **Componenta shares:**

15,115





### **Antti Lehto**

b. 1961, M.Sc. (Eng.)  
Senior Vice President, Sales and Customer services 2012 -

#### **Primary work experience**

Vice President at Componenta sales, Central Europe and Off-road customer segment 2009 - 2011  
Sales management positions at Nokia Networks/Nokia Siemens Networks in

Asia and Europe 1995 - 2008  
Sales representative at IBM Finland 1988 - 1995

#### **Componenta shares:**

1,200



### **Anu Mankki**

b. 1963, M.Sc. (Phil.)  
Senior Vice President, Human Resources 2005 -

#### **Primary work experience:**

Vice President, Human resources development at Metso Corporation 2003 - 2005  
Managerial and expert positions relating to HR in Finland and abroad at Metso

Corporation, Metso Paper and Valmet Paper Machines 1988 - 2003

#### **Componenta shares:**

2,800



### **Pauliina Rannikko**

b. 1970, LL.M., M.Sc. (Econ.)  
General Counsel and Senior Vice President, Legal and Risk management 2010 -

#### **Primary work experience:**

Group General Counsel, Onninen Oy 2007 - 2010  
Managerial and expert positions at Finnair Oyj and Roschier, Attorneys Ltd 1997 - 2007

#### **Componenta shares:**

600



### **Sabri Özdoğan**

b. 1975, B.Sc. (Eng.)  
Senior Vice President, Aluminium Division 2012 -

#### **Primary work experience:**

Business Unit Director at Componenta Manisa Wheels 2008 - 2012, manager in wheel production center 2006 - 2008  
Planning supervisor and assistant

manager at Döktas AS Manisa 2004 - 2006, planning engineer 1999 - 2004

#### **Componenta shares:**

513

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# KEY ECONOMIC FIGURES

## Consolidated income statement 1.1.-31.12.

MEUR	2012	2011
<b>Net sales</b>	<b>544.8</b>	576.4
Other operating income	2.3	2.3
Operating expenses	-525.3	-536.3
Depreciation, amortization and write-down of non-current assets	-17.9	-20.2
Share of the associated companies' result	0.2	0.2
<b>Operating profit</b>	<b>4.0</b>	22.5
Financial income and expenses in total	-29.4	-25.9
<b>Profit/loss after financial items</b>	<b>-25.4</b>	-3.4
Income taxes	1.4	0.3
<b>Profit/loss for the financial period</b>	<b>-24.0</b>	-3.1

## Consolidated income statement excluding one time items 1.1.-31.12.

MEUR	2012	2011
<b>Net sales</b>	<b>544.8</b>	576.4
Other operating income	1.0	2.3
Operating expenses	-519.6	-531.5
Depreciation, amortization and write-down of non-current assets	-16.3	-17.6
Share of the associated companies' result	0.2	0.2
<b>Operating profit</b>	<b>10.0</b>	29.8
Financial income and expenses in total	-27.7	-25.9
<b>Profit/loss after financial items</b>	<b>-17.6</b>	3.9
Income taxes	0.1	-1.2
<b>Profit/loss for the financial period</b>	<b>-17.6</b>	2.7

## Consolidated statement of financial position 31.12.

MEUR	2012	2011
<b>Assets</b>		
<b>Non-current assets</b>	<b>340.5</b>	291.6
<b>Current assets</b>		
Inventories	65.2	58.4
Other current assets	54.7	86.8
	119.8	145.2
<b>Total assets</b>	<b>460.4</b>	436.8

MEUR	2012	2011
<b>Liabilities and shareholders' equity</b>		
<b>SHAREHOLDERS' EQUITY</b>	<b>83.4</b>	41.1
<b>LIABILITIES</b>		
Non-current liabilities		
Interest bearing	202.4	111.2
Non-interest bearing	21.4	15.9
Current liabilities		
Interest bearing	54.7	173.3
Non-interest bearing	98.6	95.3
	377.0	395.7
<b>Total liabilities and shareholders' equity</b>	<b>460.4</b>	436.8

**Cash flow statement 1.1.–31.12.**

MEUR	2012	2011
Cash flow from operations before change in net working capital, financing and taxes	<b>22.7</b>	42,2
Change in net working capital	<b>-1.0</b>	-10,0
Cash flow from operations before financing and taxes	<b>21,7</b>	32,2
Cash flow from operations	<b>-8,7</b>	3,6
Cash flow from investments	<b>-19,2</b>	-12,7
Cash flow from financing activities	<b>5,9</b>	41,0
Change in liquid assets	<b>-22,0</b>	31,9

**Group development 2008 – 2012**

MEUR	2008	2009	2010	2011	2012
Net sales	681.4	299.6	451.6	576.4	<b>544.8</b>
Operating profit	47.3	-15.4	13.5	22.5	<b>4.0</b>
Financial income and expenses	-28.7	-21.8	-23.5	-25.9	<b>-29.4</b>
Profit/loss after financial items	18.6	-37.2	-10.0	-3.4	<b>-25.4</b>
Profit for the financial period	13.9	-28.7	-7.5	-3.1	<b>-24.0</b>
Order book at period end	73.6	58.8****)	94.6****)	99.5**)	<b>82.9*)</b>
Change in net sales, %	7.4	-56.0	50.7	27.6	<b>-5.5</b>
Share of export and foreign activities in net sales, %	87.6	82.7	88.1	90.0	<b>92.0</b>

\*) Order book on 13 January 2013

\*\*) Order book on 12 January 2012

\*\*\*) Order book on 10 January 2011

\*\*\*\*) Order book on 15 January 2010

**Group development 2008 – 2012 excluding one-time items**

MEUR	2008	2009	2010	2011	2012
Net sales	681.4	299.6	451.6	576.4	<b>544.8</b>
Operating profit	47.9	-15.4	13.6	29.8	<b>10.0</b>
Financial income and expenses	-28.7	-21.8	-23.5	-25.9	<b>-27.7</b>
Profit/loss after financial items	19.2	-37.2	-9.9	3.9	<b>-17.6</b>
	31.12.2008	31.12.2009	31.12.2010	31.12.2011	<b>31.12.2012</b>
Statement of financial position total, MEUR	448	388	420	437	<b>460</b>
Net interest bearing debt, MEUR	262	242	230	243	<b>236</b>
Invested capital, MEUR	339	317	311	326	<b>340</b>
Return on investment, %	13.6	-4.1	5.0	7.8	<b>2.0</b>
Return on equity, %	14.8	-45.1	-10.3	-5.8	<b>-32.9</b>
Equity ratio, %	15.9	17.5	16.8	9.4	<b>18.1</b>
Net gearing, %	369.1	356.4	325.0	591.4	<b>283.5</b>
Investments in non-current assets, MEUR	46.0	17.9	8.5	21.8	<b>19.2</b>
Number of personnel at period end	4,294	3,614	4,016	4,240	<b>4,104</b>
Average number of personnel	4,395	3,684	3,853	4,234	<b>4,249</b>

## **Componenta Corporation**

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