COMPONENTA
Casting Future Solutions

FINANCIAL STATEMENTS 2012

Contents

2 Report on 2012 by the Board of Directors
6 Consolidated income statement 1.1.–31.12.
7 Consolidated statement of financial position 31.12.
8 Cash flow statement 1.1.–31.12.
8 Statement of changes in consolidated shareholders' equity
9 Notes to the consolidated financial statements
30 Group development
34 Parent company income statement 1.1.–31.12.
34 Parent company balance sheet 31.12.
34 Parent company cash flow statement 1.1.–31.12.
35 Notes to the financial statements of parent company
38 Shareholders and shares
39 Per share data
40 Calculation of key financial ratios
41 The proposal of the Board of Directors for the distribution of profits
42 Auditor's Report
43 Information for shareholders

REPORT ON 2012 BY THE BOARD OF DIRECTORS

The year 2012 began in a state of economic uncertainty after many European countries ended up in a debt crisis, and economic growth was expected to be weak. In January Componenta's Board of Directors set the company the strategic goals of reducing the level of debt and obtaining a good credit rating during 2012 and 2013.

As part of the measures to achieve these goals, to strengthen the Group's equity and reduce the company's interest-bearing debts, the Board decided to make a share issue and issue a hybrid bond in March. Cash raised by a share issue and hybrid bond, EUR 35.8 million used to strengthen the Group's balance sheet and financial position.

As part of strengthening the Group's balance sheet measures were taken in January to start the sale of the unit that makes aluminium wheels for private cars in Manisa, Turkey. It was planned to complete the sale of the unit, which employs almost 400 people, during the summer. The sale was stopped in October, however, for the time being due to the economic uncertainty caused by the unstable financial market.

The functional currency of the Turkish subsidiary Componenta Dökümcülük A.S changed as from the beginning of March to the euro, which had become its main currency for both sales and purchases. This measure reduced the risks from fluctuations in currency exchange rates, and completely removed the translation risk for the Group's equity arising from the translation difference for the Turkish lira.

In the middle of March the Group signed a year's extension with seven European banks to the EUR 164 million syndicated credit facility that it had at the time. During the second quarter EUR 76 million of the syndicated credit facility was repaid, partially through the share issue and hybrid bond issued in March and partially through long-term loans arranged during the second quarter with other financial institutions. In October the syndicated credit facility was replaced by a new long-term EUR 90 million syndicated credit facility.

Efficiency improvement program 2012 – 2014

In October the uncertainty in the European and global economy was reflected in demand in Componenta's customer sectors, especially in the construction and mining as well as machine building industries. The difficulty in predicting customer purchasing behaviour resulted in low capacity utilisation, at the same time as difficulties related to exchange rates, productivity and general cost trends were also demanding action. Because of this the Group launched a Group-wide efficiency programme to raise competitiveness, aiming to enhance the productivity and profitability of operations through measures and cost savings to be carried out in the period 2012 - 2014. It is estimated that the efficiency programme will achieve cost savings of EUR 25 million by the end of 2014, mainly by reducing personnel in all the countries where Componenta has operations.

The efficiency programme consists of five sub-sections:

1. Project to improve productivity and quality in Orhangazi, Turkey
2. Project to improve profitability and productivity in the Netherlands by boosting operational efficiency and cutting fixed costs
3. Improving capacity utilization in the foundries by closing underutilised production lines and transferring production to other Componenta production lines
4. Project to improve cost-efficiency and productivity in Främmestad, Sweden, including planned internal product transfers from the Främmestad machine shop to the Orhangazi machine shop in Turkey
5. Raising efficiency in administration, sales and engineering organizations and cutting fixed costs

To support the implementation of the efficiency programme and to clarify management processes, Componenta renewed its operating structure and organisation. In the new structure, instead of the previous country-based structure, the Group's operations were divided into three divisions: the Foundry, Machine Shop and Aluminium divisions, and the business responsible units in different countries will report in accordance with this structure. The new areas of responsibility, the appointment of those in charge of these and the changes in the Corporate Executive Team came into effect on 1 November 2012, and reporting in accordance with the new model began at the beginning of 2013.

The Componenta Wirsbo forges continue to function as a separate business with its own board of directors. The forges group comprises the units in Smedjebacken and Virsbo and as from November 2012 a unit in Arvika, after Componenta Wirsbo acquired the share stock of Arvika Smide AB.

As part of the efficiency programme, in November measures were started to improve the productivity and profitability of the business units in the Netherlands. The restructuring of the units in the Netherlands and the reduction of 55 jobs will bring in annual cost savings of EUR 2.6 million. The cost savings target for the whole program in the Netherlands is EUR 5 million annually by the end of 2014. One-time costs of EUR 1.4 million due to these measures and changes were recorded in the final quarter of 2012.

The efficiency measures in Sweden affected the forging business, that is Componenta Wirsbo's operations in Virsbo and Smedjebacken and at Arvika, which was acquired in November. The restructuring and proposed reduction of 41 jobs should boost the operative result in the forging business by some EUR 2 million. Costs of EUR 0.9 million arising from the changes and EUR 1.1 million in negative goodwill from the acquisition of Arvika Smide were recorded as one-time items in the final quarter of 2012.

The long series machining operations in Främmestad, Sweden will be concentrated in Orhangazi machine shop. In the future Främmestad will focus on machining only middle and short series. As a result of focusing, the annual cost savings are expected to be approximately EUR 3 million. With these actions, Componenta will strengthen its competitive advantage in machining operations.

In November negotiations at the Pietarsaari foundry were completed, resulting in the decision to close down one of the two production lines at the foundry by the end of September 2013. Factors behind this decision were the poor profitability of the Pietarsaari foundry and weak capacity utilisation over a long period. The closure of the big-Disa production line is estimated to yield annual cost savings of EUR 3 million by the end of 2014. One-time costs arising from closing down the foundry production line are estimated at EUR 1.2 million in 2013 and the write-down on non-current assets at some EUR 1.3 million, and these were both recorded as one-time costs in the final quarter of 2012.

Componenta launched a productivity improvement program in Orhangazi, Turkey. Many actions will be carried out in order to improve production management and productivity. The productivity improvement program is expected to gain altogether EUR 9 million annual cost savings by the end of 2014. Costs related to restructuring of Orhangazi units were EUR -0.7 million. These costs were recorded as one-time costs in the final quarter of 2012.

The restructuring of Group's administration, sales and engineering organisation has mainly been finalised. The purpose was to improve efficiency and cut fixed costs. These saving actions are estimated to bring in approximately EUR 3 million annual cost savings by the end of 2013.

Developments in Componenta's business environment and markets in 2012

Demand prospects, which had been satisfactory at the start of the year, weakened towards the end of the year in almost all the Group's customer sectors. The continuing uncertainty in Europe and the global economy weakened demand for investment in Componenta's customer sectors, which was reflected in Componenta's sales and orders received. The order book declined in almost all customer sectors, and stood at EUR 83 million at the beginning of 2013. Measures to adjust production volumes and stock levels, which many customers began towards the end of the year, especially in the construction, mining and machine building industries, were a major contributing factor to the fall in the order book.

Demand from the truck industry remained fairly steady throughout the year, despite the uncertain outlook at the start of the year. At the beginning of 2013, the order book for Componenta's heavy trucks customer sector was at the same level as the year before. The fall in the order book from the truck industry at the end of the year was mainly due to customers reducing their stock levels in line with end of year demand.

The order book for the construction and mining customer sector was 37% lower at the beginning of 2013 than in the previous year. Customers started to reduce their stocks during the summer and early autumn and their output at the end of the year was clearly lower than normal. The fall in raw material prices contributed to the decline in demand for the customers' products.

Demand in the machine building customer sector rose in the first half of the year but then started to decline, and at the beginning of 2013 the order book was 3% lower than at the same time in the previous year. Demand for the end products in the machine building industry weakened towards the end of the year, and as a result customers started to reduce their stocks.

Demand in the agricultural machinery customer sector increased due to the relatively high price of food. Componenta's order book developed well in the first half of the year, but started to decline after the summer as customers reduced their stocks. The order book at the beginning of 2013 was 17% lower than in the previous year.

Componenta's order book for the automotive customer sector was 21% lower at the beginning of 2013 than at the same time in the previous year. Demand for aluminium components and wheels started to decline, since the economic recession has reduced vehicle sales in Europe. Demand in the automotive industry in Europe declined 8% in 2012, and in 2013 is expected to remain at the same level as in the previous year.

Order book by segment

The order book at the beginning of January 2013 was considerably lower than in the previous year, standing at EUR 82.9 (99.5) million. The order book comprises orders confirmed to customers for the next two months. The order book does not involve any significant cancellation risk.

The order book for operations in Turkey declined 25% from the previous year, standing at EUR 39.9 (52.9) million at the beginning of 2013. Weaker demand for construction and mining machinery and in the automotive industry was a factor in the decline in the order book in Turkey.

The order book for operations in Finland remained at the same level as in the previous year, standing at EUR 13.8 (13.8) million at the beginning of 2013.

The order book for operations in the Netherlands fell 27% from the previous year, standing at EUR 14.7 (20.1) million at the beginning of 2013. Main factors in the decline in the order book in the Netherlands were reduced orders for construction, mining and agricultural machinery.

The order book in Sweden rose 10% from the previous year and at the beginning of 2013 totalled EUR 21.8 (19.8) million. Increased orders from the heavy trucks and machine building industries helped boost the order book in Sweden.

Net sales

The Group's net sales in 2012 declined 5% from the previous year to EUR 544.8 (576.4) million. The Group's capacity utilization rate during the financial year was 63% (68%).

Net sales for operations in Turkey declined 6% from the previous year, to EUR 259.9 (277.2) million. Net sales for operations in Finland fell 11% from the previous year to EUR 100.7 (112.8) million. Net sales for operations in the Netherlands declined 7%, to EUR 101.8 (109.3) million. Net sales for operations in Sweden rose 4% from the previous year to EUR 126.1 (121.5) million.

Componenta's net sales in the financial period by customer sector were as follows: heavy trucks 28% (28%), construction and mining 23% (23%), machine building 19% (20%), automotive 15% (17%) and agricultural machinery 15% (12%).

Result

The consolidated operating profit for the year, excluding one-time items, was EUR 10.0 (29.8) million, and EUR 4.0 (22.5) million after one-time cost items of EUR -6.0 million. The one-time items included in the operating profit are for write-downs on machinery and equipment arising from the closing down of the machine shop and large Disa production line at the Pietarsaari business unit (EUR -1.6 million), for estimated inefficiency for the period of running down production at this business unit (EUR -1.4 million), one-time costs from re-organising the business units in the Netherlands (EUR -1.4 million), one-time costs from reorganising the units in Orhangazi and from impairment of receivables there (EUR -1.3 million), costs from the reorganisation at Wirsbo (EUR -0.9 million), and other one-time costs (EUR -0.5 million). One-time items also include negative goodwill (EUR +1.1 million) from the acquisition of Arvika Smide by Wirsbo.

The operating profit declined significantly from the previous year due to the sharp fall in volumes that began in the second half of 2012 and the resulting decline in productivity. A further factor was the strengthening of the Turkish lira.

The Group's net financial costs for the financial year, excluding one-time items, were EUR -27.7 (-25.9) million, and after one-time items EUR -29.4 (-25.9) million. Net financial costs rose from the previous year mainly because of exchange rate losses and an increase in finance arrangement costs.

The Group's result for the period after financial items, excluding one-time items, was EUR -17.6 (3.9) million, and after one-time items EUR -25.4 (-3.4) million. The result for the period after financial items includes the one-time items already mentioned under the operating profit as well as a one-time item for costs of EUR 1.7 million for periodized arrangement fees relating to the previous long-term financing facilities.

Income taxes calculated from the result for the financial year excluding one-time items totalled EUR 0.1 (-1.2) million and after one-time items EUR 1.4 (0.3) million.

The net result for the financial period excluding one-time items was EUR -17.6 (2.7) million and after one-time items EUR -24.0 (-3.1) million. Basic earnings per share for the period excluding one-time items was EUR -0.92 (0.09) and after one-time items EUR -1.22 (-0.25).

The return on investment excluding one-time items was 4.0% (10.2%) and after one-time items 2.0% (7.8%). The return on equity excluding one-time items was -24.8% (5.1%) and after one-time items -32.9% (-5.8%).

Balance sheet, financing and cash flow

In March the Group signed a year's extension with seven European banks to the EUR 164 million syndicated credit facility that it had at the time. During the second quarter EUR 76 million of the syndicated credit facility was repaid, partially through EUR 35.8 million share issue and hybrid bond issued in March and partially through long-term loans arranged during the second quarter with other financial institutions. At the end of June EUR 88 million of the syndicated credit facility remained. In October the syndicated credit facility was replaced by a new long-term EUR 90 million syndicated credit facility which matures on 30 June 2015. The Group's short-term interest-bearing liabilities were significantly reduced from the previous year thanks to these arrangements.

Componenta will pay the instalments due in 2013 of the syndicated loan and the capital bond 2009, in total EUR 13.7 million, with cash flow finance. Componenta plans to refinance the loans from Turkish banks due for repayment in 2013 with new bilateral long-term loans from Turkish banks. Componenta plans to replace the EUR 22.4 million bond that matures at the end of September 2013 with a combination of a new hybrid bond that it will issue and a share issue and with a new bond that it will issue.

At the end of the financial year, Componenta's cash and cash equivalents totalled EUR 20.6 (41.6) million. In addition, on the closing date Componenta's Turkish subsidiary, Componenta Dökümcülük A.S, had unused committed credit facilities from Turkish banks totalling EUR 23.3 million. Particular factors affecting liquidity at the end of the year were the weak cash flow from operations in the second half of the year, the interest paid on the bond and capital loans maturing in September, and the partial repayment of the principal for the 2009 capital loan. The Group has a EUR 150 million commercial paper programme, but had no debt from this at the end of the year.

The Group's interest-bearing net debt, excluding the outstanding capital notes of EUR 23.4 (35.4) million as defined in IFRS, totalled EUR 213.0 (207.5) million at the end of the year. The company's net debt as a proportion of shareholders' equity, including the capital notes in shareholders' equity, was 199.6% (271.2%).

At the end of the financial year the Group's equity ratio was 18.1% (9.4%). The Group's shareholders' equity at the end of December, including the capital notes in shareholders' equity, as a proportion of the balance sheet total was 23.2% (17.5%).

The measures initiated by Componenta in January 2012 for selling the production unit for aluminium wheels in Manisa, Turkey have been stopped due to the economic uncertainty caused by the instability in the financial markets. The long-term tangible and intangible assets and inventories of the wheel business unit are no longer defined as current assets held for sale at the financial statements closing date.

Net cash flow from operations during the financial year was EUR -8.7 (3.6) million, and within this the changes in working capital were EUR -1.0 (-10.0) million. Net cash flow from operations declined from the previous year mainly due to the weaker EBITDA.

Componenta makes more efficient use of capital with a programme to sell its trade receivables. Under this arrangement, some of the trade receivables are sold without any right of recourse. At the end of December the company had sold trade receivables totalling EUR 76.5 (89.5) million. Componenta is also making more effective use of capital in Turkey with a financing arrangement for accounts payable.

At the end of 2012, the invested capital of the company was EUR 340.4 (325.6) million.

Loans, commitments and contingent liabilities given by the parent company to Group companies classified as related parties on 31 December 2012 totalled EUR 84.1 (74.9) million. Loans, commitments and contingent liabilities given by the company to private persons classified as related parties on 31 December 2012 totalled EUR 0.4 (0.3) million.

Investments

Componenta again restricted the volume of investment in production facilities in 2012 due to the under-utilisation of current capacity. Investments in production facilities during the year totalled EUR 19.2

(21.8) million, of which finance lease investments accounted for EUR 0.6 (4.0) million. The net cash flow from investments was EUR -19.2 (-12.7) million, which includes the cash flow from the Group's investments in tangible and intangible assets, and the cash flow from shares sold and purchased and from the sale of tangible and intangible assets.

Research and development

At the end of the 2012 financial period, 112 (117) people worked in research and development at Componenta, which corresponds to 3% (3%) of the company's total personnel. Componenta's research and development expenses in 2012 totalled EUR 3.2 (2.4) million, the equivalent of 0.6% (0.4%) of the Group's total net sales.

Environment

Componenta is committed to continuous improvement and to reducing the environmental impact of its production. The objectives of the Group's environmental policy are to reduce consumption of energy and raw materials, restrict particle and VOC emissions, reduce environmental noise from its operations, improve the sorting of waste, and reduce the amount of waste that cannot be re-used.

One of the most significant environmental aspects for Componenta Group is the use of energy. In 2012 the Group's production units used 695 GWh (747 GWh) of energy. Most of the energy used, 67% (67%), was electricity. The foundries consume more than 90% of all the energy, since especially the melting processes at the foundries utilise much energy. In 2012 energy efficiency in proportion to output at Componenta's foundries was similar to that in 2011, even though the capacity utilisation rate declined slightly.

Personnel

The Group had on average 4,642 (4,717) employees during the financial year, including 393 (483) leased employees. The number of Group personnel at the end of the year was 4,277 (4,665), which includes 173 (425) leased employees. At the end of the year 58% (54%) of the personnel were in Turkey, 20% (21%) in Finland, 13% (16%) in the Netherlands and 9% (9%) in Sweden.

Shares and share capital

The shares of Componenta Corporation are quoted on NASDAQ OMX Helsinki. At the end of the financial year the company had a total of 22,231,173 shares. At the end of December the company had 2,121 shareholders. At the end of the financial year the share capital had a market capitalization of EUR 42.9 (59.0) million and the volume of shares traded during the period was equivalent to 7.2% (17.1%) of the share stock.

Share issue and hybrid bond

To strengthen the Group's equity and reduce the interest-bearing net debts Componenta made a share issue and hybrid bond in March. In the share issue a maximum of 6,250,000 new shares were offered for subscription to the general public at a subscription price of EUR 3.20 a share. Since the purpose of the share issue was to strengthen the company's balance sheet and financial position, the company had substantial financial grounds for disapplying the pre-emptive subscription rights of existing shareholders. The Board of Directors approved subscriptions for 4,713,385 new shares in the share issue, corresponding to a total of EUR 15,082,832. The subscription price was recorded in full in the reserve for invested unrestricted equity. The new shares were registered in the Trade Register on 3 April 2012 and public trading in them began on 4 April 2012. Componenta related parties subscribed in total 1,106,650 shares in the issue.

At the same time a private placement hybrid bond was offered, to a limited group of selected investors. The initial size of the bond was EUR 20.0 million. The bond was over-subscribed, so the Board decided to raise the amount of the bond by EUR 716,000 and accepted the subscriptions, which totalled EUR 20,716,000. Holders of the company's 2009 and 2010 capital loans and the 2010 bond had the opportunity to use the assets pertaining to the principal of the capital loans and the bond receivable from the company to pay the subscription price for the hybrid bond. After payment of the subscriptions for the hybrid bond, the remaining amount of the 2009 capital loan is EUR 7.5 million, of the 2010 capital loan is EUR 15.9 million and of the bond EUR 22.4 million.

Flagging notices

On 27 March 2012 Componenta Corporation received notification from Heikki Lehtonen in accordance with Section 9 of Chapter 2 of the Securities Markets Act that, in consequence of the Componenta Corporation 2012 share issue the combined holding of Heikki Lehtonen and the companies in which he exercises control had fallen below 30 per cent of the total number of shares and voting rights in Componenta Corporation. The holding of Cabana Trade S.A. of the total number of shares and voting rights in Componenta Corporation had fallen below 20 per cent. After the share issue Heikki Lehtonen and the companies in which he exercises control owned in total 6,248,840 shares, or 28.13% of the total number of shares and voting rights. The holding of Cabana Trade S.A. was 3,501,988 shares, or 15.77%.

On 27 March 2012 Componeta received notification from Suomen Teollisuussijoitus Oy in accordance with Section 9 of Chapter 2 of the Securities Markets Act that, in consequence of the Componenta Corporation 2012 share issue the holding of Suomen Teollisuussijoitus Oy had exceeded 5% of the total number of shares and voting rights in Componenta Corporation. After the share issue Suomen Teollisuussijoitus Oy owned 1,416,666 shares or 6.38% of the shares.

Decisions of the Annual General Meeting

Componenta's Annual General Meeting on 23 February 2012 confirmed the financial statements for the 1 January – 31 December 2011 financial year and discharged the members of the Board of Directors and the President and CEO from liability. In accordance with the Board proposal, the AGM decided not to pay a dividend for the 1 January – 31 December 2011 financial year.

The AGM elected the following to the Board of Directors: Pii Kotilainen, Heikki Lehtonen, Marjo Miettinen, Juhani Mäkinen, Riitta Palomäki, Matti Ruotsala and Harri Suutari. The AGM elected Authorized Public Accountants PricewaterhouseCoopers Oy as auditor.

The AGM authorized the Board to decide to issue shares and grant special rights with an entitlement to shares as defined in Chapter 10, Section 1 of the Finnish Limited Liabilities Companies Act in one or more issues, either against payment or free of charge. The number of shares to be issued, including the shares to be obtained under the special rights, may be a maximum of 8,000,000 shares. The Board may decide to issue either new shares or any company shares held by the company.

Under the authorization, the Board of Directors may decide on all the terms and conditions for a share issue and for granting special rights with an entitlement to shares, and includes the right to disapply the pre-emptive subscription rights of shareholders. The authorization was presented as being used to strengthen the company's balance sheet and financial position or for other purposes to be decided by the Board.

The authorization is valid for a period of five years from the date of the decision of the general meeting. The authorization did not cancel the authorization given the Board by the extraordinary general meeting of shareholders held on 8 September 2009 to decide to issue shares and grant special rights with an entitlement to shares. Under this authorization altogether 4,713,385 shares were used in connection with the share issue in March 2012.

Issuing shares and granting option rights and other special rights with an entitlement to shares

Componenta's extraordinary general meeting of shareholders held on 8 September 2009 authorized the Board to decide to issue shares and grant special rights with an entitlement to shares as defined in Chapter 10, Section 1 of the Finnish Limited Liabilities Companies Act in one or more issues, either against payment or free of charge. The number of shares to be issued, including the shares to be obtained under the special rights, may be a maximum of 8,000,000 shares. The Board may decide to issue either new shares or any company shares held by the company.

Under the authorization, the Board of Directors may decide on all the terms and conditions for a share issue and for granting special rights with an entitlement to shares, and includes the right to disapply the pre-emptive subscription rights of shareholders. The authorization was presented as being used to strengthen the company's balance sheet and financial position or for other purposes to be decided by the Board.

The authorization is valid for a period of five years from the date of the decision of the general meeting. The authorization cancelled the authorization given the Board by the AGM on 26 February 2007 to decide to issue shares and grant special rights with entitlement to shares.

By the end of 2012 altogether 6,559,990 shares had been used under this authorization. Of these, 6,500,000 shares were used in Componenta's share issue in autumn 2009. In spring 2011, 41,940 shares were used to pay the bonuses for the 2010 earning period in Componenta's share-based incentive scheme 2010 – 2012. In spring 2012, 18,050 shares were used to pay the bonuses for the 2011 earning period in this scheme.

Share-based incentive scheme 2010 – 2012

The Board of Directors of Componenta Corporation resolved on 10 March 2010 on a long-term bonus and incentive plan for key personnel. The target group for the plan comprises key positions in the Group as determined by the Board of Directors. At the end of 2012 the target group contained 57 people.

The plan includes three earning periods, the calendar years 2010, 2011 and 2012. The Board of Directors decides on the earning criteria for each earning period and on the targets for these. The earning criteria for the 2012 earning period were Componenta Group's result after financial items excluding one-time items. The amount of the bonus in the earning period is determined after the end of each period by the extent to which the targets set for the earning criteria have been achieved.

Any bonuses will be paid in 2011, 2012 and 2013 as a combination of company shares and cash. The part to be paid in cash is intended to cover the taxes and tax-related costs arising from the bonus. If shares are paid in the incentive scheme, the shares may not be conveyed, pledged or otherwise used during a two-year restriction period.

The Board of Directors decided not to allocate shares for the 2012 earning period. The scheme's impact on the Group's result before tax at the end of 2012 was EUR 0.0 million.

Board of Directors and Management

After the AGM on 23 February 2012, the Board of Directors held its organisation meeting and elected Harri Suutari as its Chairman and Juhani Mäkinen as Vice Chairman. The Board met 17 times in 2012. The average attendance rate of Board members at its meetings was 97%. The Board assesses its performance in 2012, under the leadership of its chairman, in February 2013.

At its organisation meeting the Board decided to establish an audit committee, to which it elected Riitta Palomäki as chairman and Marjo Miettinen and Juhani Mäkinen as members.

Heikki Lehtonen is President and CEO of Componenta. The changes made to Componenta's organisation at the beginning of November to support the implementation of the efficiency programme and to clarify management processes also brought changes to the Corporate Executive Team. As of 1 November 2012 this comprises: 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. Communications Director Pirjo Aarniovuori is secretary to the Corporate Executive Team.

The composition of the Corporate Executive Team had already changed at the beginning of March 2012. From 1 March to 31 October 2012 the Corporate Executive Team comprised Heikki Lehtonen, Mika Hassinen, Anu Mankki and Pauliina Rannikko; Hakan Göral, Senior Vice President, Operations, Turkey; Michael Sjöberg, Senior Vice President, Operations, Sweden; Patrick Steensels, Senior Vice President, Operations, Holland; Olli Karhunen, who was appointed Senior Vice President , Operations Development; and two new members: Seppo Erkkilä, appointed Senior Vice President, Operations, Finland, and Antti Lehto, appointed Senior Vice President, Sales and Product Development. Yrjö Julin, COO and deputy to the President and CEO, who was a member of the Corporate Executive Team from 1 January – 29 February 2012, resigned from Componenta on 29 February 2012 on personal reasons.

Hakan Göral, who belonged to the Corporate Executive Team from 1 January – 31 October 2012, resigned from Componenta on 31 October 2012 to take up a position with another employer.

CFO Mika Hassinen was appointed deputy to Componenta's President and CEO on 13 July 2012.

Risks and business uncertainties

Some of the most significant risks for Componenta's business operations are risks related to the business environment (competition and price risk, commodity and environmental risks), operational risks (customer and supplier risks, productivity, production and process risks, labour market disruptions, contract and product liability risks, personnel risks, and data security risks) as well as financial risks (financing and liquidity risk, currency, interest rate and credit risks).

In order to manage the Group's business operations it is essential to secure the availability of certain raw materials, such as recycled metal and pig iron, and of energy, at competitive prices. The cost risk relating to raw materials is mainly managed with price agreements, under which the prices of products are adjusted in line with the changes in raw material prices. Increases in prices for raw materials may tie up more funds in working capital than estimated.

The financial risks relating to Componenta's business operations are managed in accordance with the treasury policy approved by the Board of Directors. The objective is to protect the Group against unfavourable changes in the financial markets and through this to secure the Group's financial performance and financial position.

Refinancing and liquidity risks

The Group aims to safeguard the availability of finance by spreading the maturity dates, sources and instruments in its loan portfolio. A single source of finance may not account for more than an amount specified in the finance policy. The most important sources of finance in use in the Group are the syndicated credit facility signed on 12 October 2012, which had a nominal value at the end of the year of EUR 90 million and matures on 30 June 2015, various capital loans and bonds, bilateral long-term loan agreements, financing of trade receivables without any right of recourse, and lease finance. The Group also has a EUR 150 million commercial paper programme, but had no debt from this at the end of the year.

Component will pay the instalments due in 2013 of the syndicated loan and the capital bond 2009, in total EUR 13.7 million, with cash flow finance. Componenta plans to refinance the loans from Turkish banks due for repayment in 2013 with new bilateral long-term loans from Turkish banks. Componenta plans to replace the EUR 22.4 million bond that matures at the end of September 2013 with a combination of a new hybrid bond that it will issue and a share issue and with a new bond that it will issue.

In the opinion of the Board of Directors, the risk of not being able to refinance the bond maturing in September 2013 is small. The Board believes that the company meets the other conditions set for obtaining the finance.

More details about risks and risk management at Componenta are given in the notes to the 2012 financial statements.

Events after end of period

In February Componenta decided to postpone the publishing of the financial statements for 2012 due to the change of the accounting principles. In the financial statements for the year 2012 the company applied the re-valuation of the properties according to IAS 16 instead of historical book values. Componenta published preliminary information on the 2012 financial statements on 11 February 2013. High inflation in Turkey and changes in foreign exchange have significantly decreased the book value of Group's properties located in Turkey during past years. As a result of applying the re-valuation of the properties according to IAS 16, the Group's shareholders' equity strengthened EUR 25.7 million in Financial Statements 2012.

After the end of financial year Componenta renegotiated certain terms of syndicate loan due to earlier mentioned change in accounting principles among others and at the same time committed itself to an additional repayment of 5 MEUR on 30 June 2013.

Business environment

The demand outlook in all the Group's customer sectors is still uncertain.

Demand prospects in the truck industry are uncertain. At the beginning of 2013 the order book for Componenta's heavy trucks customer sector was at the same level as in the previous year. Despite the uncertain demand prospects, demand in the truck industry is expected to develop better than in Componenta's other customer industries, because of the low level of registration of new trucks over a period of several years, which has resulted in an ageing fleet of trucks. In addition, new environmental regulations coming into force in Europe at the beginning of 2014 are expected to increase demand for current truck models before the new regulations come into force.

The order book for Componenta's construction and mining customer sector was 37% lower at the beginning of 2013 than in the previous year. Customers reduced their stock levels significantly during the second half of 2012. Demand is, however, expected to stabilize during the first part of 2013.

At the beginning of 2013, the order book for Componenta's machine building customer segment was 3% lower than at the same time in the previous year. Prospects for 2013 in the machine building industry are uncertain.

The order book for Componenta's agricultural machinery customer sector was 17% lower at the beginning of 2013 compared to the previous year. Demand for agricultural machinery is expected to pick up in the first half of the year since food prices have remained at a relatively high level.

The order book for Componenta's automotive customer sector was 21% lower at the beginning of 2013 than at the same time in the previous year. Demand in the automotive industry declined 8% in Europe in 2012. Demand in 2013 is estimated to stay at the same level as in 2012.

Prospects for Componenta in 2013

The outlook for 2013 is based on general external economic indicators, delivery forecasts given by customers, and on Componenta's order intake and order book.

The continuing uncertainty in the European and global economy has weakened demand for investment in Componenta's customer industries. Componenta's order book at the beginning of 2013 was EUR 83 (100) million. Based on the order book and production forecasts given by customers, Componenta's net sales for the whole of 2013 are expected to remain at the same level as in the previous year.

The efficiency program that was launched in October 2012 is expected to bring in EUR 25 million annual cost savings by the end of 2014. A significant share of these cost savings is expected to realize already in 2013. As a result of this, the operating profit excluding one-time items is expected to improve from the previous year.

Dividend proposal

The Board of Directors proposes to the Annual General Meeting to be held on 22 March 2013 that, in accordance with the current dividend policy, no dividend be paid for the 1 January – 31 December 2012 financial period. On 31 December 2012 the parent company had distributable equity of EUR 87.6 million.

Annual General Meeting

Componenta Corporation's Annual General Meeting of Shareholders will be held at 9.00 am on 22 March 2013 in Helsinki. Notice of the annual general meeting will be published in a separate stock exchange release.

Report on corporate governance

Componenta Corporation is publishing a report on its corporate governance for 2012 separately from the Report by the Board of Directors. After its publication, the report will be available on the company's website at www.componenta.com.

Consolidated income statement 1.1.–31.12.

MEUR	Note	2012	%	2011	%
NET SALES	1	**544.8**	**100.0**	576.4	100.0
Other operating income	4	**2.3**		2.3	
Operating expenses	5.6.7	**–525.3**		–536.3	
Depreciation, amortization and write-down of non-current assets	8	**–17.9**		–20.2	
Share of the associated companies' result		**0.2**		0.2	
OPERATING PROFIT	1	**4.0**	**0.7**	22.5	3.9
Financial income	9	**8.5**		13.0	
Financial expense	9	**–37.9**		–38.9	
Financial income and expenses in total		**–29.4**		–25.9	
PROFIT/LOSS AFTER FINANCIAL ITEMS		**–25.4**	**–4.7**	–3.4	–0.6
Income taxes	10	**1.4**		0.3	
PROFIT/LOSS FOR THE FINANCIAL PERIOD		**–24.0**		–3.1	
Allocation of net profit for the period					
To equity holders of the parent		**–24.3**		–4.3	
To non-controlling interest		**0.3**		1.2	
		–24.0		–3.1	
Earnings per share calculated on the profit attributable to the shareholders of the parent company					
Earnings per share, EUR	11	**–1.22**		–0.25	
Earnings per share with dilution, EUR	11	**–1.22**		–0.25	

Consolidated statement of comprehensive income 1.1.–31.12.

MEUR	2012	2011
Net profit	**–24.0**	–3.1
Other comprehensive income		
Translation differences	**5.8**	–24.1
Cash flow hedges	**0.3**	–3.9
Re-classification of investment properties	**–**	0.7
Revaluation of land and property	**27.3**	–
Other items	**0.1**	0.1
Income tax on other comprehensive income	**–1.6**	0.8
Other comprehensive income, net of tax	**31.9**	–26.4
Total comprehensive income	**7.8**	–29.5
Allocation of total comprehensive income		
To equity holders of the parent	**5.6**	–29.5
To non-controlling interest	**2.2**	0.0
	7.8	–29.5

The notes are an integral part of these financial statements.

Consolidated statement of financial position 31.12.

MEUR	Note	2012	2011
ASSETS			
NON-CURRENT ASSETS			
Tangible assets	12	**255.9**	212.4
Goodwill	13	**29.1**	28.0
Intangible assets	14	**6.3**	6.7
Investment properties	15	**11.4**	11.6
Shares in associated companies	16	**1.4**	1.3
Financial assets	17	**0.9**	0.7
Receivables	18	**4.2**	4.5
Deferred tax assets	19	**31.3**	26.4
		340.5	291.6
CURRENT ASSETS			
Inventories	20	**65.2**	58.4
Receivables	21	**32.3**	35.2
Tax receivables	21	**1.8**	0.0
Assets held for sale	21	**–**	9.9
Cash and cash equivalents	23	**20.6**	41.6
		119.8	145.2
TOTAL ASSETS		**460.4**	436.8
LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY			
Share capital		**21.9**	21.9
Share premium reserve		**15.0**	15.0
Unrestricted equity reserve		**47.1**	32.3
Other reserves		**47.6**	2.9
Cash flow hedges		**-0.4**	-0.7
Translation differences		**-35.6**	-41.0
Retained earnings		**3.4**	7.7
Profit/loss for the financial period		**-24.3**	-4.3
Equity attributable to equity holders of the parent company	24	**74.6**	33.8
Non-controlling interest		**8.8**	7.3
Shareholders' equity		**83.4**	41.1
LIABILITIES			
Non-current liabilities			
Capital loans	28	**19.6**	31.4
Other interest bearing	28	**182.7**	79.8
Other non-interest bearing	33	**1.1**	0.0
Provisions	27	**8.3**	7.6
Deferred taxes	19	**12.0**	8.3
Current liabilities			
Capital loans	28	**3.7**	4.1
Other interest bearing	28	**50.9**	169.3
Other non-interest bearing	29	**92.5**	92.9
Tax liability		**0.2**	0.2
Provisions	27	**5.8**	2.2
		377.0	395.7
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**460.4**	436.8

The notes are an integral part of these financial statements.

Cash flow statement 1.1.–31.12.

MEUR	2012	2011
Cash flow from operations		
Result after financial items	**-25.4**	-3.4
Depreciation, amortization and write-down	**17.9**	20.2
Net financial income and expenses	**29.4**	25.9
Other income and expenses, adjustments to cash flow	**0.7**	-0.4
Change in net working capital		
Inventories	**-1.7**	-11.4
Current non-interest bearing receivables	**5.1**	0.4
Current non-interest bearing liabilities	**-2.4**	1.2
Other working capital items	**-2.1**	-0.2
Interest received	**0.7**	0.5
Interest paid	**-27.0**	-26.4
Other financial income and expenses	**0.0**	1.1
Dividends received	**0.0**	0.0
Taxes paid	**-4.0**	-3.9
Net cash flow from operations	**-8.7**	3.6
Cash flow from investing activities		
Acquisition of subsidiaries, net of cash acquired	**-0.2**	-
Capital expenditure in tangible assets	**-17.7**	-13.9
Capital expenditure in intangible assets	**-1.9**	-2.2
Proceeds from tangible and intangible assets	**0.2**	1.4
Other investments and loans granted	**0.0**	-0.2
Proceeds from other investments and repayments of loan receivables	**0.2**	2.1
Net cash flow from investing activities	**-19.2**	-12.7
Cash flow from financing activities		
Dividends paid	**-0.7**	-
Proceeds from share issue	**15.1**	-
Proceeds from the issue of hybrid bond	**7.9**	-
Repayment of finance lease liabilities	**-0.6**	-3.2
Draw-down (+)/ repayment (-) of current loans	**-142.6**	-3.4
Draw-down of non-current loans	**168.5**	90.4
Repayment of non-current loans and other changes	**-41.6**	-42.6
Net cash flow from financing activities	**5.9**	41.0
Change in liquid assets	**-22.0**	31.9
Cash and bank accounts at the beginning of the period	**41.6**	11.0
Effects of exchange rate changes on cash	**1.0**	-1.2
Cash and bank accounts at period end	**20.6**	41.6

The notes are an integral part of these financial statements.

Statement of changes in consolidated shareholders' equity

MEUR	Share capital	Share premium reserve	Unrestricted equity reserve	Other reserves	Cash flow hedges	Translation differences	Retained earnings	Total	Non-controlling interest	Share-holders' equity total
Shareholders' equity 1.1.2011	**21.9**	**15.0**	**32.5**	**2.2**	**2.3**	**-18.1**	**7.7**	**63.4**	**7.3**	**70.7**
Net profit							-4.3	-4.3	1.2	-3.1
Translation differences						-22.9		-22.9	-1.2	-24.1
Cash flow hedges					-3.0			-3.0		-3.0
Re-classification of investment properties				0.6				0.6		0.6
Other comprehensive income items				0.1				0.1		0.1
Total comprehensive income				0.7	-3.0	-22.9	-4.3	-29.5	0.0	-29.5
Other changes *)			-0.2	0.1				-0.1		-0.1
Shareholders' equity 31.12.2011	**21.9**	**15.0**	**32.3**	**2.9**	**-0.7**	**-41.0**	**3.4**	**33.8**	**7.3**	**41.1**

*) Other changes in unrestricted equity reserve include given donation to universities, EUR 0.2 million.

MEUR	Share capital	Share premium reserve	Unrestricted equity reserve	Revaluation reserve of land and buildings	Other reserves	Cash flow hedges	Translation differences	Retained earnings	Total	Non-controlling interest	Share-holders' equity total
Shareholders' equity 1.1.2012	**21.9**	**15.0**	**32.3**	**0.0**	**2.9**	**-0.7**	**-41.0**	**3.4**	**33.8**	**7.3**	**41.1**
Net profit								-24.3	-24.3	0.3	-24.0
Translation differences							5.4		5.4	0.3	5.8
Cash flow hedges						0.3			0.3		0.3
Revaluation of buildings and land areas				24.2					24.2	1.5	25.7
Other comprehensive income items					0.1				0.1		0.1
Total comprehensive income				24.2	0.1	0.3	5.4	-24.3	5.6	2.2	7.8
Share issue			14.8						14.8		14.8
Issue of hybrid bond					20.4				20.4		20.4
Dividend									0.0	-0.7	-0.7
Shareholders' equity 31.12.2012	**21.9**	**15.0**	**47.1**	**24.2**	**23.4**	**-0.4**	**-35.6**	**-20.9**	**74.6**	**8.8**	**83.4**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Accounting Principles

General information

Componenta is a metal sector group of companies with international operations. The Group manufactures cast, machined, surface-treated, ready-to-install components and total solutions made up from these. The Group's customers are global manufacturers in the machine building, heavy truck, automotive, construction & mining and agriculture industries.

The Group's parent company is Componenta Corporation (business identity code 1635451-6), whose shares are quoted on the NASDAQ OMX Helsinki. The parent company is domiciled in Helsinki. The registered street address is Panuntie 4, 00610 Helsinki, Finland.

A copy of the consolidated financial statements can be obtained on the Internet at www.componenta.com or from the head office of the Group's parent company at Panuntie 4, 00610 Helsinki, Finland.

The financial year for all group companies is the calendar year and it ended on 31 December 2012.

The Board of Directors of Componenta Corporation has at its meeting on 28 February 2013 approved these financial statements for publication. According to the Finnish Companies Act, shareholders have the opportunity to approve or reject the financial statements at the General Meeting of Shareholders held after publication. It is also possible to amend the financial statements at the General Meeting of Shareholders.

Basis for preparing consolidated financial statements

Componenta's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), applying the IAS and IFRS standards in force on 31 December 2012 and SIC and IFRIC interpretations. The term 'IFRS standards' refers to standards and interpretations of these in Finnish legislation and provisions based on this approved for applying in the EU in accordance with the procedure established in EU regulation (EY) 1606/2002. The notes to the consolidated financial statements also conform to Finnish accounting and corporate legislation.

The consolidated financial statements have been prepared based on the historical cost, except that the following items have been assessed at fair value: investment properties, financial assets and liabilities recognized in the income statement, derivative financial instruments, and items hedged at fair value. The buildings and land areas included in the revaluation are also presented at their fair value in accordance with the change to the accounting principle adopted on 31 December 2012. For mergers of business operations that took place before 2004, goodwill, as stated in IFRS 1, corresponds to the book value as defined under the previous financial statement standards, and this has been used as the deemed cost.

The preparation of the financial statements in accordance with IFRS standards requires management to make estimates and judgments in applying the accounting principles. Information about the judgments made by management in the application of the accounting principles employed by the Group and which have the biggest impact on the figures given in the financial statements is given in the chapter "Accounting principles requiring judgments by management and key sources of estimation uncertainty".

Accounting principles for 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 or in which the Group has control over financial and operating principles. The financial statements of subsidiaries are included in the consolidated financial statements from the date that Componenta has obtained control in the subsidiary.

The financial statements of foreign subsidiaries have been adjusted to ensure consistency with the Group's accounting policies. The financial statements of subsidiaries are consolidated using the acquisition method. Intra-group transactions have been eliminated in the consolidation, as have the internal margin included in the inventories of Group companies and intra-group receivables and liabilities. The share of owners with a non-controlling interest (NCI) in the acquired entity is measured either at fair value or as the NCI's proportionate share of the identifiable net assets of the acquired entity. The principle for measurement is specified separately for each acquisition.

Changes in the parent company's holdings in subsidiaries that do not result in a loss of control are treated as transactions affecting shareholders' equity.

Associated companies are companies in which the Group holds shares with 20% to 50% of the voting rights or in which the Group has significant interest but not control.

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 in the income statement. 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 and by the dividends paid by the associated companies. Known deviations from IFRS accounting policies in the financial statements of associated companies have been corrected.

Change in accounting policy

In the past, land areas, buildings and constructions included in property, plant and equipment have been recognised in the statement of financial position at the original acquisition cost. No depreciation has been made on land areas, and depreciation according to plan have been recorded on buildings and constructions. On 31 December 2012 Componenta started to use the revaluation model permitted by IAS 16 for real estate assets. Under the revaluation model, the fair values of land areas, buildings and constructions included in property, plant and equipment are recognised in the statement of financial position. After revaluation, depreciation starts to accumulate on the fair value of the buildings. The Company considers that the change in the accounting principle improves the information in the financial statements and gives a more accurate picture of the capital tied up in operations.

When assets are revalued for the first time, this change in accounting principle is treated as a revaluation in accordance with IAS 16, and for this reason the change in accounting principle has no impact on the result for the 2011 period for comparison nor on the consolidated shareholders' equity on 31 December 2011. The new valuation principle was taken into use on 31 December 2012 and for that reason the revaluation of land areas, buildings and constructions did not affect depreciation in 2012.

The change in value of land areas, buildings and constructions resulting from the change in the accounting principle is presented in 2012 under other comprehensive income and in the revaluation reserve in shareholders' equity. The change resulting from revaluation presented in other comprehensive income before deferred tax in 2012 was EUR 27.3 million and the change in deferred tax was EUR 1.6 million.

Translation of foreign currency items

Functional and presentation currency

The result and financial position of each of the Group's business units are measured in the currency of the main operating environment for that unit. The operational and presentation currency for the Group's parent company is the euro. The consolidated financial statements are presented in millions of euros unless otherwise stated.

Transactions and balances

The foreign currency receivables and liabilities of the parent company and subsidiaries domiciled in euro area are translated into euros at the exchange rate on the balance sheet date. Foreign currency receivables and liabilities of Group companies outside the euro area are translated into the functional currency of the respective Group company at the exchange rate on the closing date.

The foreign exchange rate differences arising from trade payables and trade receivables are presented under other operating income together with any related hedging results. Exchange rate differences arising from borrowings, deposits and cash and cash equivalents together with any related hedging results are recognized under financial income and expenses.

Group companies

The income statements of subsidiaries whose functional currency is not euro are translated into euros using the average exchange rates for the accounting period. Balance sheet items are translated into euros at the average exchange rate on the balance sheet date.

The difference in the result for the period between the average exchange rate for the accounting period and the exchange rate on the balance sheet date is recorded in shareholders' equity in translation differences. The shareholders' equity of subsidiaries is translated into euros in consolidation. Translation differences caused by changes in exchange rates between the date of acquisition and the balance sheet date have been recorded in shareholders' equity. Translation differences from before 1 January 2004 are recorded, in accordance with the exception permitted by IFRS 1, under retained earnings. After the transition date, translation differences arising during the preparation of the consolidated financial statements are presented as a separate item of equity. The functional currency of the Turkish subsidiary changed to Euro from the beginning of March 2012 onwards. After that the Group has not recorded any translation differences in equity related to exchange rate changes of Turkish lira.

Tangible and intangible assets

Property, plant and equipment is recorded in the statement of financial position at original acquisition cost less planned depreciation and writedowns, except for land areas, buildings and constructions. The acquisition cost includes all costs directly incurred by the purchase of the asset.

On 31 December 2012 Componenta started to use the revaluation model permitted by IAS 16, according to which land areas, buildings and constructions are recorded at fair value, which is based on assessments made by independent valuers, and for buildings is the fair value less depreciation after the revaluation. Land and water areas are not depreciated. Measurements of value are made sufficiently regularly so that the fair value of a revalued asset does not differ materially from its carrying amount. Accumulated depreciation is eliminated when an item is revalued against the gross carrying amount of the asset, and the net amount is adjusted so that it corresponds to the value based on the revaluation of the asset.

Increases in the carrying amounts resulting from the revaluation of land areas, buildings and constructions are recorded in other comprehensive income and are presented under shareholders' equity in other reserves. Reductions that offset increases in value previously recognised for the same asset are recognised in other comprehensive income and are deducted from other reserves in shareholders' equity, and all other reductions are recognised in the income statement. The difference between the depreciation recorded in the income statement based on the revalued carrying amount and the depreciation based on the original cost of the asset is transferred each year from Other reserves to Retained earnings.

Intangible assets include computer software, capitalized development costs and capitalized costs for obtaining customers. For intangible assets that have a limited useful economic life, straight-line depreciation is entered as an expense in the income statement over their useful economic lives. The Group has no intangible assets that have an unlimited useful economic life.

Maintenance and repair costs are usually recognized in the income statement as an expense as incurred. Major refurbishment costs are capitalized and depreciated over their estimated useful life if these costs are likely to increase the future economic benefits embodied in the specific asset to which they relate.

Investment grants are deducted from the carrying value of the asset, and grants to be recorded in the income statement are entered under other operating income.

Planned depreciation, except of production machinery and equipment, is calculated on a straight line basis on the historical cost, based on the estimated useful economic life. On 1 January 2009 the Group started to use the units-of-production depreciation method, in which the amount of depreciation is based on the actual output of production machinery and equipment. The units-of-production method gives a more precise picture of the actual economic wear on production machinery and equipment than the straight line method, especially when capacity usage changes quickly. Estimated useful economic lives are as follows:

capitalized development costs	5 years
intangible rights	3–10 years
other intangible costs	3–20 years
buildings and constructions*)	25–40 years
computing equipment	3–5 years
other machinery and equipment	5–25 years
other tangible assets	5–10 years

*) Residual value 25% of acquisition cost

Goodwill equals the part of the acquisition cost that exceeds the Group's share of the net fair value on the date of acquisition of the identifiable assets, liabilities and contingent liabilities of a company acquired after 1 January 2004. For mergers of business operations that took place before 2004, goodwill corresponds to the book value as defined under the previous financial statement standards, and this has been used as the deemed cost in accordance with IFRS.

Goodwill is not amortized but is tested annually for impairment.

Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized for the amount by which the balance sheet value of the asset exceeds the recoverable amount for the asset. The recoverable amount of an asset is the greater of its net selling price and value in use. As a rule, value in use is based on the estimated discounted future net cash flows obtainable through the asset.

Land areas, buildings and constructions included in property, plant and equipment and investment properties are valued in the statement of financial position at fair value on the closing date. The fair values are defined each year, so impairment testing is not carried out on land areas, buildings and constructions included in property, plant and equipment and investment properties. The fair values are principally measured by using the income approach method.

Investment property

Property that is owned by the Group and leased to an external party, and that is not mainly owner-occupied, and which is held by the Group to earn rentals or capital appreciation rather than for a use in the production of goods is classified as investment property and is valued in the balance sheet at fair value. Gains and losses arising on revaluation to fair value are recognised in profit or loss for the period in which they arise and are presented in other operating income in the income statement. Rental income from investment property is recorded in the Group's net sales. The fair values of investment properties are determined by an independent and qualified real estate evaluator annually.

Research and development costs

Research costs are charged to the income statement as incurred. Expenditure on development activities relating to new products is capitalized and recognized as an expense under depreciation over their useful economic lives. 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 as incurred.

Inventories

Inventories are stated at the lower of acquisition cost and net realizable value. The acquisition cost is based on the FIFO principle. The acquisition cost of manufactured products and work in progress includes the cost of raw materials, direct labour costs, other direct costs as well as a proportion of variable and fixed production overheads.

Leases

The Group classifies its leases at the inception as finance or operating leases. Leases for fixed assets that transfer substantially all the risks and rewards incidental to ownership to the Group are classified as finance leases. They are recognized in the balance sheet under fixed assets at the commencement of the lease at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments. Any substantial incremental costs that are directly attributable to negotiating and arranging the lease are added to the amount recognized as an asset. Depreciation is made on the asset over its estimated useful economic life consistently with the Group's depreciation policy, or if there is no reasonable certainty that ownership is obtained at the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful economic life.

The lower of the fair value of the asset and the present value of the minimum lease payments is recognized as a finance lease liability. Lease payments are divided into financing charges and reduction of the outstanding liability, using the effective interest rate method so that the liability is repaid over the lease term as an annuity. The financing charge calculated with the effective interest rate is recognized as a financial expense. The difference between the floating interest rate of the agreement and the effective interest rate is recorded as a rental expense.

A lease is classified as operating lease if the lessor retains the majority of the risks and benefits of ownership, or if the value of the lease agreement is insignificant. Lease payments under operating lease agreements are recognized as expenses in the income statement on an accrual basis throughout the lease term.

Employee benefits/Pensions and other employee benefits

Most of the Group's pension schemes are defined contribution schemes, for which payments are entered in the income statement in the period in which they occur. Componenta has a pension scheme classified as a multi-employer defined benefit scheme in Sweden (Alecta ITP). Alecta ITP has been treated as a defined contribution plan, in accordance with IAS 19.30 (a), as the pension companies have not been able to provide actuarial valuations.

Pension coverage for employees of Group companies in Finland is provided in line with statutory arrangements under the TyEL insurance scheme with an insurance company. Under an agreement made with the pension insurance company, the Group, as a major employer, 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.

Other non-Finnish subsidiaries operate pension schemes in accordance with local practice and legislation.

Under Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). The amount payable consists of one month's salary. The estimated present value of the future probable obligation of the Group arising from the termination benefits to be paid to the employees has been presented in non-current provisions and the change in the present value of the future probable obligation in income statement.

Employee benefits/Share-based payments

The Group has applied the IFRS 2 standard to the share-based incentive scheme for key personnel which was decided on 10 March 2010.

A share-based incentive scheme has been set up for senior management for the years 2010–2012. Bonuses are paid partly in shares and partly in cash. The benefits given in the scheme are valued at fair value at the time when they are granted and are recognized as an expense in the income statement on a straight-line basis over the earnings period. A liability is recognized for the part to be paid in cash and the change in its fair value is correspondingly recognized as an expense for the period in which it occurs. The fair value of the part to be paid in shares is recognized as an expense and an increase in shareholders' equity. The impact of the scheme on the result is presented in the income statement under personnel expenses.

Operating segments

Componenta has four business segments which are Turkey, Finland, Holland and Sweden.

The operations in Turkey comprise the iron foundry and machine shop in Orhangazi and the aluminium foundry and production unit for aluminium wheels in Manisa. The operations in Finland consist of the iron foundries in Iisalmi, Karkkila, Pietarsaari and Pori , and the production unit for pistons in Pietarsaari. Componenta Finland Ltd, a subsidiary of Componenta Corporation, has sold the business operations and production machinery of the Nisamo machine shop during the financial year 2011. Machining operations at Componenta Finland Ltd's Pietarsaari unit have been terminated during the financial year 2011. Both machine shops, Nisamo and Pietarsaari, belonged to Finnish operations in comparative year 2011. The operations in the Netherlands comprise the iron foundries in Heerlen and Weert, the machine shop operations in Weert. The pattern shop in Tegelen, previously part of the operations in the Netherlands, was closed down in 2012. The operations in Sweden comprise the Främmestad machine shop and the Wirsbo and Arvika Smide forges. Arvika Smide AB was acquired in November 2012. Other business comprises the sales and logistics company Componenta UK Ltd in Great Britain, service and real estate companies in Finland, the Group's administrative functions and associated company Kumsan A.S. in Turkey. The operating business segments are based on the Group's internal organizational structure and internal financial reporting.

Supreme authority at Componenta is exercised by the shareholders at the General Meeting of Shareholders. The highest operational decision making body at Componenta is the company's Board of Directors together with the President and CEO. The Board and the President and CEO decide on strategy, the selection of key personnel, major development projects, company acquisitions, investments, the organisational structure and financing. The Group's Corporate Executive Team and other management assist and support the President and CEO in his work.

Revenues and transfers between Componenta's operating business segments are recorded at fair market prices. Segment assets and liabilities are items which the segment can utilize in its business operations and which can be reasonably allocated to the segment. Net financial items, taxes and one-time items are not allocated to the operating business segments.

Information on geographical areas

Componenta monitors non-current assets and capital expenditure in production facilities in its geographical areas which are Turkey, Finland, the Netherlands, Sweden and other countries. In addition the net sales by market area is monitored in more detail.

One-time items

One-time items, described in the Report by the Board of Directors, are exceptional transactions that are not related to normal business operations. The most common one-time items are capital gains and losses, inefficiencies in production related to plant closures, additional write-downs, or reversals of write-downs, expenses due to accidents and natural disasters, provisions for planned restructuring, environmental matters and penalties. The

Group's management exercises its discretion when taking decisions regarding the classification of one-time items.

Provisions

A provision is recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the obligation will have to be settled, and the amount of the obligation can be reliably estimated. If it is possible to obtain compensation for some of the obligation from a third party, the compensation is recognized as a separate asset item, but only when it is in practice certain that the compensation will be obtained.

A provision for restructuring is recognized when the Group has drawn up a detailed and formal restructuring plan and restructuring has either commenced or the plan has been announced publicly.

Income taxes

Consolidated direct taxes include direct taxes based on the taxable profit of Group companies, calculated according to tax legislation in each company's domicile. Deferred tax liabilities are recognized in the balance sheet in full and deferred tax assets to the extent that it is probable that future taxable profit will be available against which the asset can be utilized. Deferred tax liabilities and assets are calculated from all the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, using the tax rate in force on the balance sheet date. Future changes in tax rates are taken into account when they have in practice become certain.

Deferred tax assets for confirmed losses or for losses for the financial period have only been recognized to the extent to which it is probable that future profits will be generated that can be offset with the temporary differences. A deferred tax liability is recognised for the retained earnings of subsidiary companies only if it can be considered that the tax payment will take place in the foreseeable future. Deferred tax liabilities have been calculated for Finnish companies using a tax rate of 24.5%, for Swedish companies using a rate of 22.0%, for the Turkish company using a rate of 20.0% and for Dutch companies using a rate of 25.0%.

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

Revenue recognition

Net sales comprises revenue from the sale of products, services, raw materials, goods and energy, adjusted by indirect taxes and sales adjustments. Sales adjustments primarily comprise annually calculated bulk discounts and product returns that result in adjustments to original invoices. The most significant revenue streams from products involve sales of castings and machined castings. Revenue streams from services primarily include rental income and possible minor machining and assembly work performed on a subcontracting basis. Revenue from the sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer and the Group no longer has a right to dispose of the product or effective control over the product. This normally means when a product has been delivered to the customer in accordance with agreed delivery terms. Revenue from the sale of services is recognized when the service is rendered to the customer.

Other income from operations

Revenues that are not part of actual net sales, such as revenue from the sale of non-current assets and changes in the fair value of investment properties, are recorded under other income from operations. In addition the foreign exchange rate differences arising from trade payables and trade receivables are presented under other operating income together with any related hedging results.

Financial assets

The Group's financial assets are initially classified in the following categories: financial assets at fair value through profit and loss, loans and other receivables, held-to-maturity investments and available-for-sale financial assets. At the balance sheet date Componenta does not have any financial assets classified as held-to-maturity date. The Group makes more efficient use of capital with a program to sell its trade receivables. Under this arrangement some of the trade receivables are sold without any right to recourse. Trade receivables without any right to recourse have been transferred and derecognised from the statement of financial position.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss include derivative instruments acquired for hedging purposes to which hedge accounting is not applied. They are recognized at fair value using market prices on the balance sheet date. Realized and unrealized profit and loss –resulting from changes in fair value are recognized in the finance income and expenses for the period in which they are incurred.

Loans and other receivables

Loans and other receivables are initially recognized at fair value and valued thereafter at amortized cost using the effective interest rate method. Substantial transaction costs are taken into account when calculating the acquisition cost.

Available-for-sale financial assets

Holdings and investments that do not belong to the other financial asset categories are classified under available-for-sale financial assets. The investments in this category are long-term unlisted shares and holdings that are closely linked with business operations and which the Group does not intend to sell or otherwise dispose of. Available-for-sale financial assets are valued at acquisition cost if no reliable market value is available, less any impairment loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and in bank accounts and deposits held at call with banks.

Impairment losses on financial assets

An impairment loss is recognized in the income statement for a financial asset or group of assets if there is objective evidence that an event or events, such as a customer becoming insolvent, delinquency of payments and financial reorganisation or bankruptcy procedure of the customer, have had a significant impact on estimated future cash flows. The amount of the impairment loss is determined as the difference between the carrying amount of the financial asset and the discounted estimated future cash flows. Impairment losses on trade receivables can later be reversed through the income statement if it is believed that the customer will pay their liabilities. For available-for-sale financial assets, impairment losses are permanent.

Financial liabilities

Financial liabilities are classified in the following categories: financial liabilities at fair value through profit and loss and financial liabilities at amortized cost.

Financial liabilities at fair value through profit and loss

Derivative instruments acquired for hedging purposes to which the principles of hedge accounting are not applied are classified under financial liabilities at fair value through profit and loss. Financial liabilities held for trading are recognized at fair value using the market prices on the balance sheet date. Realized and unrealized profit and losses resulting from changes in fair value are recognized under financial income and expenses for the period in which they are incurred.

Financial liabilities at amortized cost

Other financial liabilities are initially recognized at fair value, less any substantial transaction costs that are directly attributable to the acquisition or issue of the financial liability. Financial liabilities other than held for trading are recognized at amortized cost using the effective interest rate method, so that the costs related to the acquisition or issue of the liability are recognized in the income statement during its contractual term. Substantial transaction costs related to credit facility agreements are capitalized in the balance sheet and recognized in the income statement during the credit facility's expected lifetime. Interest payable on the financial liability is recognized through profit and loss on an accrual basis.

On initial recognition, the fair value of the liability component of convertible capital notes is estimated, in the lack of a reliably determined corresponding market interest rate, as the present value of the contractually determined stream of future cash flows discounted at a rate reflecting the investor's return taken into account the conversion option value to the investor and the early redemption call option value to the issuer. The liability component is subsequently measured at amortized cost. The equity component of the convertible capital notes is recognized in other equity reserves less the costs attributable to the issue and deferred tax liability.

2 euros per share of the conversion price for shares converted with the loan notes of the convertible capital notes is recognized in the share capital, and the remainder in the share premium reserve or the reserve for invested unrestricted equity. The balance sheet liability is reduced by the same proportion as that of the converted loan notes to the remaining notional value of the loan.

All changes in financial assets and liabilities are recognized using settlement date accounting.

Hybrid Bond

During 2012 Componenta issued a EUR 20.7 million hybrid bond presented under shareholders' equity. The equity bond (hybrid bond) ranks lower than the company's other borrowings. It ranks higher however than other items classified as equity. The equity loan has no maturity date but the Group is entitled but not obliged to pay back the loan four years after it was issued, ie. in 2016. The interest on a hybrid bond is paid if the Board of Directors decides to pay the interest. Unpaid interest accumulates, but it is not presented in Financial Statements until after the Board of Directors' interest payment decision. Unpaid accumulated interest is taken into account when earnings per share are calculated. Holders of hybrid bonds exercise no authority or voting rights at the company's general meeting of shareholders.

Derivative instruments and hedge accounting

The Group's derivative instruments are recognized on the settlement date at acquisition cost, after which they are recognized at fair value. The fair value of forward rate agreements is the profit or loss that would occur from closing the agreement, calculated at the market price on the balance sheet date. The fair value of interest rate and currency options is measured using commonly known option pricing models. The fair value of interest rate swaps is calculated by discounting future cash flows at current interest rates at the balance sheet date. Foreign exchange forwards and swaps are valued at forward prices on the balance sheet date. The fair value of electricity price forwards is the estimated profit or loss that would derive from closing the contracts at market prices on the balance sheet date.

Derivative instruments are recognized as defined in IAS 39 either as financial hedging instruments that are excluded from hedge accounting or as hedging instruments that qualify as cash flow hedges or as currency hedges of net investments in foreign operations. When hedge accounting is applied, the hedged item and the hedging relationship are identified and documented in accordance with the principles of hedge accounting. Hedge effectiveness is assessed retrospectively when initiating hedge accounting and prospectively on a regular basis, at least quarterly.

When cash flow hedge accounting is applied, the effective portions of changes in the fair value of hedging instruments are recognized in shareholders' equity in the hedging reserve. Accumulated changes in fair value of the interest rate derivatives are recognized in financial income and expenses in the income statement for the period when the hedged business operation takes place. Correspondingly, accumulated changes in fair value of the electricity price forwards are recognized as an adjustment to purchases in operating profit in the income statement for the period when the hedged business operation takes place. When a hedging instrument matures, is sold, the hedging relationship is perceived to be ineffective or it is terminated, the cumulative gain or loss on the hedging instrument from the period when the hedge was effective remains separately recognized in equity until the forecast transaction occurs. The cumulative gain or loss is recognized immediately through profit and loss if the forecast transaction is no longer expected to occur. The ineffective part of the interest rate hedging relationship is recognized in the income statement under financial income or expenses and the ineffective part of the electricity price hedging relationship is recognized as an adjustment to purchases in operating profit.

The realized and fair values of foreign exchange differences of currency derivatives designated as effective hedges of net investments in foreign operations are recognized in equity as a correction item to translation differences. These items will be recognized through profit and loss on disposal of the foreign operation. The ineffective part of the hedging relationship is recognized in the income statement under financial income or expenses.

Accumulated interest income or expenses from interest rate swaps and currency swaps that have taken place during the financial period are recognized in the income statement under financial items, as are changes in the fair value of interest rate derivatives that are a part of the Group's risk management policy but are excluded from hedge accounting. Exchange differences rising from currency derivatives designated as hedges of accounts receivables and payables are recognized in other operating income and from currency derivatives used to hedge against exchange differences for borrowings, deposits and other monetary items recognized in financial income and expenses. Realized gains or losses from electricity price forwards are recognized under purchases as adjustment items. The fair values of derivative instruments are recognized under current assets and liabilities in the balance sheet.

For balance sheet date, cash flow hedge accounting is applied when hedging against future changes in electricity spot market prices.

Earnings per share

The basic earnings per share are calculated using the weighted average of shares in issue. The weighted average number of shares used to calculate the diluted earnings per share takes into account the diluting effect of outstanding options, conditional share-based payments, earnings-related share-based payments and convertible capital notes and the calculated interest of the hybrid bonds.

Dividend payment

Dividends proposed by the Board of Directors to the Annual General Meeting are not recorded in the financial statements until they have been approved by the shareholders at the Annual General Meeting.

Accounting principles requiring judgments by management and key sources of estimation uncertainty

To prepare the consolidated financial statements in accordance with International Financial Reporting Standards, management has to make estimates and assumptions about the future.

The Group's management exercises its discretion when taking decisions about the choice of accounting principles for the financial statements and their application. Estimates have been used when determining in the financial statements for example the realizable value of certain assets like deferred tax assets, the amount of provision related to pension obligations, impairments of trade receivables, the useful economic life of tangible and intangible assets, assumptions of the income approach method, fair values of financial assets and liabilities including derivatives, income tax, the value of inventories, provisions and contingent liabilities, and for tests for impairment.

Determining the fair value of assets acquired when merging business operations

In major mergers of business operations the Group has used an external consultant when estimating the fair value of tangible and intangible assets. For tangible assets, comparisons have been made with the market prices of similar assets and estimates made of the reduction in value of the acquired assets due to age, wear and similar factors. The fair value of intangible assets has been determined based on estimates of the cash flows relating to the assets, since no information has been available on the market about purchases of similar assets.

Management believes that the estimates and assumptions used are sufficiently accurate as a basis for determining fair value. In addition the Group examines at least on every balance sheet date any indications of impairment in tangible and intangible assets.

Application of standards

As from 1 January 2012 the Group has applied the following new and revised standards and interpretations. Applying the new standards and interpretations has not had any impact on the result or shareholders' equity.

IFRS 7 Financial Instruments: Disclosures (amendment, effective for financial periods beginning on or after 1 July 2011). These changes are part of a broader reform launched by IASB that affects off balance sheet activities. The objective is to increase transparency in the presentation of transactions concerning the disposal of financial instruments and make it easier for users to gain an understanding of the risks involved in the disposal of financial assets and of the impact of these risks on an entity's financial position, especially when it is a case of securitisation. The amendment has not had an impact on the Group's financial statements.

IAS 12 Income Taxes (amendment, effective for financial periods beginning on or after 1 January 2012). IAS 12 previously required an entity to evaluate what proportion of the carrying amount of an asset recognised at fair value on the balance sheet will be recovered through use (e.g. rental revenue) and what proportion through sale. The amendment introduces the presumption that recovery of the carrying amount will normally happen through sale. The presumption applies to deferred taxes arising from investment properties, property, plant and equipment and intangible assets that are measured using the fair value or revaluation model. The amendment has not had an impact on the Group's financial statements.

New and amended standards and interpretations not yet effective in 2012

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2012 or later periods and which the Group has not yet applied:

IFRS 7 (Amendment) Financial instruments: Disclosures – Off- setting Financial Assets and Financial Liabilities (effective for financial periods beginning on or after 1 January 2013). The amendment requires more extensive disclosures in notes. The disclosures focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset in the statement of financial position. The amendment will not have material impact on the notes of the Group's financial statements.

IAS 1 Presentation of Financial Statements (amendment, effective for financial periods beginning on or after 1 July 2012). The most significant change concerns the grouping of other comprehensive income items based on whether they are potentially reclassifiable to profit or loss at a later date, subject to certain conditions being met. The amendment will have an impact on the Group's presentation of the other comprehensive income.

IAS 19 Employee Benefits (amendment, effective for financial periods beginning on or after 1 January 2013). The amendment requires immediate recognition of actuarial gains and losses in other comprehensive income items, discontinuing the use of the corridor method and measuring finance cost based on net interest. The amendment will not have an impact on the Group's financial statements.

IAS 32 (Amendment) Financial instruments (effective for financial periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria. The standard will not have a material impact on the Group's financial statements.

IFRS 9 Financial Instruments (effective for financial periods beginning on or after 1 January 2015). IFRS 9 is the first phase in a broader project to replace IAS 39 with a new standard. Different measurement methods have been maintained, but they have been simplified. IFRS 9 divides financial assets into two classifications: those measured at amortised acquisition cost and those measured at fair value. The classification depends on the entity's business model and the characteristics of the contractual cash flows. The IAS 39 instructions on impairment and hedge accounting will remain in force. The new standard does not change the recognition and measurement of financial liabilities, with the exception of financial liabilities to which the fair value option is applied. The impact to the Group's financial statements cannot be assessed yet, since there unfinished parts remaining in the standard preparations. The standards have not yet been approved for application in the EU.

IFRS 10 Consolidated Financial Statements (effective for financial periods beginning on or after 1 January 2014). In line with existing principles, the standard establishes control as the basis for consolidation. The standard also sets out how to apply the principle of control to identify whether an investor controls an investee. The standard will not have an impact on the Group's financial statements.

IFRS 11 Joint Arrangements (effective for financial periods beginning on or after 1 January 2014). The standard emphasises the importance of the rights and obligations arising from joint arrangements in accounting rather than the legal structure of such arrangements. There are two types of joint arrangements: joint operations and joint ventures. The standard also requires the equity method to be used in reporting on joint ventures in place of the previously allowed proportionate consolidation method. The standard will not have an impact on the Group's financial statements.

IFRS 12 Disclosure of Interests in Other Entities (effective for financial periods beginning on or after 1 January 2014). The standard covers the disclosure of information regarding interests in other entities, including subsidiaries, joint arrangements, special purpose entities and unconsolidated structured entities. The standard will not have material impact on the Group's financial statements.

IFRS 13 Fair Value Measurement (effective for financial periods beginning on or after 1 January 2014). The purpose of the standard is to increase consistency and reduce complexity by providing an exact definition of fair value and setting out in a single standard the requirements for measuring fair value and making related disclosures. The standard does not extend the use of fair value, but provides a framework for situations where another standard requires or permits fair value measurements. The standard will probably increase the notes of the Group's financial statements.

IAS 27 Consolidated and Separate Financial Statements (revised in 2011, effective for financial periods beginning on or after 1 January 2013). The revised standard sets out the remaining requirements pertaining to separate financial statements after the inclusion of the provisions on control in IFRS 10. The amendment will not have material impact on the Group's financial statements.

IAS 28 Investments in Associates and Joint Ventures (revised in 2011, effective for financial periods beginning on or after 1 January 2014). The revised standard sets out requirements for using the equity method of accounting for associates and joint ventures as a result of the publication of IFRS 11. The amendment will not have material impact on the Group's financial statements.

Annual Improvements to IFRS (2009–2011, May 2012, effective for financial periods beginning on or after 1 January 2013). The annual improvements process is a collection of necessary but non-urgent amendments to IFRS standards implemented once per year. The most recent annual improvements incorporate amendments to a total of five standards. The effects of the amendments vary according to the standard concerned. None of the amendments have had a material effect on the consolidated financial statements of the Group. The amendments have not yet been approved for application in the EU.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Figures are in millions of euros unless otherwise stated.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

1. Operating segments

Componenta's business operations are divided into four operational segments, Turkey, Finland, Holland and Sweden.

The operations in Turkey comprise the iron foundry and machine shop in Orhangazi and the aluminium foundry and production unit for aluminium wheels in Manisa. The operations in Finland consist of the iron foundries in Iisalmi, Karkkila, Pietarsaari and Pori and the production unit for pistons in Pietarsaari. The operations in the Netherlands comprise the iron foundries in Heerlen and Weert and the machine shop operations in Weert. The operations in Sweden comprise the Främmestad machine shop and the forges in Wirsbo and Arvika. In addition, the statements contain figures for Other business which includes the sales and logistics company Componenta UK Ltd in the UK, service and real estate companies in Finland, the Group's administrative functions and associated company Kumsan A.S. in Turkey. Transactions between operating business segments as well as between other business are based on market prices. Segment information is based on internal management reporting, and the accounting principles for this are in accordance with IFRS standards.

The main products sold by operations Turkey are machined and non-machined iron and aluminium cast components. The main products sold by operations Finland and Holland are machined and non-machined iron cast components. The main products sold by operations Sweden are machined and painted iron cast components and forged components. The main business of other business operations consists of the production of logistics services and the rental of office and industrial premises. In addition, Group service units are included in other business operations. Machined and non-machined iron castings and forged products account for 86% (84%) of the Group's external net sales. Machined and non-machined aluminium components account for 13% (15%) of the Group's external net sales.

The highest operational decision making body at Componenta is the company's Board of Directors together with the President and CEO. The Board and the President and CEO decide on strategy, the selection of key personnel, major development projects, company acquisitions, investments, the organisational structure and financing. The Group's Corporate Executive Team and other management assist and support the President and CEO in his work.

Segment assets and liabilities include items which the segment uses in its business operations. Unallocated items include financial and tax items, and items which are common to the whole Group.

Business segments 2012

MEUR	Turkey	Finland	Holland	Sweden	Other business	One-time items *)	Eliminations	Group
External sales	192.8	77.5	94.5	125.3	54.6			544.8
Internal sales	67.1	23.2	7.3	0.9	34.4		-132.8	0.0
Total sales	259.9	100.7	101.8	126.1	89.1		-132.8	544.8
Share of the associated companies' result					0.2			0.2
Segment operating profit	14.5	1.1	-5.2	-1.0	-0.2	-6.0	0.8	4.0
Unallocated items						-0.4		-28.0**)
Net profit						-6.4		-24.0
Segment assets	214.3	68.4	45.3	67.4	49.9		-45.1	400.1
Shares in associated companies					1.4			1.4
Unallocated assets								58.8
Total assets								460.4
Segment liabilities	44.5	18.9	13.8	33.8	29.7		-32.8	107.9
Unallocated liabilities								269.0
Total liabilites								377.0
Capital expenditure in production facilities	11.3	0.9	1.6	4.2	1.1			19.2
Depreciation	-5.9	-3.2	-1.9	-2.9	-2.4	-1.6		-17.9

*) One-time items in operating profit in 2012 relate to shut down of the bigger production line in Pietarsaari Foundry, EUR -2.5 million, and terminating machining operations in Pietarsaari, EUR -0.5 million, and also adaptation measures in Holland, EUR -1.4 million, adaptation measures and write-down of receivables in Orhangazi foundry in Turkey, EUR -1.3 million and adaptation measures in Wirsbo, EUR -0.9 million. Other one-time items as a net were EUR -0.5 million. One-time items also include negative goodwill, EUR +1.1 million, from the acquisition of Arvika Smide by Wirsbo.

**) Includes EUR -27.6 million financial and tax items of normal operations.

Business segments 2011

MEUR	Turkey	Finland	Holland	Sweden	Other business	One-time items *)	Eliminations	Group
External sales	206.7	89.8	101.3	120.4	58.2			576.4
Internal sales	70.5	23.1	7.9	1.1	32.8		-135.4	0.0
Total sales	277.2	112.8	109.3	121.5	91.0		-135.4	576.4
Share of the associated companies' result					0.2			0.2
Segment operating profit	28.7	-1.6	-1.9	3.6	1.2	-7.4	-0.1	22.5
Unallocated items						1.6		-25.5***)
Net profit						-5.8		-3.1
Segment assets **)	162.8	74.2	49.3	57.3	48.8		-30.1	362.3
Shares in associated companies					1.3			1.3
Unallocated assets								73.2
Total assets								436.8
Segment liabilities	40.7	22.2	17.4	31.0	21.0		-29.5	102.9
Unallocated liabilities								292.8
Total liabilites								395.7
Capital expenditure in production facilities	11.8	2.3	2.0	4.4	1.4			21.8
Depreciation	-6.0	-4.6	-1.8	-2.9	-2.4	-2.6		-20.2

*) One-time items in operating profit in 2011 related to terminating machining operations at Pietarsaari unit, EUR -3.8 million, and sale of the business operations and production machinery of the Nisamo machine shop, EUR -1.8 million, both units belong to business segment Finland, and also restructuring costs in Holland, EUR -0.7 million, write-downs of prepayments paid to suppliers, EUR -0.7 million and other one-time items, EUR -0.4 million.

**) Group asset allocation between segments and eliminations have been changed in comparison with the previously released figures. Previously released figures were Turkey (193.5 Me), Finland (79.9 Me), Holland (49.3 Me), Sweden (68.6 Me), Other Business (51.3 Me) and Eliminations (-80.4 Me).

***) Includes EUR -27.1 million financial and tax items of normal operations.

Geographical areas 2012

MEUR	Turkey	Finland	The Nether-lands	Sweden	Other countries	Total
Non-current assets *)	148.0	85.1	31.0	38.9	1.1	304.1
Capital expenditure in production facilities	11.3	1.9	1.8	4.2	0.0	19.2

Geographical areas 2011

MEUR	Turkey	Finland	The Nether-lands	Sweden	Other countries	Total
Non-current assets *)	106.7	84.2	32.9	35.1	1.1	260.0
Capital expenditure in production facilities	11.7	3.5	2.0	4.5	0.0	21.8

*) Excluding non-current deferred tax assets, financial assets and other receivables.

External net sales by market area

MEUR	2012	2011
Sweden	97.1	107.5
Germany	105.6	106.4
Turkey	76.0	87.5
UK	55.4	64.9
Finland	46.3	57.8
Benelux countries	44.4	45.2
France	35.5	35.6
Italy	33.1	29.5
Other European countries	19.1	9.1
Other countries	32.2	33.0
External net sales total	544.8	576.4

Country-specific net sales reflect the destination where goods have been delivered, or requested to be delivered by the customer.

2. Business acquisitions

Componenta Wirsbo AB, part of Componenta Group, purchased the share stock of Arvika Smide AB in November 2012. Both companies have forging business operations. Arvika Smide AB's net sales after the acquisition date in 2012 totalled EUR 0.6 million and recorded a loss of EUR -0.1 million. Net sales for the full year 2012 were EUR 10.0 million and the operating profit EUR -1.4 million. Arvika Smide AB was in a difficult financial state and because of this the purchasing price was less than the company's net assets. The acquisition price was EUR 0.5 million (nominal currency SEK) and the company's net assets EUR 1.7 million (nominal currency SEK). The negative goodwill of EUR 1.1 million arising from the transaction is presented under other operating income. The following assets and debts were recorded in 2012 from the acquisition of Arvika Smide:

MEUR	Book values before acquisition	Book values in consolidation
Non-current assets	5.7	6.3
Inventories	1.8	1.8
Trade receivables and other receivables	0.7	1.0
Cash and cash equivalents	0.0	0.0
Total assets	8.3	9.2
Deferred tax liabilities	1.1	1.2
Interest bearing liabilities	4.2	4.2
Trade payables and other current liabilities	1.8	2.1
Total liabilities	7.1	7.5
Net assets	1.2	1.7
Acquisition cost		0.5
Negative goodwill		1.1
Acquisition cost		0.5
Unpaid acquisition cost		-0.3
Cash and cash equivalents in subsidiary acquired		0.0
Cashflow on acquisitions		0.2

There were no business acquisitions in 2011.

3. Business divestments

Componenta did not sell or close down any operations in 2012. The statutory personnel negotiations started by Componenta at the Pietarsaari foundry on 1 November 2012 were completed in December 2012. The negotiations resulted in the decision to close down the operations of the bigger production line at the foundry by the end of September 2013. Factors behind this decision were the poor capacity utilisation rate and profitability of the Pietarsaari foundry, which had continued for a long time. The following write-downs were made in consequence of the closure decision: machinery and equipment EUR 1.3 million, projects in progress EUR 0.3 million, and inventories EUR 0.1 million.

In December 2011, Componenta Corporation's subsidiary Componenta Finland Oy signed an agreement to sell the business operations and production machines of the Nisamo machine shop in Lempäälä. The buyer is a subsidiary of Tampereen Konepajat Oy, which will carry on machining operations at the current Nisamo premises as a machining subcontractor for Componenta. The effect of the sale of the Nisamo machine shop, through impairment of assets, on Componenta's pre-tax profit in 2011 was EUR -1.5 million.

Carrying values of the sold assets before write-downs in 2011

MEUR	2011
Intangible assets	0.1
Tangible assets	1.9
Inventories	0.1
Total assets	2.1
Sales price	0.6
Write-downs of the assets/loss of the business divestment	1.5

4. Other operating income

MEUR	2012	2011
Rental income	0.7	0.7
Profit from sale of non-current assets	0.1	0.4
Exchange gains and losses of trade receivables and payables, incl. hedges	-0.3	0.3
Changes in fair value of investment properties	-0.2	0.6
Release of negative goodwill	1.1	-
Refunds of government charges relating to previous financial periods	1.0	-
Other operating income	-0.2	0.3
Other operating income total	2.3	2.3
Rental income from investment property included in net sales	0.5	0.5

5. Operating expenses

MEUR	2012	2011
Change in inventory of finished goods and work in progress	1.3	1.5
Production for own use	0.2	0.7
Materials, supplies and products	-232.4	-242.2
External services	-37.4	-39.7
Personnel expenses	-132.9	-131.0
Rents	-5.2	-5.4
Maintenance costs of investment properties	-0.4	-0.4
Waste, property and maintenance	-24.6	-26.5
Energy	-41.8	-41.6
Sales and marketing	-1.0	-1.7
Computer software	-3.9	-3.4
Tools for production	-5.7	-5.4
Freights	-13.3	-13.3
Other operating expenses	-28.4	-27.8
Total operating expenses	-525.3	-536.3
Audit fees	-0.4	-0.4
Other fees	-0.2	-0.3
Total fees paid to auditors	-0.6	-0.7

6. Employee benefit costs

MEUR	2012	2011
Personnel expenses		
Salaries and fees	-107.5	-107.0
Pension costs	-11.5	-10.5
Other personnel costs	-13.9	-13.5
	-132.9	-131.0
Average number of personnel by segment, excluding leased personnel		
Turkey	2,479	2,325
Finland	761	903
Holland	470	491
Sweden	313	315
Other business	226	201
	4,249	4,234

Personnel expenses include costs related to share-based payment EUR -0.0 (-0.1) million.

7. Research and development costs

MEUR	2012	2011
The following amounts have been recognized in the income statement under research and development costs	-3.2	-2.4

8. Depreciation, amortization and write-down of non-current assets

MEUR	2012	2011
Depreciation and amortization		
Tangible assets		
Buildings and constructions	-2.3	-2.3
Investment properties	0.0	-
Machinery and equipment *)	-11.3	-12.7
Other tangible assets	-0.5	-0.5
	-14.1	-15.5
Intangible assets		
Intangible rights	-0.4	-0.2
Computer software	-0.4	-0.3
Other capitalized expenditure	-1.4	-1.6
	-2.3	-2.1
Write-downs on machinery and equipment and intangible assets **)	-1.5	-2.6
Total depreciation, amortization and write-downs of non-current assets	-17.9	-20.2

*) The units-of-production depreciation method is used for production machinery and equipment. Planned depreciation based on normal utilized capacity was EUR -15.6 (-18.1) million and capacity utilization correction was EUR 4.3 (5.4) million.

**) Write-downs on machinery and equipment and intangible assets in 2012 relate to shut down of the bigger production line in Pietarsaari Foundy, EUR -1.3 million, and closing down the Pietarsaari machine shop, EUR -0.2 million.

9. Financial income and expenses

MEUR	2012	2011
Dividend income from available-for-sale financial assets	-	0.0
Interest income from loans and other receivables	0.7	0.6
Exchange rate gains from financial assets and liabilities recognized at amortized cost	2.7	7.5
Realized exchange rate gains from currency derivatives	3.1	4.2
Other financial income	2.0	1.1
Change in fair value of financial assets and liabilities held for trading	-0.5	0.0
Ineffective portion of hedge accounting of net investment in foreign entities	-	-
- fair values transferred from equity to profit and loss	-	-
Ineffective portion of cash flow hedge accounting	-	0.0
Effective interest expenses for financial liabilities recognized at amortized cost	-22.2	-19.5
Exchange rate losses from financial assets and liabilities recognized at amortized cost	-2.5	-4.8
Other charges on financial liabilities valued at amortized cost	-0.1	-0.5
Interest expenses and commissions for sold trade receivables	-6.3	-5.3
Interest expenses for interest rate swaps	-1.6	-0.8
Realized exchange rate losses from currency derivatives	-3.8	-7.3
Other financial expenses	-1.0	-1.0
Financial income and expenses, total	-29.4	-25.9

Other operating income in note 4 includes a total of EUR -0.4 (3.3) million in exchange rate gains and losses arising from foreign currency denominated sales and purchases and EUR 0.1 (-3.0) million from foreign exchange derivatives designated to these items.

Interest income on interest rate swaps has been moved to compensate interest expenses. During 2012 the Group has not received any significant commissions from financial assets.

10. Income taxes

MEUR	2012	2011
Income taxes		
Income taxes for financial period	-2.7	-5.0
Change in deferred taxes (see note 19)	4.1	5.3
	1.4	0.3

Income tax reconciliation between tax expense computed at statutory rates in Finland (24.5% in 2012 and 26% in 2011) and income tax expense provided on earnings.

MEUR	2012	2011
Profit before tax	-25.4	-3.4
Income tax using Finnish tax rate	6.2	0.9
Difference between Finnish tax rate and rates in other countries	0.5	0.7
Tax exempt income	0.3	0.2
Non-deductible expenses	-2.4	-0.3
Re-assessment of deferred taxes	-2.1	0.0
Effect of the change in corporate income tax rate in other countries *)	-1.1	-0.1
Effect of the change in corporate income tax rate in Finland **)	-	-1.1
	1.4	0.3

*) The Swedish corporate income tax rate will decrease from 26.3% to 22.0% in 2013. As a result, deferred tax assets and liabilities relating to Swedish operations presented on the statement of financial position dated 31 December 2012 are valued at the new tax rate of 22.0%. The effect of the change in tax rate on deferred tax assets and liabilities is recorded through income statement.

**) The Finnish corporate income tax rate decreased from 26.0% to 24.5% in 2012. As a result, deferred tax assets and liabilities relating to Finnish operations presented on the statement of financial position dated 31 December 2011 were valued at the new tax rate of 24.5%. The effect of the change in tax rate on deferred tax assets and liabilities was recorded through income statement.

11. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the parent company by the weighted average number of outstanding shares during the financial year.

	2012	2011
Basic and diluted earnings per share		
Numerator: Profit for the period attributable to the shareholders of the parent company, 1,000 EUR *)	-25,751	-4,319
Denominator: Weighted average number of outstanding shares during the financial year, 1,000 shares	21,022	17,485
Basic earnings per share, EUR	-1.22	-0.25
Earnings per share with dilution, EUR	-1.22	-0.25

*) Unpaid interest on the 2012 hybrid bond is not recorded until after the decision of the Board of Directors, in accordance with IFRS. This interest totalled EUR 1.4 million after deferred taxes in 2012 and it has been taken into account as a factor reducing the profit for the period attributable to equity holders of the parent company when calculating the earnings per share. The profit for the period attributable to the equity holders of the parent company presented in the consolidated income statement was EUR -24.3 million.

The weighted average number of shares used to calculate the diluted earnings per share takes into account the dilutive effect of all potential shares with such an effect. The dilutive effect of convertible capital notes that have not been converted into shares (Note 28) and the share-based incentive scheme for employees (Note 25) will not be taken into account in 2012 and 2011 since the dilution would increase the earnings per share.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

12. Tangible assets

MEUR	2012	2011
Land and water areas		
Acquisition cost at 1 Jan	21.3	24.3
Additions	-	0.1
Re-classifications	0.1	-0.7
Revaluation on land and water areas *)	14.9	-
Translation differences	0.5	-2.4
Book value at 31 Dec	36.9	21.3

MEUR	2012	2011
Buildings and constructions		
Acquisition cost at 1 Jan	93.5	111.6
Additions	0.6	0.4
Disposals	-	-0.9
Re-classifications	2.9	-13.2
Revaluation on buildings *)	12.4	-
Translation differences	1.3	-4.4
Acquisition cost at 31 Dec	110.7	93.5
Accumulated depreciation at 1 Jan	-40.1	-44.3
Accumulated depreciation on decreases and re-classifications	-0.9	3.9
Translation differences	-0.7	2.6
Depreciation during the period	-2.3	-2.3
Accumulated depreciation at 31 Dec	-44.0	-40.1
Book value at 31 Dec	66.6	53.4

MEUR	2012	2011
Buildings and constructions, finance leasing		
Acquisition cost at 1 Jan	0.3	0.3
Acquisition cost at 31 Dec	0.3	0.3
Accumulated depreciation at 1 Jan	0.0	0.0
Depreciation during the period	0.0	0.0
Accumulated depreciation at 31 Dec	-0.1	0.0
Book value at 31 Dec	0.2	0.2

MEUR	2012	2011
Machinery and equipment		
Acquisition cost at 1 Jan	328.3	380.7
Additions	6.7	11.6
Disposals	-2.5	-13.9
Re-classifications	17.3	-23.5
Companies acquired	17.3	-
Translation differences	8.0	-26.6
Acquisition cost at 31 Dec	375.1	328.3
Accumulated depreciation at 1 Jan	-216.3	-251.1
Accumulated depreciation on increases	-	0.0
Accumulated depreciation on decreases and re-classifications	-9.3	32.1
Accumulated depreciation on companies acquired	-14.3	-
Translation differences	-4.9	16.4
Depreciation and write-downs during the period **)	-11.6	-13.7
Accumulated depreciation at 31 Dec	-256.5	-216.3
Book value at 31 Dec	118.7	112.0

MEUR	2012	2011
Machinery and equipment, finance leasing		
Acquisition cost at 1 Jan	21.8	22.8
Additions	0.6	4.0
Disposals	0.0	-4.4
Re-classifications	0.0	-0.7
Translation differences	0.5	0.1
Acquisition cost at 31 Dec	22.9	21.8
Accumulated depreciation at 1 Jan	-6.5	-7.3
Accumulated depreciation on decreases	0.0	2.2
Translation differences	-0.1	0.0
Depreciation during the period	-1.2	-1.4
Accumulated depreciation at 31 Dec	-7.8	-6.5
Book value at 31 Dec	15.1	15.3

MEUR	2012	2011
Other tangible assets		
Acquisition cost at 1 Jan	7.6	9.4
Additions	0.4	0.2
Disposals	-0.1	-0.4
Re-classifications	0.5	-0.6
Translation differences	0.2	-0.9
Acquisition cost at 31 Dec	8.6	7.6
Accumulated depreciation at 1 Jan	-5.7	-6.7
Accumulated depreciation on decreases and re-classifications	-0.4	0.8
Translation differences	-0.2	0.7
Depreciation during the period	-0.5	-0.5
Accumulated depreciation at 31 Dec	-6.8	-5.7
Book value at 31 Dec	1.9	1.9

MEUR	2012	2011
Advance payments and fixed assets under construction		
Acquisition cost at 1 Jan	8.2	5.6
Additions	9.0	6.2
Disposals	-0.1	-2.1
Re-classifications	-0.8	-0.7
Translation differences	0.3	-0.8
Book value at 31 Dec	16.5	8.2
Total tangible assets	255.9	212.4

*) Further information on the treatment of revaluation of land and water areas and buildings is given in the accounting principles for the consolidated financial statements.

**) Write-downs on machinery and equipment in 2012 relate to shut down of the larger production line in Pietarsaari Foundry, EUR -1.3 million, and closing down the Pietarsaari machine shop, EUR -0.2 million.

Minimum lease payments and present values of the payments by maturity classes relating to finance lease agreements are presented in note 28. Finance lease agreements mainly comprise production equipment leases, with average maturity of 5-7 years. Lease payments are tied to short-term market interest rates. The agreements do not include restrictions on dividend payments, additional borrowing nor on entering into new lease agreements.

13. Goodwill

MEUR	2012	2011
Acquisition cost at 1 Jan	28.0	33.1
Translation difference	1.1	-5.1
Book value at 31 Dec	29.1	28.0

Allocation of goodwill and impairment testing

Goodwill is allocated to cash generating units and most of the goodwill is recorded under the Turkey segment. The goodwill allocated to Turkey was EUR 27.6 (26.5) million at the end of 2012.

The future cash flows of the Turkey segment has been evaluated with the value in use computations. The calculations have used 5-year discounted cash flow plans that are based on strategic plans approved by the management. The estimated cash flow of the segment is based on the use of property, plant and machinery in their present condition without any possible acquisitions. Within strategic plans preparations the average historical growth and EBITDA development have been taken into consideration. The cash flows for the next two years have been evaluated based on detailed estimates of development of the costs and demand, and the following years have been evaluated by following a moderate growth. The average used EBITDA growth in years 2015-2017 is 3 %. Cash flows beyond five years are calculated using the residual value method. Stable 1% annual growth in operating profit has been assumed when defining the residual value.

The discount rate used is the weighted average cost of capital before tax defined by Componenta. The factors in this are risk-free interest rate, market risk premium, Componenta's beta, weighted average of borrowing costs, and the target ratio for shareholders' equity and to interest bearing liabilities. Componenta has used a pre-tax weighted average cost of capital of 8.1% in its calculations related to Turkey segment.

There was no need to record impairment losses on the basis of impairment testing in 2012 and in 2011.

Sensitivity analysis:

A sensitivity analysis was carried out on the Turkey segment using a variety of scenarios. These scenarios were achieved by altering the assumed values as follows:
- by reducing profitability (EBITDA) 1-10%
- by raising the weighted average cost of capital 1-25%

It is the opinion of management that the changes in the basic assumptions in the theoretical scenarios mentioned above should not be interpreted as evidence that they are likely to occur. However, none of these scenarios would have resulted in the need to recognize an impairment loss for goodwill. Raising the weighted equity costs 100 % to a level of 16.2 % or reducing the average EBITDA by 34 % would have led into an impairment of goodwill.

14. Intangible assets

MEUR	2012	2011
Capitalized development costs		
Acquisition cost at 1 Jan	0.3	0.2
Additions	0.2	0.1
Re-classifications	-	0.0
Translation differences	0.0	-
Acquisition cost at 31 Dec	0.6	0.3
Accumulated amortization at 1 Jan	0.0	0.0
Translation differences	0.0	-
Amortization during the period	-0.1	0.0
Accumulated amortization at 31 Dec	-0.1	0.0
Book value at 31 Dec	0.5	0.3

MEUR	2012	2011
Intangible rights		
Acquisition cost at 1 Jan	2.3	1.4
Additions	0.5	1.1
Re-classifications	0.0	-0.1
Translation differences	0.1	-0.2
Acquisition cost at 31 Dec	2.8	2.3
Accumulated amortization at 1 Jan	-0.9	-1.0
Accumulated amortization on increases	-	0.0
Accumulated amortization on decreases and re-classifications	0.0	0.1
Translation differences	0.0	0.1
Amortization during the period	-0.4	-0.2
Accumulated amortization at 31 Dec	-1.4	-0.9
Book value at 31 Dec	1.4	1.3

MEUR	2012	2011
Computer software		
Acquisition cost at 1 Jan	5.5	5.1
Additions	0.1	0.3
Disposals	-	-0.1
Re-classifications	0.0	0.2
Acquisition cost at 31 Dec	5.6	5.5
Accumulated amortization at 1 Jan	-4.0	-3.1
Accumulated amortization on decreases and re-classifications	0.0	-0.6
Amortization during the period	-0.5	-0.3
Accumulated amortization at 31 Dec	-4.5	-4.0
Book value at 31 Dec	1.1	1.5

MEUR	2012	2011
Other capitalized expenditure		
Acquisition cost at 1 Jan	9.0	9.5
Additions	0.6	0.1
Disposals	-	-0.5
Re-classifications	0.2	-0.1
Acquisition cost at 31 Dec	9.7	9.0
Accumulated amortization at 1 Jan	-6.3	-5.8
Accumulated amortization on decreases and re-classifications	0.2	1.1
Amortization during the period	-1.5	-1.6
Accumulated amortization at 31 Dec	-7.6	-6.3
Book value at 31 Dec	2.2	2.7

MEUR	2012	2011
Advance payments for intangible assets		
Acquisition cost at 1 Jan	1.0	0.3
Additions	0.5	0.7
Re-classifications	-0.2	0.0
Book value at 31 Dec	1.2	1.0
Total intangible assets	6.3	6.7

15. Investment properties

Me	2012	2011
Book value at 1 Jan	11.6	1.8
Additions	-	0.0
Disposals	-	0.0
Transfers	-	9.2
Profit/loss from the fair valuation	-0.2	0.6
Book value at 31 Dec	11.4	11.6

The fair values of investment properties are based on assessment books prepared by an independent and professionally qualified evaluator and last updated in late autumn in 2011 and 2012. In both years the evaluation was prepared by Kiinteistötaito Peltola & Co Oy, mainly by using the yield value methods.

16. Shares in associated companies

MEUR	2012	2011
Acquisition cost at 1 Jan	1.3	1.3
Disposals	0.0	0.0
Share of results of associated companies	0.2	0.2
Translation differences	0.0	-0.2
Book value at 31 Dec	1.4	1.3

Associated companies 31 Dec 2012

	Assets, MEUR	Liabilities, MEUR	Net sales, MEUR	Profit/ Loss, MEUR	Group share of holding, %
Kumsan A.S., Turkey	6.0	1.4	5.4	0.9	25.1
Kiinteistö Oy Niliharju, Helsinki	0.6	0.2	0.0	0.0	25.0

Associated companies 31 Dec 2011

	Assets, MEUR	Liabilities, MEUR	Net sales, MEUR	Profit/ Loss, MEUR	Group share of holding, %
Kumsan A.S., Turkey	5.2	0.7	5.5	0.8	25.1
Kiinteistö Oy Niliharju, Helsinki	0.7	0.2	0.0	0.0	25.0

The value of shares in associated companies does not include goodwill at 31 Dec 2012. All associated companies are unlisted.

17. Financial assets

MEUR	2012	2011
Available-for-sale investments		
Acquisition cost at 1 Jan	0.7	0.5
Additions	0.2	0.2
Disposals	-	-
Book value at 31 Dec	0.9	0.7

Available-for-sale financial assets consist of non-listed shares, the biggest investment being Majakka Voima Oy. As the fair value of these shares is difficult to determine reliably, they are recognized at acquisition cost less any impairment losses. According to Componenta's view the fair value and acquisition cost do not differ essentially. Other financial assets are classified in fair value valuation method level 3, please see additional information in note 22. There were no gains or losses from the sale of available-for-sale financial assets in 2012.

18. Non-current receivables

MEUR	2012	2011
From associates		
Loan receivables	0.1	0.1
Other non-current receivables		
Loan receivables	3.1	3.2
Other receivables	1.0	1.3
	4.2	4.5
Total non-current receivables	4.2	4.5

From other non-current loan receivables EUR 2.4 (2.6) million (nominal currency SEK) mature in 2015 and EUR 0.6 (0.6) million in 2017. The Group's loan receivables are mainly related to company reorganizations and acquisitions or investments.

19. Deferred tax assets and liabilities

Changes in deferred taxes during the financial year 2012

MEUR	at 1 Jan 2012	Recognized in income statement	Recognized in equity	Translation differences	at 31 Dec 2012
Deferred tax assets					
Intercompany gain on sale of fixed assets	0.7	-0.3			0.4
Intercompany margin in inventory	0.2	0.0		0.0	0.1
Provisions	1.8	0.4		0.1	2.3
Tax losses carried forward	31.4	8.1		0.3	39.7
Fair valuation of investment properties	0.1	0.0			0.1
Revaluation of buildings and land areas	0.8		0.7		1.5
Other differences	2.3	-0.7	-0.1	0.0	1.6
Total	37.3	7.5	0.6	0.3	45.8
Offset with deferred tax liabilities	-11.0				-14.4
Total	26.4				31.3

Deferred tax assets recognized for losses in Finland, in Sweden and in the Netherlands are based on the expected taxable income of the companies in these countries. It is estimated that these deferred tax assets can be utilized in 1-10 years. The deferred tax assets from reductions in the value of buildings and land areas recognised in shareholders' equity in the 2012 financial period relate to a change in an accounting principle that was treated as revaluation. More details in the accounting principles for the consolidated financial statements.

MEUR	at 1 Jan 2012	Recognized in income statement	Recognized in equity	Acquisition of subsidiaries	Translation differences	at 31 Dec 2012
Deferred tax liabilities						
Valuing tangible assets at fair value when merging businesses	3.6	-0.2	0.1		0.1	3.6
Accelerated depreciation	5.0	0.9			0.2	6.1
Fair valuation of investment properties	0.7	0.0				0.7
Revaluation of buildings and land areas	4.6	0.0	2.3			6.9
Finance leases	0.9	0.1			0.0	1.0
Other differences	4.5	2.6	-0.1	1.2	0.0	8.2
Total	19.2	3.3	2.4	1.2	0.4	26.4
Offset with deferred tax assets	-11.0					-14.4
Total	8.3					12.0

The deferred tax liabilities from increases in the value of buildings and land areas recognised in shareholders' equity in the 2012 financial period relate to a change in an accounting principle that was treated as revaluation. More details in the accounting principles for the consolidated financial statements.

Deferred income tax assets and liabilities are netted on the balance sheet primarily on a country-by-country basis when the country in question allows the balancing of taxable profits and losses between Group companies or when there is only one subsidiary in the country in question.

Changes in deferred taxes during the financial year 2011

MEUR	at 1 Jan 2011	Recognized in income statement	Recognized in equity	Translation differences	at 31 Dec 2011
Deferred tax assets					
Intercompany gain on sale of fixed assets	1.1	-0.4	0.0		0.7
Intercompany margin in inventory	0.2	0.0		0.0	0.2
Provisions	1.6	0.5		-0.2	1.8
Tax losses carried forward	28.1	3.3		0.0	31.4
Fair valuation of investment properties	0.0		0.1		0.1
Revaluation of other real estate	0.9	-0.1			0.8
Other differences	0.8	1.0	0.5	0.1	2.3
Total	32.6	4.3	0.6	-0.1	37.3
Offset with deferred tax liabilities	-11.6				-11.0
Total	20.9				26.4

MEUR	at 1 Jan 2011	Recognized in income statement	Recognized in equity	Translation differences	at 31 Dec 2011
Deferred tax liabilities					
Valuing tangible assets at fair value when merging businesses	4.6	-0.3		-0.7	3.6
Accelerated depreciation	5.6	0.3		-0.9	5.0
Fair valuation of investment properties	0.0	0.2	0.5		0.7
Revaluation of other real estate	4.8	-0.2			4.6
Finance leases	1.2	-0.3			0.9
Other differences	5.1	-0.6	0.1	-0.1	4.5
Total	21.2	-0.9	0.6	-1.8	19.2
Offset with deferred tax assets	-11.6				-11.0
Total	9.6				8.3

20. Inventories

MEUR	2012	2011
Raw materials and consumables	14.3	15.9
Work in progress	8.9	7.7
Finished products and goods	24.4	20.8
Other inventories	17.4	13.8
Advance payments	0.1	0.2
Total inventories	65.2	58.4

Other inventories include mainly tools, patterns, fixtures and spare parts.
During the financial year 2012 an expense of EUR -0.1 (-0.1) million was recognized to reduce the book value of inventories to their net realizable value.

21. Trade and other short-term receivables

MEUR	2012	2011
Trade receivables	19.3	25.1
Loan receivables	1.7	1.5
Derivative receivables	0.1	0.1
Tax receivables, income taxes	1.8	0.0
Prepayments and accrued income	5.5	5.8
VAT receivables	3.4	0.6
Other receivables	2.2	2.2
Total trade and other short-term receivables	34.0	35.2

Prepayments and accrued income include mainly prepaid accrued expenses.

Trade receivables by currency

	2012	2011
	%	%
EUR	93.6	89.3
SEK	4.6	6.0
GBP	1.8	1.5
TRY	0.0	3.3

Assets held for sale

Componenta initiated measures in January 2012 for selling the production unit for aluminium wheels in Manisa, Turkey. The long-term tangible and intangible assets and inventories of the wheel business unit were defined as current assets held for sale in accordance with IFRS 5 on 31 December 2011. The sale process has been stopped due to the economic uncertainty caused by the instability in the financial markets at the end of 2012, and on 31 December 2012 the long-term tangible and intangible assets and inventories of the wheel business unit are no longer defined as current assets held for sale.

MEUR	2012	2011
Intangible assets	-	0.0
Tangible assets	-	7.6
Inventories	-	2.3
Total assets held for sale	-	9.9

22. Classification of fair value of financial assets and liabilities

Financial assets and liabilities that are valued at fair value are classified on three levels, depending on the estimated reliability of the valuation method:

LEVEL 1:
A reliable quoted market price exists for identical instruments quoted on an active market. Electricity price forwards are classified on this level, as their valuations are based on market prices for Nord Pool's similar standardized products.

LEVEL 2:
A market price quoted on the active market exists for similar but not identical instruments. The price may, however, be derived from observable market information. The fair values of interest rate and currency derivatives are calculated by deriving them from price information obtained on the active market and using valuation techniques that are commonly applied in the market.

LEVEL 3:
There is no active market for the instrument, a fair market price cannot be reliably derived, and defining the fair value requires significant assumptions.

Fair values by classification of valuation method 2012

MEUR	LEVEL 1	LEVEL 2	LEVEL 3
Foreign exchange rate derivatives (OTC)	-	-0.4	-
Interest rate derivatives (OTC)	-	-1.0	-
Commodity derivatives	-0.9	-	-
Available-for-sale investments	-	-	0.9

Fair values by classification of valuation method 2011

MEUR	LEVEL 1	LEVEL 2	LEVEL 3
Foreign exchange rate derivatives (OTC)	-	-0.3	-
Interest rate derivatives (OTC)	-	-1.2	-
Commodity derivatives	-1.1	-	-
Available-for-sale investments	-	-	0.7

No financial assets or liabilities were transferred from one level to another during the financial year.

23. Cash and cash equivalents

MEUR	2012	2011
Cash and cash equivalents included in the statement of financial position		
Cash at bank and in hand	20.6	41.6
Cash and cash equivalents included in the cash flow statement		
Cash at bank and in hand	20.6	41.6

24. Share capital, share premium reserve and other reserves

	Number of shares, (1,000)	Share capital, MEUR	Share premium reserve, MEUR	Cash flow hedges, MEUR	Unrestricted equity reserve, MEUR	Buildings and land revaluation reserve MEUR	Other reserves, MEUR
At 1 Jan 2011	17,458	21.9	15.0	2.3	32.5	-	2.2
Directed share issue without consideration	42	-	-	-	-	-	-
Other comprehensive income	-	-	-	-3.0	-	-	0.7
Other changes *)	-	-	-	-	-0.2	-	0.1
At 31 Dec 2011	17,500	21.9	15.0	-0.7	32.3	-	2.9
Share issue	4,713	-	-	-	14.8	-	-
Issue of hybrid bond	-	-	-	-	-	-	20.4
Directed share issue without consideration	18	-	-	-	-	-	-
Other comprehensive income	-	-	-	0.3	-	24.2	0.1
At 31 Dec 2012	22,231	21.9	15.0	-0.4	47.1	24.2	23.4

*) Other changes in unrestricted equity reserve include given donation to universities, EUR 0.2 million in 2011.

The translation differences EUR 5.5 (-41.0) million in the Statement of changes in consolidated shareholders' equity contain the translation differences arising from translating the financial statements of non-Euro area business units. Gains and losses from hedging the net investments in non-Euro area units are also included in translation differences if the conditions for hedge accounting are met. The functional currency of the Turkish subsidiary changed to Euro from the beginning of March 2012 onwards. After that the group has not recorded any translation differences related to exchange rate changes of Turkish lira.

The share premium reserve contains the amount paid for shares in a share issue that exceeds the nominal value of the share if the decision concerning the issue of convertible capital notes on which the subscriptions are based was made before the 2006 change in the Finnish Company Act. The amount exceeding the nominal value when converting convertible capital notes issued after the new Company Act came into force (1 September 2006) is recognized in the unrestricted equity reserve. Cash flow hegdes include the valuations of commodity and interest derivatives. The fair value changes in effective portion of hedging instruments in hedging reserve, before taxes, was EUR -0.5 (-1.4) million, the amount released to income statement from the hedging reserve, before taxes, was EUR -0.8 (2.5) million and the change of deferred taxes in hedging reserve was EUR -0.1 (1.0) million.

The building and land area revaluation reserve presents the impact on shareholders' equity of the revaluation of these assets. The change resulting from revaluation presented in comprehensive income, excluding non-controlling interest, after deferred tax in 2012 was EUR 24.2 million

Other reserves include the conversion option component of the convertible capital notes EUR 2.0 (2.0) million, share-based payments EUR 0.3 (0.3) million according to IFRS 2 and the difference of the fair value and book value of the properties re-classified to investment property class EUR 0.6 (0.6) million. Legal reserve EUR 0.0 (0.0) million is also included in other reserves. Componenta issued a hybrid bond with a total nominal value of EUR 20.7 million in March 2012. The company's shareholders' equity includes an equity bond (hybrid bond), which improves the company's equity ratio. The book value after costs for the issue of EUR 20.4 million is presented in other reserves under shareholders' equity. More details about the hybrid bond are given in the accounting principles for the financial statements.

The 4,713,385 new shares subscribed in Componenta Corporation's 2012 share issue to the public were registered in the Trade Register on 3 April 2012. The share issue was entered in the invested unrestricted equity reserve less related costs for the share issue.

After the closing date the Board of Directors has proposed to the Annual General Meeting that no dividend will be paid for 2012.

25. Share-based payment

Share-based incentive scheme

The Board of Directors of Componenta Corporation resolved on 10 March 2010 on a share-based incentive scheme for the period 2010-2012. The scheme has three earning periods, the calendar years 2010, 2011 and 2012. Any bonuses will be paid in 2011, 2012 and 2013 as a combination of company shares and cash. The part to be paid in cash is intended to cover the taxes and tax-related costs arising from the bonus. The shares may not be disposed of for two years after the end of the earning period. If the employment or service of a key person ends during this restriction period, they must return any shares given as a bonus without consideration.

Any earnings from the incentive scheme were based in 2012 and 2011 on Componenta Group's profit after financial items excluding one-time items. At the end of 2012 the target group contained 57 people. If the targets set for the scheme had been achieved in full, a maximum bonus of 247,500 and 182,000 Componenta Corporation shares would have been paid under the incentive scheme for the 2012 and 2011 earning periods. No bonus shares will be paid for the 2012 earning period in the scheme, since the earnings criteria were not met. For the 2011 earning period in the scheme 18,050 shares of Componenta Corporation was paid, of which to the President and CEO 5,000 shares and other key personnel 13,050 shares. The scheme's impact on the Group's result before tax in 2012 was EUR -0.0 (-0.1) million.

Share-based incentive scheme 2012

Vesting period begins	1.1.2012
Vesting period ends	31.12.2012
Release date of shares	1.1.2015
Maximum number of shares	247,500
Binding time left	2 years
Share price at grant date, EUR	3.31
Share price at end of accounting period, EUR	1.94
Criteria	100 % Result after financial items excluding one-time items
Combined pay-out of earnings criteria	0 %
Share ownership obligation	2 years
Share ownership obligation ending date	1.1.2015
Number of personnel in scheme	57
Calculation of fair value of share bonus in 2012	
Number of shares granted	247,500
Share price upon grant, EUR	3.31
Assumed dividend before payment of bonus, EUR	0.00
Fair value (proportion in shares), EUR	3.31
Share price 31 December 2012, EUR	1.94
Pay-out of earnings criteria, %	0.00
Assumed number of shares to be rewarded	0.00
Fair value of reward 31 December 2012, MEUR	0.00
Share-based incentive scheme 2011	
Vesting period begins	1.1.2011
Vesting period ends	31.12.2011
Release date of shares	1.1.2014
Maximum number of shares	182,000
Binding time left	1 year
Share price at grant date, EUR	5.95
Share price at end of accounting period, EUR	1.94
Criteria	100 % Result after financial items excluding one-time items
Combined pay-out of earnings criteria	10 %
Share ownership obligation	2 years
Share ownership obligation ending date	1.1.2014
Number of personnel in scheme	47
Calculation of fair value of share bonus in 2011	
Number of shares granted	182,000
Share price upon grant, EUR	5.95
Assumed dividend before payment of bonus, EUR	0.00
Fair value (proportion in shares), EUR	5.95
Share price 31 December 2012, EUR	1.94
Pay-out of earnings criteria, %	10.3
Number of rewarded shares	18,050
Fair value of reward 31 December 2012, MEUR	0.08

26. Pension obligations and other benefit plans

Pension obligations

Most of the Group's pension plans are defined contribution plans. In Sweden Componenta has pension scheme, Alecta/ITP, classified as multi-employer defined benefit scheme. However, since Alecta has not been able to supply the required actuarial valuations, the Swedish pension plan has been treated as defined contribution plan in accordance with IAS 19.30 (a).

Other benefit plans

Under Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). The amount payable consists of one month's salary limited to a maximum of TL 3,129.25 for each year of service as of 31 December 2012 (31 December 2011: TL 2,917.27).The liability is not funded.

The provision has been shown under other benefit plans in note 27 and has been calculated by estimating the present value of the future probable obligation of the Group arising from the termination benefits to be paid to the employees. The following assumptions were used in the calculation of the total liability on 31 December 2012 and on 31 December 2011; Annual discount rate 4.06 % (4.66 %) and turnover rate to estimate the probability of retirement 94.96 % (95.75 %). The principal assumption is that the maximum liability for each year of service will increase in line with inflation and therefore the discount rate applied anticipates the effects of future inflation.

27. Provisions

Current

MEUR	Other benefit plans	Re-organisation provisions	Other provisions	Total
1 Jan 2012	-	1.0	1.2	2.2
Translation differences	-	0.0	0.0	0.0
Additions to provisions	-	2.2	1.9	4.1
Utilized during the period	-	-0.3	-0.3	-0.6
31 Dec 2012	-	2.9	2.9	5.8
1 Jan 2011	-	0.0	1.2	1.2
Translation differences	-	-	-0.1	-0.1
Additions to provisions	-	1.0	0.4	1.4
Utilized during the period	-	-	-0.3	-0.3
31 Dec 2011	-	1.0	1.2	2.2

Reorganisation provisions are mainly consisting of the anticipated expenses related to reorganisation of the Dutch Operations, Pietarsaari foundry operations and forging operations in Sweden. Other current provisions include EUR 1.4 (0.7) million in provisions for legal fees relating to occupational accidents. The amounts are based on the management's assessment. The expenses are expected to be realised during 2013.

Non-current

MEUR	Other benefit plans	Reorganisation provisions	Environmental provisions	Total
1 Jan 2012	7.2	0.1	0.3	7.6
Translation differences	0.3	-	-	0.3
Additions to provisions	1.6	-	-	1.6
Utilized during the period	-1.1	0.0	0.0	-1.1
31 Dec 2012	7.9	0.1	0.3	8.3
1 Jan 2011	8.0	0.1	0.3	8.5
Translation differences	-1.2	-	-	-1.2
Additions to provisions	0.7	-	-	0.7
Utilized during the period	-0.2	-	0.0	-0.3
31 Dec 2011	7.2	0.1	0.3	7.6

The environmental provision relates to the closing of the landfill site used by the old production works in Karkkila in accordance with the demands of environmental authorities. Closure includes piling up various soil layers and landscaping the area. According to the current plan, the project will be completed in 2014. Other benefit plans, EUR 7.9 (7.2) million are mainly consisting of the plans under Turkish Labour Law, more information in note 26.

MEUR	2012	2011
Change in provisions recognized as operating expenses in income statement, increase of expense (-) / decrease of expense (+)	-4.1	-1.5

28. Interest-bearing liabilities

MEUR	2012	2011
Non-current interest-bearing financial liabilities		
Loans from financial institutions	166.0	34.1
Finance lease liabilities	8.8	9.5
Pension loans	8.0	9.5
Capital notes	19.6	31.4
Convertible capital notes - liability portion	-	-
Bonds	-	26.8
Other liabilities	-	-
	202.4	111.2
Current interest-bearing financial liabilities		
Loans from financial institutions	22.0	164.0
Finance lease liabilities	3.5	2.6
Pension loans	3.0	2.6
Capital notes	3.7	4.1
Convertible capital notes, liability portion	-	-
Bonds	22.4	-
Other liabilities	-	-
	54.6	173.3
Total interest-bearing liabilities	257.0	284.5

Currency breakdown of interest-bearing financial liabilities

		2012	2011
		%	%
Non-current	EUR	96.6	86.2
	SEK	2.4	4.2
	TRY	0.9	9.6
Current	EUR	81.9	98.9
	SEK	7.4	0.8
	TRY	1.7	0.3
	USD	9.0	-

Cash flows are settled in the nominal currency of each liability agreement.

Range of nominal and effective interest rates for interest-bearing financial liabilities

	2012 Nominal interest rates %	2012 Effective interest rates %	2011 Nominal interest rates %	2011 Effective interest rates %
Loans from financial institutions	2.7 - 7.9	2.7 - 7.9	3.6 - 10.8	3.6 - 10.8
Finance lease liabilities	0.7 - 10.4	1.7 - 19.9	1.6 - 15.3	1.5 - 19.0
Pension loans	1.9 - 4.8	1.9 - 4.8	4.0 - 4.8	4.0 - 4.8
Convertible capital notes	-	-	-	-
Capital notes	10.0 - 10.1	12.6 - 13.1	10.0 - 10.1	12.9 - 12.9
Bonds	8.0 - 8.0	10.9 - 10.9	8.0 - 8.0	9.8 - 9.8
Commercial papers	-	-	-	-

Repayment schedule for interest-bearing financial liabilities 2012

MEUR	2012	2013	2014	2015	2016	2017+
Loans from financial institutions	22.0	98.1	67.8	0.0	-	-
Finance lease liabilities	3.5	3.6	3.1	2.1	0.1	-
Pension loans	3.0	3.0	3.0	0.9	0.5	0.5
Convertible capital notes	-	-	-	-	-	-
Capital notes	3.7	3.7	15.9	-	-	-
Bonds	22.4	-	-	-	-	-
Other interest-bearing liabilities	-	-	-	-	-	-
	54.6	108.4	89.7	3.0	0.6	0.5

Repayment schedule for interest-bearing financial liabilities 2011

MEUR	2011	2012	2013	2014	2015	2016+
Loans from financial institutions	164.0	33.9	0.1	0.1	0.0	-
Finance lease liabilities	2.6	2.7	2.7	2.3	1.8	-
Pension loans	2.6	2.6	2.6	2.6	0.5	1.1
Convertible capital notes	-	-	-	-	-	-
Capital notes	4.1	4.1	4.1	23.2	-	-
Bonds	-	26.8	-	-	-	-
Other interest-bearing liabilities	-	-	-	-	-	-
	173.3	70.1	9.5	28.2	2.4	1.1

Maturity of finance lease liabilities

MEUR	2012	2011
Minimum lease payments fall due as follows:		
Not later than one year	4.2	3.3
Later than one year and not later than five years	9.4	10.5
Later than five years	-	-
	13.6	13.8
Future financial expenses	-1.3	-1.7
	12.3	12.1
Present value of minimum lease payments:		
Not later than one year	3.5	2.6
Later than one year and not later than five years	8.8	9.5
Later than five years	-	-
	12.3	12.1

Capital notes

Capital Notes 2009

The Board of Directors of Componenta Corporation decided, under the authorization given by the extraordinary general meeting shareholders in 2009, to offer a subordinated capital loan. The loan issued on 28 September 2009 had a nominal amount of EUR 12.3 million with a rate of issue of 100 percent. Holders of company's 2009 capital loan were able to use the outstanding principle of the capital loan for paying the subscription price for the 2012 hybrid bond. This possibility was used by EUR 1.0 million which amount the nominal value of the loan decreased. If the terms and conditions for repayment are met, the loan will be repaid in two equal instalments on 28 September 2013 and 28 September 2014. The fixed interest of 10.10 percent p.a. will be paid annually in arrears on the loan capital on 28 September.

The loan is not secured. Receivables based on the capital loan rank lower than Componenta Corporation's other debt commitments. The principal and interest may be repaid only to the extent that Componenta Corporation's unrestricted equity and the sum of all the capital notes exceed on the payment date the amount of the loss as stated in Componenta Corporation's balance sheet approved for the previous financial year or in the balance sheet included in more recent financial statements. Should the conditions for repayment not be met on the due date, that part of the principal shall be repaid as is possible under the repayment conditions. Repayment of the remaining loan will be deferred to future financial periods such that repayments deferred in 2013 and 2014 will take place, if the conditions for repayment are met, on 28 September and after that annually on the basis of the first financial statements that make it possible to pay. Any unpaid interest shall remain as liability of Componenta and will earn annual interest of 2 percent in excess of the interest rate payable on the notes.

The loan has a balance sheet value of EUR 7.5 million on 31 December 2012. Accrued interest for the period 28 September - 31 December 2012 has been recorded as an expense in the income statement and as a liability in accrued expenses.

Capital Notes 2010

The Board of Directors of Componenta Corporation decided in 2010 to offer a subordinated capital loan to a limited group of selected investors. The notes were issued on 15 September 2010 with the nominal value of EUR 23.4 million. The rate of issue was 100 percent. Holders of company's 2010 capital loan were able to use the outstanding principle of the capital loan for paying the subscription price for the 2012 hybrid bond. This possibility was used by EUR 7.4 million which amount the nominal value of the loan decreased. Notes are due for repayment in full at maturity on 15 September 2015. The fixed interest to be paid annually in arrears on 15 September is 10.00 percent p.a.

The loan is not secured. The loan is a subordinated debenture. The principal and interest may be repaid only to the extent that the amount of the unrestricted equity of Componenta and the amount of all capital notes of Componenta upon payment exceed the amount of loss as stated in the balance sheet approved for the preceeding financial year or with the balance sheet included in more recent financial statements. Should the conditions for repayment not be met at maturity, the principal shall be repaid in part to the extent that this is possible. The repayment of the remaining part is deferred until the financial statements meet the conditions under which it can be paid. Any unpaid interest shall earn interest of 2 percent in excess of the interest payable on the notes.

The loan has a balance sheet value of EUR 15.9 million on 31 December 2012. The accrued interest on the loan from 15 September to 31 December 2012 has been recorded as an expense in the income statement and as a liability in accrued expenses.

Bonds

Bond 2010

The Board of Directors of Componenta Corporation decided in 2010 to offer a bond to a limited group of selected investors. The bond was issued on 29 September 2010 with the nominal value of EUR 26.9 million. The rate of issue was 100 percent. Holders of company's 2010 bond were able to use the outstanding principle of the bond for paying the subscription price for the 2012 hybrid bond. This possibility was used by EUR 4.5 million which amount the nominal value of the loan decreased. The bond is due for repayment in full at maturity on 29 September 2013. The fixed interest to be paid annually in arrears on 29 September is 8.00 percent p.a.

The bond is unsecured. Receivables based on the bond rank equal to Componenta Corporation's other unsecured debt commitments. The bond has a balance sheet value of EUR 22.4 million on 31 December 2012. The accrued interest on the loan from 29 September to 31 December 2012 has been recorded as an expense in the income statement and as a liability in accrued expenses.

29. Current non-interest bearing liabilities

MEUR	2012	2011
Trade payables to others	58.7	61.4
Trade payables to associated companies	0.0	0.1
Accrued expenses and deferred income	24.7	23.9
Derivative liabilities	0.9	2.3
Advances received	0.5	0.3
Other current liabilities	7.7	5.0
Current non-interest bearing liabilities total	92.5	92.9

The most significant items in other current liabilities are value added tax payables, withholding taxes and custom payments.

Trade payables by currency

	2012	2011
	%	%
EUR	45.8	54.9
TRY	31.4	25.8
SEK	17.6	17.2
USD	4.2	0.7
GBP	0.9	1.3
DKK	0.1	–

30. Carrying values and fair values of financial assets and liabilities by category

Financial assets

MEUR	2012 Carrying value	2012 Fair value	2011 Carrying value	2011 Fair value
ITEMS RECOGNIZED AT FAIR VALUE				
Financial assets recognized at fair value through profit and loss				
Derivatives classified as held for trading	0.4	0.4	0.7	0.7
Financial items included in hedge accounting				
Derivatives (effective and ineffective portion)	0.0	0.0	0.0	0.0
ITEMS RECOGNIZED AT AMORTIZED COST AND AT COST				
Loans and other receivables				
Cash and cash equivalents	20.6	20.6	41.6	41.6
Loan receivables	3.2	3.2	3.4	3.4
Trade receivables	19.3	19.3	25.1	25.1
Available-for-sale financial assets				
Shares and holdings	0.9	0.9	0.7	0.7

Financial liabilities

MEUR	2012 Carrying value	2012 Fair value	2011 Carrying value	2011 Fair value
ITEMS RECOGNIZED AT FAIR VALUE				
Financial liabilities recognized at fair value through profit and loss				
Derivatives classified as held for trading	1.8	1.8	2.1	2.1
Financial items included in hedge accounting				
Derivatives (effective and ineffective portion)	0.9	0.9	1.2	1.2
ITEMS RECOGNIZED AT AMORTIZED COST				
Other financial liabilities				
Loans from financial institutions	188.0	192.4	198.1	197.5
Finance leases	12.3	12.3	12.1	11.8
Pension loans	10.9	11.3	12.1	11.9
Convertible capital notes – liability component	–	–	–	–
Capital notes	23.4	23.4	35.4	35.5
Bonds	22.4	22.1	26.8	26.0
Commercial papers	–	–	–	–
Trade payables and other debt	59.2	59.2	61.7	61.7

The fair values of interest-bearing liabilities have been calculated by discounting the future cash flows for the contract with market rates corresponding to the terms of the contract on the closing date or with estimates of a fair rate.

The carrying values of trade receivables and payables, commercial papers and finance leases tied to short-term market rates can be assumed to correspond with sufficient accuracy to their fair values due to the short maturity and interest rate renewal periods. The trade receivables are recorded in the statement of financial position adjusted by any impairment.

31. Capital management

Componenta Group's objective for capital management is to ensure the Group's viability to operate in all circumstances. The sector in which Group operates is by nature relatively capital intensive and thus requires active measures to optimize the capital structure. The strategically important acquisitions and investments in the past few years have had an impact on the Group's capital structure.

The Board of Directors and Corporate Executive Team regularly monitor the capital structure of the Group. In management reporting the different capital notes are included in shareholders' equity. The Group monitors, in particular, the equity ratio, with capital notes included in equity. The company has set the strategic financial target to 40 percent by the end of 2015.

The Group's capital structure is managed among other things with the dividend policy (with the approval of shareholders) and by issuing different types of capital notes. During 2012 the Group continued its efforts to reduce working capital, for example by optimizing inventories, boosting the collection of customer receivables and further expanding the scheme for selling trade receivables. During 2012 Componenta issued a hybrid bond, which is recorded under Shareholders' equity, with total nominal value of EUR 20.7 million.

The Group reports to internal monitoring and also to the banks in the syndicate on the financial covenants defined in the terms of the loan agreements. These financial covenants are linked to key indicators calculated on the basis of the equity ratio, interest-bearing liabilities, EBITDA and the debt coverage. The Group aims to achieve the interest margin incentives defined in the loan agreements in order to reduce interest expenses.

The key indicators for capital structure

	31.12.2012	31.12.2011
Net gearing, capital notes included in equity	199.6%	271.2%
Equity ratio, capital notes included in equity	23.2%	17.5%

32. Financial risk management

The financial risks relating to Componenta Group's business operations are managed in accordance with the Group Treasury Policy approved by the Componenta Board of Directors. The objective is to protect the Group against unfavourable changes in the financial markets and to secure the performance of the Group and its financial position. Management of financial risks is centralized to the Group Treasury.

Refinancing and liquidity risks

The Group aims to safeguard the availability of finance by spreading the maturity dates, sources and instruments in its loan portfolio. A single source of finance may not account for more than an amount specified in the Group Treasury Policy. The most important sources of finance in use in the Group are the syndicated credit facility which was signed on 12 October 2012 and as at the closing date was a 2.5 year agreement with the nominal value of EUR 90 million, various capital loans and bonds, bilateral long-term loan agreements, financing of trade receivables without any right of recourse, and lease finance. The Group also has a EUR 150 million commercial paper programme, but had no debt from this at the end of the year.

In 2012 the Group raised new bilateral bank loans totalling EUR 55.2 million to refinance short-term bank loans. On 12 October 2012 the Group signed a new long-term EUR 90 million syndicated credit facility, which is in force until 30 June 2015. This replaced the one year extension signed by Componenta in March 2012 to the Group's previous syndicated credit facility. Financial covenants calculated on the basis of the equity ratio, interest-bearing liabilities, EBITDA and the debt coverage ratio are linked to the current syndicated credit facility.

In 2013 Componenta aims to refinance short-term loans that mature partly with cash flow finance, partly with new bilateral, long-term loans from Turkish banks, and partly by issuing a new hybrid perpetual bond, making a share issue and issuing a new bond.

The maturing dates for long-term loans are presented in the notes to the consolidated balance sheet, Note 28. The treasury policy states that the Group's liquidity should cover its near-term commitments. The minimum liquidity is defined in the Group treasury policy. In addition to cash reserves, the Group ensures its liquidity with unused committed credit facilities. At the end of the financial year, Componenta's cash and cash equivalents totalled EUR 20.6 (41.6) million. In addition, on the closing date Componenta's Turkish subsidiary, Componenta Dökümcülük A.S., had unused committed credit facilities from Turkish banks totalling EUR 23.3 million.

Installments (nominal values) and interest payments on financial liabilities 2012

MEUR	2013	2014	2015	2016	2017	2018+
Loans from financial institutions	-22.3	-98.3	-70.1	0.0	-	-
Finance leases	-3.5	-3.6	-3.1	-2.1	-0.1	-
Pension loans	-3.0	-3.0	-3.0	-0.9	-0.5	-0.5
Capital notes	-3.7	-3.7	-16.0	-	-	-
Convertible capital notes	-	-	-	-	-	-
Bonds	-22.4	-	-	-	-	-
Commercial papers	-	-	-	-	-	-
Trade payables and other debt	-59.2	-	-	-	-	-
Interest expenses on loans	-14.5	-10.5	-4.5	-0.1	0.0	0.0
Interest rate swaps, net	-0.9	-0.2	-0.1	-	-	-
	-129.6	-119.4	-96.6	-3.1	-0.7	-0.6

The figures have not been discounted to correspond to their present values. The figures are valid only on the closing date and the amount of interest on floating rate contracts may vary from actual cash flows. The repayment table for financial liabilities is not meant to portray the Group's expected total cash flow.

There is a significant possibility of variation in future cash flows for currency derivatives concerning the exchange rate difference and for this reason they are not included in the repayment table. Electricity forwards are essentially connected to physical electricity supplies and therefore are treated as part of future electricity purchases. This being the case they are not reported in the Group's cash flow table for financial liabilities. The expected cash flows for currency derivatives, electricity forwards and interest rate options at the closing date correspond to their fair values (Note 33).

For finance leases, repayments of the finance lease liability and interest expenses are used as a sufficient approximation of actual rents paid. Only changes in interest rates cause a small difference in the actual cash flow. The interest to be paid has been calculated with prevailing nominal interest rates. The actual interest payments on variable interest contracts will, therefore, probably differ slightly from the figures in the table.

Installments (nominal values) and interest payments on financial liabilities 2011

MEUR	2012	2013	2014	2015	2016	2017+
Loans from financial institutions	-164.0	-33.9	-0.1	-0.1	0.0	-
Finance leases	-2.6	-2.7	-2.7	-2.3	-1.8	-
Pension loans	-2.6	-2.6	-2.6	-2.6	-0.5	-1.1
Capital notes	-4.1	-4.1	-4.1	-23.2	-	-
Convertible capital notes	-	-	-	-	-	-
Bonds	-	-26.8	-	-	-	-
Commercial papers	-	-	-	-	-	-
Trade payables and other debt	-61.7	-	-	-	-	-
Interest expenses on loans	-13.4	-7.4	-3.4	-2.6	-0.1	-0.1
Interest rate swaps, net	-0.2	-0.3	-0.1	0.0	-	-
	-248.7	-77.8	-12.9	-30.8	-2.4	-1.2

Foreign exchange risk

The Group's 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 related profit or loss denominated in foreign currencies. The transaction position is calculated from the foreign currency denominated trade receivables and trade payables in the balance sheet. These form the part of the transaction position in which changes affect 'Operating profit'. The other part of transaction exposure includes items where the impact of changes in exchange rates are recorded in the income statement in 'Financial income and expenses' such as foreign currency cash in hand and at bank and the Group's internal and external foreign currency loans and loan receivables. The hedging level for both parts of the transaction position is set at 90 - 110%. If the total exposure for a specific currency is less than EUR 3 million, however, the hedging decision is taken on a case by case basis.

Componenta Turkey's hedging level for both transaction positions is set at 90-110%. However, these hedging levels may stand at 70-130% at the discretion of the Group's President & CEO. Since the functional currency of Componenta Turkey was changed from Turkish lira to Euro as of 1 March 2012, Turkish lira denominated balance sheet items create currency risk exposure to Componenta Turkey. Therefore, Turkish lira denominated balance sheet items affecting either operating profit or financial income and expenses are included for both transaction exposures.

The translation position is determined from the shareholders' equity and retained earnings of those foreign subsidiary and associated companies of the Group whose business currency is not the Euro. The translation risk to the Group's equity is related to the British, Swedish and Russian subsidiaries as their equity denominated in local currency is converted to euros. As stated in the Group Treasury Policy, the translation position is hedged 0 - 100% at the discretion of the Group's President & CEO.

To hedge against changes in exchange rates, the Group uses foreign currency loans and deposits and other natural hedging relationships, as well as common derivative instruments such as foreign currency forward contracts and options, for which pricing on the market is reliable. Foreign currency derivatives mature in less than one year.

The currencies with the most significant currency risk exposure are the Turkish lira, the Swedish krona, US dollar and the British pound sterling.

The following table shows the sensitivity for price changes of the Group's open currency exposures, including the currency derivatives used for hedging (note 33) in both transaction and translation position.

31.12.2012	Closing rate 31.12.2012	Open transaction exposure MEUR	Open translation exposure MEUR	Estimate on potential currency rate change, %	Impact of change in currency rate + / – To income statement	To equity
EUR/USD	1.3194	-1.3	-	10	0.1 / -0.1	-
EUR/GBP	0.8161	-0.5	4.8	10	0.1 / -0.1	-0.4 / 0.5
EUR/TRY	2.3517	-3.1	-	10	0.3 / -0.3	-
EUR/SEK	8.5820	-0.3	5.9	10	0.0 / -0.0	-0.5 / 0.7
EUR/RUB *)	40.3295	0.0	0.0	10	-0.0 / 0.0	-0.0 / 0.0
EUR/DKK	7.4610	0.0	-	10	0.0 / -0.0	-

*) In 2012 a subsidiary was established in Russia

31.12.2011	Closing rate 31.12.2011	Open transaction exposure MEUR	Open translation exposure MEUR	Estimate on potential currency rate change, %	Impact of change in currency rate + / – To income statement	To equity
EUR/USD	1.2939	-0.8	-	10	0.1 / -0.1	-
EUR/GBP	0.8353	0.9	4.0	10	-0.1 / 0.1	-0.4 / 0.4
EUR/TRY	2.4438	-1.8	138.7	10	0.2 / -0.2	-12.6 / 15.4
EUR/SEK	8.9120	-10.7	10.3	10	1.0 / -1.2	-0.9 / 1.1

The Group does not apply cash flow or fair value hedge accounting as stated in IAS 39 for the transaction position.

Interest rate risk

The interest rate risk to which fair values and the cash flow are exposed arises mainly from the Group's loan portfolio, sold trade receivables and finance leases. Because of the cyclical nature of the Group's customer markets, the treasury policy states that the average period for renewing the interest rates of the Group's net liabilities should be at least six months but no more than two years. The average interest fixing period for net liabilities is 10 months (17 months). The interest rate risk is managed by spreading the loan portfolio between fixed and floating interest rate loans and investments. The interest rate risk is spread among several interest rate renewal periods and fluctuations in interest rates affect the Group's financial position in stages. The interest rate risk is managed also by using interest rate derivatives. Interest rate derivatives have been used to increase the number of fixed interest-bearing liabilities, so as to extend the average interest rate renewal period.

Interest rate derivatives that hedge the Group's result are divided into derivatives included in cash flow hedge accounting as defined in IAS 39, and assets and liabilities held for trading. Therefore interest rate fluctuations do not affect the carrying values of interest-bearing items but only interest expenses and income recognized in the income statement. Changes in the fair values of interest rate derivatives classified as held for trading affect financial income and expenses in income statement whereas changes in the fair values of interest rate swaps included in cash flow hedge accounting affect the Group's shareholders' equity. During 2012 a EUR 5 million interest rate swap was transferred from cash flow hedge accounting to held for trading as the hedge accounting requirements were not anymore met because the hedged risk changed in connection with the renewal of the loan agreement. The Group does not have any interest rate swaps in cash flow hedge accounting on the reporting date.

INCOME STATEMENT – FINANCIAL EXPENSES

MEUR	31.12.2012 for 2013 Forecast change in financial expenses	31.12.2012 for 2013 Sensitivity interest rate curve +100bp	31.12.2011 for 2012 Forecast change in financial expenses	31.12.2011 for 2012 Sensitivity interest rate curve +100bp
Interest-bearing financial liabilities	-0.6	-1.5	-0.3	-1.4
Interest rate swaps, interest expenses and income net	0.4	0.3	-0.3	0.7
Interest rate swaps, change in fair value	-	0.3	-	0.9

SHAREHOLDERS' EQUITY – HEDGING RESERVE

MEUR	Change in fair value interest rate curve +100bp	Change in fair value interest rate curve +100bp
Interest rate swaps, net	–	0.2
(Included in cash flow hedge accounting)		

The forecast change in financial expenses shows the change in interest expenses if interest rates actually follow the yield curve as priced by the market at the point of reference. The sensitivity analysis estimates the parallel rise in the interest rate curve at 1.0 percentage points. A positive change indicates a decrease and a negative change an increase in interest expenses.

The assumption in the calculations is that loans that mature are refinanced with comparable instruments. It is also assumed that no repayments are made, thus the calculations only take into account the interest rate renewal risk regarding interest-bearing loans and their nominal interest rates. An exception are the interest rate swaps where it is not assumed that the instruments will be rolled-over with similar instruments when they mature. As the interest rate risk on the asset side of the balance sheet is not significant it has not been included to the interest rate risk sensitivity analysis

Commodity risk

The price risk of electricity is hedged with electricity derivatives in Nordic countries by an external consultant. In electricity purchase and hedging the external consultant acts according to Componenta's instructions which follow Componenta's purchase and risk policy. The maturity of the electricity forwards is in maximum current year and the following three years.

Credit risk

Each group company is primarily responsible for the credit risk of its own trade receivables. The Group Credit Controlling sets guidelines, monitors credit risk management, and evaluates the creditworthiness of customers and their ability to fulfil their payment obligations.

The Group has no significant concentrations of trade receivables. The customer base is widespread and the trade receivables from any single customer on a consolidated basis do not exceed 5% of the Group's total trade receivables. 94% of sales is to Europe and is spread among several countries.

Many customers are financially sound and solid companies, but in individual cases reports on payment behaviour and capital adequacy from credit rating companies are used to assist in credit decisions. The Group reduces its credit risk exposure by selling its trade receivables to financing companies without recourse. The share of sold trade receivables at the end of 2012 was 80 % (78 %) of all trade receivables.

The overdue trade receivables and customer payment behaviour is monitored on a regular basis at least every fortnight. If overdue trade receivables exceed the limits set by Group's management, the Group Credit Controlling is prepared to suspend deliveries until payment obligations have been met.

Credit losses for the financial year were EUR -0.6 (-0.3) million. In 2012 the Turkish unit wrote down receivables from 2009 relating to tractor manufacturer Uzel. The 2011 credit losses came mainly from Moventas, whose two subsidiaries filed for corporate restructuring in summer 2011. The corporate restructuring programmes were approved in December 2011 and thus the amount of credit loss for Componenta was confirmed. The Group's credit loss risk is EUR 23.5 (70.9) million.

In accordance with the treasury policy approved by the Board of Directors, surplus cash reserves are invested only with institutions that are considered to carry low credit risk. The maximum period of the investment is limited to one week and maximum amounts are defined for each counterparty.

The Group has received bank guarantees and bills of exchange against advances paid and trade receivables from some of its subcontractors, suppliers and customers. The total amount of the guarantees and other commitments received from subcontractors and suppliers is EUR 2.6 million. The total amount of guarantees and other commitments received from customers is EUR 1.4 million. The guarantees cannot be transferred or resold and they cannot be pledged forward.

Outstanding trade receivables fall due as follows

MEUR	31.12.2012	31.12.2011
Not due	13.7	20.1
Overdue		
less than 1 month	3.5	2.8
1 - 3 months	1.4	1.4
3 - 6 months	0.6	0.2
more than 6 months	0.2	0.5
	19.3	25.1

33. Derivative instruments

Nominal values of derivative instruments

MEUR	2012 Nominal value	2011 Nominal value
Foreign exchange rate derivatives *)		
Foreign exchange rate forwards	11.1	2.0
Foreign exchange rate swaps	89.0	80.8
Foreign exchange options	2.9	2.8
Interest rate derivatives		
Interest rate options	–	10.0
Interest rate swaps		
Maturity in less than a year	35.0	-
Maturity after one year but less than five years	17.5	80.0
Commodity derivatives		
Electricity price forwards		
Maturity in less than a year	3.1	5.2
Maturity after one year but less than five years	4.2	5.4

*) Foreign exchange rate derivatives mature in less than a year.

Fair values of derivative instruments

MEUR	2012 Fair value, positive	2012 Fair value, negative	2012 Fair value, net	2011 Fair value, net
Foreign exchange rate derivatives				
Foreign exchange rate forwards	0.0	0.0	0.0	0.0
Foreign exchange rate swaps	0.3	-0.7	-0.4	-0.3
Foreign exchange options	0.0	0.0	0.0	0.0
Interest rate derivatives				
Interest rate options	–	–	–	-0.1
Interest rate swaps	0.0	-1.0	-1.0	-1.2
Commodity derivatives				
Electricity price forwards	0.0	-0.9	-0.9	-1.1

The fair value of derivative instruments corresponds to the gain or loss that would be recognized in the income statement if the contract were closed on the balance sheet date. The fair value of interest rate options, foreign exchange and electricity price forwards is calculated using the prevailing market prices. Interest rate swaps are valued using discounted cash flow analysis using the yield curve prevailing on the reporting date.

The realized and unrealized exchange rate differences for currency derivatives hedging against changes in exchange rates for foreign currency trade receivables and trade payables in the balance sheet are recognized in 'Other operating income'. Exchange rate differences for foreign currency derivatives hedging against foreign currency loans and the accumulated interest difference and interest difference valuations are recognized in 'Financial income and expenses'. The fair values of interest rate derivatives that are not included in cash flow hedge accounting as defined in IAS 39 are recognized in 'Financial income and expenses'. Unrealized valuation gains and losses of derivatives are recognized in current and non-current receivables and liabilities. Unrealized fair valuation losses of EUR 1.1 (0.0) million were recorded under other non-current non-interest bearing liabilities.

Sensitivity analysis of electricity price forwards

Changes in the market prices of electricity price forwards would have the following impact on the fair values:

	Change in market price of electricity price forwards	
	2012	2011
MEUR	15% / -15%	15% / -15%
Change in fair value of electricity price forwards	0.8 / -0.8	1.4 / -1.4

The sensitivity of the open foreign currency and interest rate exposures to changes in market prices is presented in Note 32.

Derivative instruments included in cash flow hedge accounting

MEUR	2012 Nominal value	2012 Fair value, effective portion of hedge	2011 Nominal value	2011 Fair value, effective portion of hedge
Interest rate derivatives				
Interest rate swaps	–	–	5.0	-0.1
Commodity derivatives				
Electricity price forwards	7.3	-0.5	10.6	-0.8

The fair values of interest rate and commodity derivatives designated as cash flow hedges against changes in market prices have been recognized in the hedging reserve of equity and will be recognized through profit and loss when the hedged item affects profit and loss or its occurance is no longer likely. Income statement effects arising from interest rate derivatives are recognized in 'Financial income and expenses' and from electricy forwards in purchases included in Operating Profit.

No exchange rate differences have been capitalized for the acquisition cost of subsidiaries during the current or previous year.

Derivative instruments included in hedge accounting on net investments in foreign entities

No foreign exchange derivatives have been designated in the fiscal year or in the previous year as specifically hedges of translation items for foreign currency denominated shareholders' equity. Hedge accounting on net investments in foreign entities does therefore not include derivatives.

Derivate instruments held for trading

MEUR	2012 Nominal value	2012 Fair value	2011 Nominal value	2011 Fair value
Foreign exchange rate derivatives				
Foreign exchange rate forwards	11.1	0.0	2.0	0.0
Foreign exchange rate swaps	89.0	-0.4	80.8	-0.3
Foreign exchange options	2.9	0.0	2.8	0.0
Interest rate derivatives				
Interest rate options	-	-	10.0	-0.1
Interest rate swaps	52.5	-1.0	75.0	-1.1

Derivative instruments classified as held for trading are part of the Group's risk management but the hedge accounting principles of IAS 39 are not applied.
The Group has no embedded derivatives at the balance sheet date.

34. Other leases

Group as lessee

Minimum lease payment schedule for other non-cancellable leases

MEUR	2012	2011
Not later than one year	1.3	1.5
Later than one year but not later than five years	2.2	3.1
Later than five years	0.3	0.5
Minimum lease payments total	3.8	5.1

Other non-cancellable leases mainly comprise real estate, production equipment and car leases. The leases mature on average in 3-5 years. Some of the leases contain call options at a strike price that can be expected to correspond to the fair value at the expiry date.

The 2012 income statement includes lease payments of EUR -4.0 (-3.4) million for other non-cancellable leases.

Group as lessor

The minimum lease receivable schedule for other non-cancellable leases

MEUR	2012	2011
Not later than one year	0.7	0.7
Later than one year but not later than five years	2.7	3.0
Minimum lease payments total	3.4	3.7

Some of the production and office space that is currently not needed by the Group is leased to external parties. The rental agreements are from one to three years in length and normally contain an option to extend the lease period after the lease expires. Some of the property is classified, in accordance with IFRS, as investment property.

35. Contingent liabilities

MEUR	2012	2011
Real-estate mortgages		
For own debts	11.8	10.2
Business mortgages		
For own debts	103.7	-
Pledges *)		
For own debts	404.4	282.0
Other commitments **)	5.5	3.1

*) The increase in pledges and business mortgages is due to value increase of the collateral and new pledges given to the lenders.
**) Other commitments in 2012 include bank guarantees of EUR 3.5 (2.3) million.

On June 9, 2010 Componenta B.V. received a writ of summons of Wärtsilä Finland Oy in which Wärtsilä claimed that Componenta shall pay compensations to Wärtsilä amounting to EUR 8.5 million due to certain defects discovered in main bearing caps delivered by Componenta in 2007 and 2008. Componenta considers the claims of Wärtsilä to be unfounded and Componenta has denied the claims. Componenta has firstly challenged the jurisdiction of the district court of Roermond, the Netherlands, to hear the claim. The district court of Roermond ruled in July 2011 in favour of Componenta and decided that the district court of Roermond does not have juridiction in the case. Wärtsilä filed an appeal to the Court of Appeal and the Court of Appeal in 's-Hertogenbosch passed its judgement in November 2012 whereby it set aside the judgment of the district court. The case was thus returned to the district court of Roermond. The parties have thereafter reached a settlement in this matter.

In addition to the processes described above some group companies are involved in few lawsuits and disputes relating to their business. Management believes that the outcome of such lawsuits and disputes will not have a material adverse effect on the Group's result or financial position when taking into consideration the grounds presented for the lawsuits and disputes, insurance coverage in force and the extent of Group's business.

Secured liabilities

MEUR	2012	2011
Liabilities secured with real estate or business mortgages		
Loans from financial institutions	0.1	0.1
Pension loans	6.0	5.6
	6.1	5.7
Liabilities secured with pledges and business mortgages		
Loans from financial institutions	91.4	164.0
Pension loans	-	-
	91.4	164.0

36. Related party disclosures

Group companies

Company	Domicile	Group share of holding, %	Parent company share of holding, %
Arvika Smide AB	Arvika, Sweden	95.0	–
Componenta Belgium N.V.	Sint-Lambrechts-Woluwe, Belgium	100.0	–
Componenta B.V.	Belfeld, The Netherlands	100.0	100.0
Componenta Dökümcülük Ticaret ve Sanayi A.S.	Orhangazi, Turkey	93.6	93.6
Componenta Finland Oy	Karkkila, Finland	100.0	100.0
Componenta France S.A.S.	Nanterre, France	100.0	–
Componenta Främmestad AB	Essunga, Sweden	100.0	–
Componenta Germany GmbH	Korshenbroich, Germany	100.0	–
Componenta Italy Srl	Milan, Italy	100.0	–
Componenta Netherlands B.V.	Tegelen, The Netherlands	100.0	–
Componenta Russia LLC	Moscow, Russia	100.0	1.0
Componenta Sweden AB	Kristinehamn, Sweden	100.0	–
Componenta UK Ltd	Staffordshire, United Kingdom	93.6	–
Componenta USA, LLC	Iowa, USA	100.0	–
Componenta Wirsbo AB	Surahammar, Sweden	95.0	–
Karkkilan Koskikiinteistö Oy	Karkkila, Finland	81.0	66.9
Karkkilan Lääkärikeskus Oy	Karkkila, Finland	100.0	100.0
Karkkilan Valimokiinteistö Oy	Karkkila, Finland	100.0	–
Kiinteistö Oy Ala-Emali	Karkkila, Finland	98.2	98.2
Kiinteistö Oy Pietarsaaren Tehtaankatu 13	Pietarsaari, Finland	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
Pietarsaaren Vanha Valimo Oy	Pietarsaari, Finland	100.0	–
Uudenmaan Rakennustiimi Oy	Karkkila, Finland	100.0	100.0
Vanhan Ruukin Kiinteistöpalvelu Oy	Karkkila, Finland	100.0	100.0

Transactions with related parties

MEUR	2012	2011
Sale of goods to associated companies	–	–
Purchase of goods from associated companies	-0.8	-0.5
Purchase of services from associated companies	–	–
	-0.8	-0.5

The prices of transactions with related parties are based on the Group's general price lists in force during the financial year.

Fees, salaries and other benefits of the Board of Directors, President and CEO and other members of the Corporate Executive Team (CET)

2012, EUR	Salaries, fees, pension & fringe benefits	Bonuses	Share bonuses	Total
Board of Directors	255,000	0	0	255,000
President and CEO	369,906	0	33,867	403,773
Other members of CET	1,703,058	134,492	43,672	1,881,222

2011, EUR	Salaries, fees, pension & fringe benefits	Bonuses	Share bonuses	Total
Board of Directors	175,000	0	0	175,000
President and CEO	377,387	0	98,969	476,356
Other members of CET	1,489,656	93,617	187,369	1,770,642

Remuneration of the Board of Directors, CEO and Deputy CEO excluding share bonuses

Remuneration and fees, 1,000 EUR	2012	2011
President & CEO	370	377
Deputy CEO	254	331
Members of Board of Directors		
Harri Suutari	60	–
Juhani Mäkinen	35	25
Pii Kotilainen	30	25
Heikki Lehtonen	30	25
Marjo Miettinen	35	25
Riitta Palomäki	35	–
Matti Ruotsala	30	–
Heikki Bergholm	–	50
Matti Tikkakoski	–	25
Total, Board of Directors	255	175

The remuneration shown above for the President and person acting as deputy for the President include additional pension agreements in 2012 (2011) of EUR 10,000 (60,000) and 20,958 (60,000) a year. The retirement age of the President and CEO is 63 years.

Receivables from and payables to associated companies are listed in notes 18, 21 and 29.

Other related party disclosures

Componenta has granted loan receivables totalling EUR 0.4 (0.5) million to persons who are related parties in this and previous financial years.

Componenta Wirsbo AB, part of Componenta Group, purchased the share stock of Arvika Smide AB in November 2012. A person classified as a related party to the Group owned 50 % of the company that acted as seller. The transaction was carried out on market terms and the price was the same as the company acting as seller had paid when it previously purchased Arvika Smide AB from a third party in 2011. During 2012 Componenta Wirsbo AB purchased products from Arvika Smide AB for EUR 4.9 million. The sale of the products was carried out on generally accepted market terms and at market prices.

In addition persons classified as related parties to the company have carried out minor transactions with companies belonging to the Group.

37. Events after end of period

In February Componenta decided to postpone the publishing of the financial statements for 2012 due to the change of the accounting principles. In the financial statements for the year 2012 the company will apply the re-valuation of the properties according to IAS 16 instead of historical bookkeeping values. Relating to this Componenta released preliminary information on the financial statements for 2012 on 11 February 2013.

After the end of financial year Componenta renegotiated certain terms of syndicate loan due to earlier mentioned change in accounting principles among others and at the same time committed itself to an additional repayment of 5 MEUR on 30 June 2013.

GROUP DEVELOPMENT

Group development 2008 – 2012

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

*) 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	544.8
Operating profit	47.9	-15.4	13.6	29.8	10.0
Financial income and expenses	-28.7	-21.8	-23.5	-25.9	-27.7
Profit/loss after financial items	19.2	-37.2	-9.9	3.9	-17.6

Key ratios

MEUR	31.12.2008	31.12.2009	31.12.2010	31.12.2011	31.12.2012
Statement of financial position total, MEUR	448	388	420	437	460
Net interest bearing debt, MEUR	262	242	230	243	236
Invested capital, MEUR	339	317	311	326	340
Return on investment, %	13.6	-4.1	5.0	7.8	2.0
Return on equity, %	14.8	-45.1	-10.3	-5.8	-32.9
Equity ratio, %	15.9	17.5	16.8	9.4	18.1
Net gearing, %	369.1	356.4	325.0	591.4	283.5
Investments in non-current assets, MEUR	46.0	17.9	8.5	21.8	19.2
Number of personnel at period end	4,294	3,614	4,016	4,240	4,104
Average number of personnel	4,395	3,684	3,853	4,234	4,249

Net sales by market area

MEUR	1-12/2011	1-12/2012
Sweden	107.5	97.1
Germany	106.4	105.6
Turkey	87.5	76.0
UK	64.9	55.4
Finland	57.8	46.3
Benelux countries	45.2	44.4
France	35.6	35.5
Italy	29.5	33.1
Other European countries	9.1	19.1
Other countries	33.0	32.2
Total	576.4	544.8

Quarterly development by market area

MEUR	Q1/11	Q2/11	Q3/11	Q4/11	Q1/12	Q2/12	Q3/12	Q4/12
Sweden	29.8	30.2	21.6	25.9	25.8	28.8	19.3	23.2
Germany	25.3	28.0	26.8	26.2	28.2	29.6	24.3	23.5
Turkey	21.4	25.2	21.3	19.7	23.2	21.2	17.1	14.6
UK	15.9	17.2	15.7	16.1	15.3	15.6	12.1	12.4
Finland	14.7	15.7	13.0	14.4	11.6	14.2	10.6	9.9
Benelux countries	11.5	11.4	10.5	11.9	12.9	12.5	9.4	9.6
France	9.6	10.1	7.0	8.9	10.3	10.2	7.7	7.3
Italy	7.1	6.7	7.8	7.9	8.3	8.4	9.0	7.4
Other European countries	2.4	2.5	2.2	2.1	5.4	5.6	4.2	3.9
Other countries	6.4	9.7	8.2	8.7	9.4	10.3	7.0	5.5
Total	144.1	156.5	134.1	141.7	150.4	156.4	120.7	117.3

Group development excluding one-time items

MEUR	1-12/2011	1-12/2012
Net sales	576.4	544.8
Operating profit	29.8	10.0
Net financial items *)	-25.9	-27.7
Profit after financial items	3.9	-17.6

*) Net financial items are not allocated to business segments

Group development by business segment excluding one-time items

Operating profit, MEUR	1-12/2011	1-12/2012
Turkey	28.7	14.5
Finland	-1.6	1.1
Holland	-1.9	-5.2
Sweden	3.6	-1.0
Other business	1.2	-0.2
Internal items	-0.1	0.8
Componenta total	29.8	10.0

Group development by quarter excluding one-time items

MEUR	Q1/11	Q2/11	Q3/11	Q4/11	Q1/12	Q2/12	Q3/12	Q4/12
Net sales	144.1	156.5	134.1	141.7	150.4	156.4	120.7	117.3
Operating profit	8.5	10.7	3.8	6.8	10.2	8.9	-5.5	-3.5
Net financial items *)	-5.3	-6.6	-7.3	-6.7	-7.4	-7.4	-7.0	-5.9
Profit after financial items	3.2	4.1	-3.5	0.1	2.8	1.4	-12.4	-9.5

*) Net financial items are not allocated to business segments

Quarterly development by business segment excluding one-time items

Operating profit, MEUR	Q1/11	Q2/11	Q3/11	Q4/11	Q1/12	Q2/12	Q3/12	Q4/12
Turkey	8.3	8.5	7.3	4.6	9.0	6.8	-0.5	-0.8
Finland	-1.3	0.5	-1.8	1.0	0.0	1.7	-0.5	0.0
Holland	0.3	0.9	-2.2	-1.0	1.0	0.1	-4.1	-2.2
Sweden	1.2	1.5	0.2	0.7	0.6	0.4	-1.1	-0.8
Other business	0.1	-0.4	0.2	1.2	-0.3	-0.2	0.1	0.2
Internal items	-0.2	-0.3	0.0	0.3	0.0	0.0	0.6	0.1
Componenta total	8.5	10.7	3.8	6.8	10.2	8.9	-5.5	-3.5

Group development

MEUR	1-12/2011	1-12/2012
Net sales	576.4	544.8
Operating profit	22.5	4.0
Net financial items *)	-25.9	-29.4
Profit after financial items	-3.4	-25.4

*) Net financial items are not allocated to business segments

Group development by business segment

Net sales, MEUR	1-12/2011	1-12/2012
Turkey	277.2	259.9
Finland	112.8	100.7
Holland	109.3	101.8
Sweden	121.5	126.1
Other business	91.0	89.1
Internal items	-135.4	-132.8
Componenta total	576.4	544.8

Operating profit, MEUR	1-12/2011	1-12/2012
Turkey	28.7	14.5
Finland	-1.6	1.1
Holland	-1.9	-5.2
Sweden	3.6	-1.0
Other business	1.2	-0.2
One-time items	-7.4	-6.0 *)
Internal items	-0.1	0.8
Componenta total	22.5	4.0

*) One-time items in operating profit in 2012 relate to shut down of the bigger production line in Pietarsaari Foundry, EUR -2.5 million, and terminating machining operations in Pietarsaari, EUR -0.5 million, and also adaptation measures in Holland, EUR -1.4 million, adaptation measures and write-down of receivables in Orhangazi foundry in Turkey, EUR -1.3 million and adaptation measures in Wirsbo, EUR -0.9 million. Other one-time items as a net were EUR -0.5 million. One-time items also include negative goodwill, EUR +1.1 million, from the acquisition of Arvika Smide by Wirsbo.

Order book, MEUR	12/2011**)	12/2012*)
Turkey	52.9	39.9
Finland	13.8	13.8
Holland	20.1	14.7
Sweden	19.8	21.8
Internal items	-7.0	-7.3
Componenta total	99.5	82.9

*) Order book on 13 January 2013
**) Order book on 12 January 2012

Group development by quarter

MEUR	Q1/11	Q2/11	Q3/11	Q4/11	Q1/12	Q2/12	Q3/12	Q4/12
Net sales	144.1	156.5	134.1	141.7	150.4	156.4	120.7	117.3
Operating profit	6.0	10.1	3.0	3.3	10.1	8.7	-5.6	-9.2
Net financial items *)	-5.3	-6.6	-7.3	-6.7	-7.4	-7.4	-7.0	-7.7
Profit after financial items	0.7	3.5	-4.3	-3.4	2.7	1.3	-12.5	-16.9

*) Net financial items are not allocated to business segments

Quarterly development by business segment

Net sales, MEUR	Q1/11	Q2/11	Q3/11	Q4/11	Q1/12	Q2/12	Q3/12	Q4/12
Turkey	67.9	72.7	67.1	69.5	73.7	72.8	57.7	55.7
Finland	28.5	32.2	24.5	27.6	26.3	30.9	23.5	20.0
Holland	26.7	30.7	26.7	25.2	31.2	30.3	19.6	20.8
Sweden	32.4	32.5	25.5	31.2	31.5	36.2	28.6	29.8
Other business	21.8	23.3	22.2	23.7	24.4	23.5	20.9	20.3
Internal items	-33.2	-34.9	-31.9	-35.4	-36.8	-37.3	-29.5	-29.3
Componenta total	144.1	156.5	134.1	141.7	150.4	156.4	120.7	117.3

Operating profit, MEUR	Q1/11	Q2/11	Q3/11	Q4/11	Q1/12	Q2/12	Q3/12	Q4/12
Turkey	8.3	8.5	7.3	4.6	9.0	6.8	-0.5	-0.8
Finland	-1.3	0.5	-1.8	1.0	0.0	1.7	-0.5	0.0
Holland	0.3	0.9	-2.2	-1.0	1.0	0.1	-4.1	-2.2
Sweden	1.2	1.5	0.2	0.7	0.6	0.4	-1.1	-0.8
Other business	0.1	-0.4	0.2	1.2	-0.3	-0.2	0.1	0.2
One-time items	-2.4	-0.6	-0.8	-3.5	-0.1	-0.2	-0.1	-5.7 *)
Internal items	-0.2	-0.3	0.0	0.3	0.0	0.0	0.6	0.1
Componenta total	6.0	10.1	3.0	3.3	10.1	8.7	-5.6	-9.2

*) One-time items in operating profit in 2012 relate to shut down of the bigger production line in Pietarsaari Foundry, EUR -2.5 million, and terminating machining operations in Pietarsaari, EUR -0.5 million, and also adaptation measures in Holland, EUR -1.4 million, adaptation measures and write-down of receivables in Orhangazi foundry in Turkey, EUR -1.3 million and adaptation measures in Wirsbo, EUR -0.9 million. Other one-time items as a net were EUR -0.5 million. One-time items also include negative goodwill, EUR +1.1 million, from the acquisition of Arvika Smide by Wirsbo.

Order book at period end, MEUR	Q1/11	Q2/11	Q3/11	Q4/11**)	Q1/12	Q2/12	Q3/12	Q4/12*)
Turkey	48.3	53.8	50.6	52.9	49.3	46.5	38.5	39.9
Finland	17.6	16.3	15.2	13.8	17.7	18.8	15.0	13.8
Holland	17.7	21.0	18.2	20.1	19.3	16.1	14.8	14.7
Sweden	23.2	22.9	22.9	19.8	24.9	26.9	23.7	21.8
Internal items	-2.6	-2.8	-3.1	-7.0	-5.3	-8.4	-5.4	-7.3
Componenta total	104.3	111.2	103.7	99.5	105.9	99.9	86.7	82.9

*) Order book on 13 January 2013
**) Order book on 12 January 2012

ACCOUNTING PRINCIPLES FOR FINANCIAL STATEMENTS

The financial statements for Componenta Corporation have been prepared in accordance with current laws and regulations in Finland. Finnish legislation is based on the provisions of the 4th and 7th directives of the European Union. The itemized income statement and balance sheet format have been applied in presenting the financial statements.

Foreign currency transactions

Business transactions in foreign currencies are recognized at the exchange rate on the date of the transaction.

Receivables and liabilities in foreign currency are translated into euros at the European Central Bank's average exchange rate on the balance sheet date.

Derivatives

The fair value of forward rate agreements is the profit or loss calculated at market prices on the closing date that would result from terminating the agreements. The fair value of interest rate options is estimated using commonly used option pricing models. The fair value of interest rate swaps is calculated by estimating and discounting future cash flows at market interest rates on the closing date. Forward foreign exchange contracts and foreign exchange swaps are valued at quoted forward exchange rates on the closing date and are divided into the fair value of the exchange rate difference and the fair value of the interest rate difference.

Negative fair values for exchange rate differences for foreign exchange derivatives are recognized on the closing date in the income statement. Positive fair values for foreign exchange derivatives made for hedging purposes are only recognized in the income statement if the hedging has also proved to be effective when examined after the event. Translation differences for foreign currency equity-based investments in subsidiaries and the hedging of internal foreign currency loans within the Group are defined as hedged items.

The positive fair values of other foreign exchange derivatives are not recognized in the income statement but are presented in the notes to the balance sheet. The fair values of foreign exchange derivatives presented in the notes also include the fair values of interest rate differences.

Cumulative interest expenses and income incurred during the financial period for interest rate swaps and foreign currency derivatives are recognized under financial items in the income statement. Exchange rate differences for foreign exchange derivatives are recognized in the income statement as incurred.

Leasing

Leasing payments are treated as rental expenses. Liabilities falling due for payment in the future are presented under contingent liabilities in the notes to the balance sheet.

Pensions

Statutory pension contributions for personnel are handled by external pension insurance companies and there are no uncovered pension liabilities. Pension insurance payments are allocated so that they correspond to the performance-based pay stated in the financial statements.

Income tax

Income tax has been recognized in accordance with Finnish tax legislation. Deferred tax assets have not been recognized in respect of losses.

PARENT COMPANY INCOME STATEMENT, BALANCE SHEET AND CASH FLOW STATEMENT 1.1.–31.12.

(according to Finnish Accounting Standards)

Parent company income statement 1.1.–31.12.

TEUR	Note	2012	2011
NET SALES	1	27,003.9	26,060.7
Other operating income	2	829.4	699.8
Operating expenses	3	-20,762.3	-19,941.0
Depreciation, amortization and write-down of non-current assets	4	-465.6	-410.1
OPERATING PROFIT		6,605.3	6,409.4
Financial income		20,943.3	17,518.8
Financial expense		-34,522.5	-28,508.0
Financial income and expenses in total	5	-13,579.3	-10,989.3
PROFIT AFTER FINANCIAL ITEMS		-6,973.9	-4,579.9
Extraordinary items	6	443.9	555.5
PROFIT AFTER EXTRAORDINARY ITEMS		-6,530.0	-4,024.4
Income taxes	7	-1,277.0	195.2
PROFIT/LOSS FOR THE FINANCIAL PERIOD		-7,807.0	-3,829.2

Parent company balance sheet 31.12.

TEUR	Note	2012	2011
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	8	2,066.6	1,682.6
Tangible assets	9	326.3	367.9
Investments	10	318,038.7	317,970.5
		320,431.6	320,021.0
CURRENT ASSETS			
Non-current receivables	11	50,751.3	41,055.7
Current receivables	11	20,747.3	12,710.3
Cash and bank accounts		2,802.9	14,673.2
		74,301.5	68,439.1
TOTAL ASSETS		394,733.1	388,460.2
LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY	13		
Share capital		21,891.4	21,891.4
Share premium reserve		15,114.5	15,114.5
Unrestricted equity reserve		48,211.0	33,128.2
Reserve fund		5.0	5.0
Retained earnings		47,217.6	51,046.8
Profit/loss for the financial period		-7,807.0	-3,829.2
Shareholders' equity		124,632.5	117,356.6
LIABILITIES	14		
Non-current liabilities			
Capital loans		40,460.7	31,566.7
Other interest bearing liabilities		173,360.3	33,103.1
Current liabilities			
Capital loans		3,744.7	4,083.3
Other interest bearing liabilities		42,804.9	195,966.8
Non-interest bearing liabilities		9,730.1	6,383.7
Liabilities		270,100.6	271,103.5
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		394,733.1	388,460.2

Parent company cash flow statement 1.1.–31.12.

TEUR	2012	2011
CASH FLOW FROM OPERATIONS		
Profit/loss after financial items	-6,974.0	-4,580.0
Depreciations according to plan	466.0	410.0
Other income and expenses, non-cash items	968.0	323.0
Financial income and expenses	13,579.0	10,989.0
Cash flow before changes in working capital	8,039.0	7,142.0
Changes in working capital		
Current non-interest bearing receivables increase (-)/decrease (+)	-7,901.0	-6,421.0
Current non-interest bearing liabilities increase (+)/decrease (-)	156.0	361.0
Cash flow from operating activities before financial items and taxes	294.0	1,082.0
Interest and payments paid from other financial expenses of operations	-33,057.0	-28,161.0
Dividends received from operations	9,474.0	-
Interest received from operations	12,242.0	18,445.0
Paid income taxes	-1,421.0	0.0
Cash flow before extraordinary items	-12,468.0	-8,634.0
Cash flow from operations extraordinary items	588.0	751.0
CASH FLOW FROM OPERATING ACTIVITIES (A)	-11,880.0	-7,883.0
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure in tangible and intangible assets	-874.0	-1,014.0
Investments in shares of subsidiary companies	-1.0	-10,000.0
Other investments	-159.0	-205.0
Loans receivables, decrease (+) / increase (-)	-9,690.0	-9,779.0
CASH FLOW FROM INVESTING ACTIVITIES (B)	-10,724.0	-20,998.0
CASH FLOW FROM FINANCING ACTIVITIES		
Share issue	15,083.0	-
Repayment of capital note	-3,745.0	-2,896.0
Draw-down of capital note	-	-
Draw-downs (+) and repayments (-) of current loans	-199,015.0	4,712.0
Draw-downs (+) and repayments (-) of non-current loans	198,411.0	39,500.0
Dividends paid and other profit distribution	-	-200.0
CASH FLOW FROM FINANCING ACTIVITIES (C)	10,734.0	41,116.0
CHANGE IN LIQUID ASSETS (A + B +C) increase (+)/decrease (-)	-11,870.0	12,235.0
Cash and bank accounts at the beginning of the period	14,673.0	2,438.0
Cash and bank accounts at period end	2,803.0	14,673.0
Change during the period	-11,870.0	12,235.0

NOTES TO THE FINANCIAL STATEMENTS OF PARENT COMPANY

Figures are in thousands of euros unless otherwise stated.

TEUR	2012	2011
NOTES TO THE INCOME STATEMENT		
1. Net sales by market area		
Finland	8,317.4	7,859.8
Other Nordic countries	2,788.8	3,193.3
Central Europe	5,468.6	5,285.9
Other countries	10,429.1	9,721.7
Net sales total	27,003.9	26,060.7
2. Other operating income		
Rental income	673.8	669.8
Public subventions	155.6	30.0
Other income	–	–
Other operating income total	829.4	699.8
3. Operating expenses		
Rents	-1,093.6	-1,209.4
Other operating expenses	-12,133.8	-12,217.9
Other operating expenses total	-13,227.4	-13,427.3
Personnel expenses (*	-7,535.0	-6,513.7
Total operating expenses	-20,762.3	-19,941.0
Audit fees	-247.1	-77.8
Other fees	-59.8	-211.5
Total fees paid to auditors	-307.0	-289.3
Personnel expenses and number of personnel (*		
Salaries and fees	-6,313.4	-5,272.4
Pension costs	-929.3	-1,022.1
Other personnel costs	-292.3	-219.1
Total	-7,535.0	-6,513.7
Salaries and other remuneration of the Corporate Executive Team	-1,303.9	-1,309.4
Fringe benefits of the Corporate Executive Team	-84.9	-152.1
Additional pension agreements, see note 36 on the consolidated financial statements		
Average number of personnel	88	83
4. Depreciation		
Intangible assets		
Other long-term expenditure	-413.1	-343.7
Tangible assets		
Machinery and equipment	-52.5	-66.4
Total depreciation	-465.6	-410.1
5. Financial income and expenses		
Interest and other finance income		
Group companies	15,498.2	9,661.3
Others	5,445.0	7,857.5
Total	20,943.3	17,518.8
Interest and other finance expenses		
Group companies	-5,862.3	-2,930.2
Others	-28,574.0	-24,528.7
Total	-34,436.3	-27,458.8
Write-downs on investments of non-current assets	-86.2	-1,049.2
Financial income and expenses, total	-13,579.3	-10,989.3
Financial income and expenses include exchange gains/losses (net)		
Group companies	96.6	-556.6
Others	-492.8	595.0
Total	-396.1	38.4

TEUR	2012	2011
6. Extraordinary items		
Extraordinary income		
Group contributions received	588.0	750.7
Extraordinary income taxes	-144.1	-195.2
Total	443.9	555.5
Total extraordinary items	443.9	555.5
7. Income taxes		
Taxes on extraordinary items	-1,277.0	195.2
Taxes in income statement	-1,277.0	195.2
NOTES TO THE STATEMENT OF FINANCIAL POSITION		
Non-current assets		
8. Intangible assets		
Intangible rights		
Acquisition cost at 1 Jan	22.7	22.7
Additions	–	–
Acquisition cost at 31 Dec	22.7	22.7
Accumulated amortization at 1 Jan	-13.9	-9.3
Amortization during the period	-4.5	-4.5
Accumulated amortization at 31 Dec	-18.4	-13.9
Book value at 31 Dec	4.3	8.8
Other long-term expenditure		
Acquisition cost at 1 Jan	2,953.0	2,696.8
Additions	390.6	252.8
Re-classifications	167.3	3.5
Acquisition cost at 31 Dec	3,510.9	2,953.0
Accumulated amortization at 1 Jan	-2,230.7	-1,891.5
Amortization during the period	-408.5	-339.2
Accumulated amortization at 31 Dec	-2,639.2	-2,230.7
Book value at 31 Dec	871.7	722.4
Advance payments		
Acquisition cost at 1 Jan	951.4	220.1
Additions	472.9	734.8
Re-classifications	-233.6	-3.5
Book value at 31 Dec	1,190.7	951.4
Total intangible assets	2,066.6	1,682.6
9. Tangible assets		
Machinery and equipment		
Acquisition cost at 1 Jan	950.6	924.7
Additions	10.9	25.9
Re-classifications	–	–
Acquisition cost at 31 Dec	961.5	950.6
Accumulated depreciation at 1 Jan	-751.3	-684.9
Amortization during the period	-52.5	-66.4
Accumulated depreciation at 31 Dec	-803.9	-751.3
Book value at 31 Dec	157.6	199.3
Other tangible assets		
Acquisition cost at 1 Jan	168.7	168.7
Book value at 31 Dec	168.7	168.7
Total tangible assets	326.3	367.9
10. Investments		
Shares in group companies		
Acquisition cost at 1 Jan	315,005.3	238,054.5
Additions	0.8	78,000.0
Write-downs	-86.2	-1,049.2
Book value at 31 Dec	314,919.9	315,005.3

TEUR	2012	2011
Shares in associated companies		
Acquisition cost at 1 Jan	221.1	221.1
Book value at 31 Dec	221.1	221.1
Other shares		
Acquisition cost at 1 Jan	602.2	397.0
Additions	159.4	205.2
Book value at 31 Dec	761.5	602.2
Capital note investments in group companies		
at 1 Jan	2,100.0	2,100.0
at 31 Dec	2,100.0	2,100.0
Other investments		
at 1 Jan	42.0	42.0
Deductions	-5.8	-
at 31 Dec	36.2	42.0
Investments total	318,038.7	317,970.5
Current assets		
11. Receivables		
Non-current receivables		
Loan receivables from group companies	50,375.9	40,688.8
Loan receivables from associates	63.7	63.7
Loan receivables from others	311.7	303.3
Total non-current receivables	50,751.3	41,055.7
Current receivables		
Trade receivables	10.4	19.5
Loan receivables	468.4	228.5
Other receivables	358.8	399.3
Prepayments and accrued income	708.0	1,472.2
Total	1,545.6	2,119.5
Receivables from group companies		
Trade receivables	2,704.9	5,648.5
Loan receivables	14,766.7	3,950.0
Other receivables	588.0	750.7
Prepayments and accrued income	1,142.1	241.5
Total	19,201.7	10,590.8
Total current receivables	20,747.3	12,710.3
Prepayments and accrued income		
Interest receivables	131.9	272.8
Amortized arrangement fees of the loan agreements	428.6	1,031.1
Exchange rate gains	177.2	207.0
Insurance payments	10.6	108.7
Rents	3.0	8.9
Others	1,098.7	85.3
Total	1,850.1	1,713.8
12. Share capital		
The share capital of the company was EUR 21,891,396 on 31 Dec 2012 and the number of shares was 22,231,173.		
13. Shareholders' equity		
Share capital at 1 Jan	21,891.4	21,891.4
Share capital at 31 Dec	21,891.4	21,891.4
Share premium reserve at 1 Jan	15,114.5	15,114.5
Share premium reserve at 31 Dec	15,114.5	15,114.5
Unrestricted equity reserve at 1 Jan	33,128.2	33,328.2
Share issue	15,082.8	-
Donations for institutions of higher education	-	-200.0
Unrestricted equity reserve at 31 Dec	48,211.0	33,128.2

TEUR	2012	2011
Reserve fund at 1 Jan	5.0	5.0
Reserve fund at 31 Dec	5.0	5.0
Retained earnings at 1 Jan	47,217.6	51,046.8
Profit/loss for the financial period	-7,807.0	-3,829.2
Retained earnings total	39,410.6	47,217.6
Shareholders' equity	124,632.5	117,356.6
Calculation of distributable equity at 31 Dec		
Retained earnings	47,217.6	51,046.8
Profit/loss for the financial period	-7,807.0	-3,829.2
Unrestricted equity reserve	48,211.0	33,128.2
Total	87,621.6	80,345.8
14. Liabilities		
Interest bearing liabilities	260,370.5	264,719.8
Non-interest bearing liabilities	9,730.1	6,383.7
	270,100.6	271,103.5
Non-current interest bearing liabilities		
Capital notes	19,744.7	31,566.7
Hybrid loans	20,716.0	-
Bonds	-	26,870.0
Loans from financial institutions	80,000.0	-
Other non-current liabilities to group companies	93,360.3	6,233.1
Non-current interest bearing liabilities total	213,821.0	64,669.7
Non-current liabilities fall due as follows		
Not later than one year	-	-
Later than one year but not later than five years	188,744.7	58,436.7
Later than five years	25,076.3	6,233.1
Terms of the capital notes, see note 28 on the consolidated financial statements		
Current interest bearing liabilities		
Capital notes	3,744.7	4,083.3
Commercial papers	-	-
Loans from financial institutions	12,114.1	164,000.0
Pension loans	-	-
Bonds	22,420.0	-
Loans from group companies	8,270.8	31,966.8
Current interest bearing liabilities total	46,549.5	200,050.1
Current non-interest bearing liabilities		
Trade payables	1,181.0	1,146.6
Other current liabilities	382.8	320.9
Accrued expenses and deferred income	6,306.0	4,449.7
Total	7,869.8	5,917.2
Liabilities to group companies		
Trade payables	70.8	77.2
Accrued expenses and deferred income	1,789.6	389.3
Total	1,860.3	466.5
Current non-interest bearing liabilities total	9,730.1	6,383.7
Current liabilities total	56,279.6	206,433.8
Accrued expenses and deferred income		
Interests	5,221.5	3,172.1
Exchange rate losses	178.4	848.3
Annual salaries with social security	760.8	574.7
Pensions	79.4	102.2
Others	1,855.6	141.7
Total	8,095.5	4,839.0
Total liabilities	270,100.6	271,103.5

TEUR	2012	2011
15. Secured liabilities, contingent liabilities and other commitments		
Pledges		
For own debts	417,038.8	282,030.2
	417,038.8	282,030.2
Guarantees		
On behalf of group companies	10,823.1	17,554.4
	10,823.1	17,554.4
Other commitments		
Future payments of the lease liabilities		
Not later than one year	494.5	636.1
Later than one year	1,863.7	2,609.9
	2,358.2	3,245.9
Other commitments on behalf of group companies	5,939.6	7,553.1
Liabilities secured with pledges		
Loans from financial institutions	90,000.0	164,000.0
	90,000.0	164,000.0

TEUR	2012	2011
16. Financial risk management and derivative instruments		
Foreign exchange rate derivatives		
Foreign exchange rate forwards		
Nominal value	10,103.2	2,020.0
Fair value	-31.7	13.4
Foreign exchange rate swaps		
Nominal value	53,989.6	62,547.9
Fair value	38.7	-750.0
Foreign exchange options		
Nominal value	2,913.1	2,805.2
Fair value	-22.2	-49.3
Interest rate derivatives		
Interest rate options		
Nominal value	-	10,000.0
Fair value	-	-55.9
Interest rate swaps		
Nominal value	52,500.0	80,000.0
Fair value	-1,044.5	-1,184.9
Commodity derivatives		
Electricity derivatives		
Nominal value	7,319.6	10,573.3
Fair value	-889.7	-1,056.7
Foreign exchange rate derivatives inside the group		
Foreign exchange rate forwards		
Nominal value	15,970.0	14,940.0
Fair value	8.5	147.4

The fair value of derivative instruments corresponds to the gain or loss that would be recognized in the income statement if the contract were closed on the balance sheet date.

Nominal values of the derivative instruments do not necessary correspond with the payments of the contracting parties, hence the nominal values do not provide unambiguous general view of the risk position.

Deferred tax assets and liabilities not recored in the statement of the financial position
Unutilized tax losses for which the company has not recorded any deferred tax assets totalled EUR 36,938,445.56 (EUR 21,190,822.59). The related deferred tax receivable of these losses is EUR 9,049,919.16 (EUR 5,191,751.53).

SHAREHOLDERS AND SHARES

Largest registered shareholders on 31 December 2012

Shareholder		Shares	Share of total voting rights, %
1 Lehtonen Heikki		6,253,840	28.13
Cabana Trade S.A.	3,501,988		
Oy Högfors-Trading Ab	2,736,052		
Lehtonen Heikki	15,800		
2 Etra Capital Oy		5,250,000	23.62
3 Varma Mutual Pension Insurance Company		1,447,718	6.51
4 Finnish Industry Investment Ltd		1,416,666	6.37
5 Mandatum Life Insurance Company Ltd		801,425	3.60
6 Alfred Berg Finland Fund		394,194	1.77
7 Alfred Berg Small Cap Finland Fund		392,000	1.76
8 Mutual Insurance Company Pension-Fennia		340,515	1.53
9 Bergholm Heikki		300,016	1.35
10 Finnish Cultural Foundation		236,000	1.06
11 Laine Mika		205,000	0.92
12 Laakkonen Mikko		200,000	0.90
13 Danske Fund Finnish Small Cap		182,000	0.82
14 Lehtonen Anna-Maria		178,823	0.80
15 Irish Life International Ltd		160,668	0.72
Nominee-registered shares		373,173	1.68
Other shareholders		4,099,135	18.44
Total		22,231,173	100.00

The members of the Board of Directors own 29.2% of the shares. All shares have equal voting rights.

Breakdown of share ownership on 31 December 2012

Number of shares	Shareholders	%	Shares	%
1 – 100	468	22.07	29,697	0.13
101 – 500	842	39.70	243,998	1.10
501 – 1,000	337	15.89	275,986	1.24
1,001 – 5,000	339	15.98	781,333	3.51
5,001 – 10,000	44	2.07	330,369	1.49
10,001 – 50,000	61	2.88	1,423,704	6.40
50,001 – 100,000	8	0.38	554,367	2.49
100,001 – 500,000	16	0.75	3,437,870	15.46
500,001 –	6	0.28	15,153,849	68.16
Total = total issued	2 121	100.00	22,231,173	100.00

Shareholders by sector on 31 December 2012

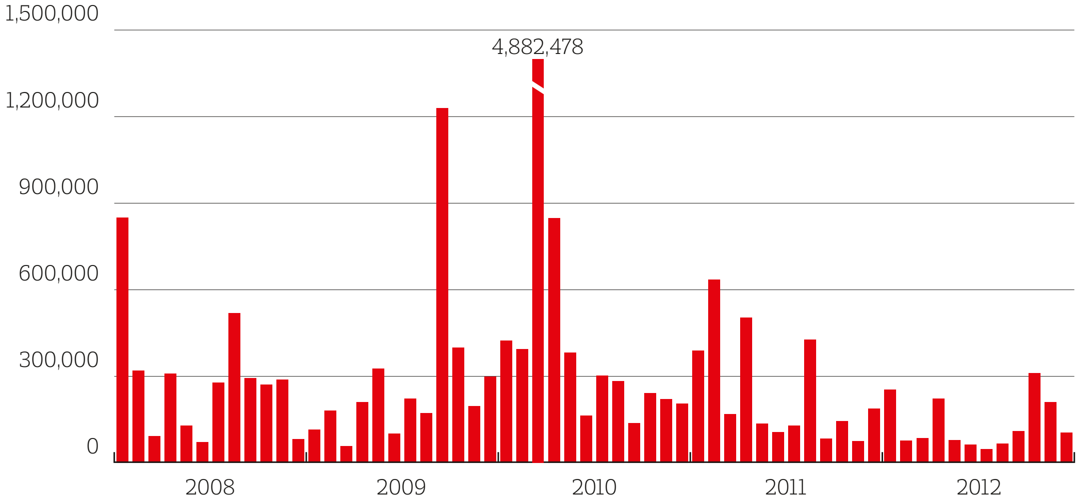
	%
Finnish companies	45.38
Financial institutions and insurance companies	9.45
General government bodies	8.68
Non-profit institutions	1.44
Households	16.26
Nominee-registered shares and other foreign shareholders	18.79
	100.00

PER SHARE DATA

	2012	2011
Earnings per share (EPS), EUR	–1.22	–0.25
Earnings per share, with dilution (EPS), EUR	–1.22	–0.25
Cash flow per share, EUR	–0.41	0.20
Equity per share, EUR	3.36	1.93
Dividend per share, EUR	0.00*)	0.00
Payout ratio, %	0.00	0.00
Effective dividend yield, %	0.00	0.00
P/E multiple	neg.	neg.
Share price at year end, EUR	1.94	3.37
Average trading price, EUR	2.83	5.34
Lowest trading price, EUR	1.85	3.26
Highest trading price, EUR	3.84	6.55
Market capitalization at year end, MEUR	42.9	59.0
Trading volume, 1 000 shares	1,612	2,986
Trading volume, %	7.2	17.1
Weighted average of the number of shares, 1 000 shares	21,022	17,485
Number of shares at year end, 1 000 shares	22,231	17,500

*) For the year 2012 a proposal of the Board of Directors.

Componenta Corporation (CTH) monthly share trading volume in 2008 – 2012, pcs



Componenta Corporation (CTH) share price development in 2008 – 2012, EUR

CALCULATION OF KEY FINANCIAL RATIOS

Return on equity, % (ROE)	=	Profit after financial items – income taxes x 100 Shareholders' equity without preferred capital notes + non-controlling interest (quarterly average)
Return on investment, % (ROI)	=	Profit after financial items + interest and other financial expenses x 100 Shareholders' equity + interest bearing liabilities (quarterly average)
Equity ratio, %	=	Shareholders' equity, preferred capital notes excluded + non-controlling interest x 100 Balance sheet total - advances received
Earnings per share, EUR (EPS)	=	Profit after financial items – income taxes +/- non-controlling interest - deferred and paid interest on hybrid loan Average number of shares during the financial period
Earnings per share with dilution, EUR	=	As above, 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). After tax interest expense of the convertible loan has been added to the profit of the period. Number of shares that can be subscribed by the loan has been added to the number of total shares.
Cash flow per share, EUR (CEPS)	=	Net cash flow from operating activities Average number of shares during the financial period
Average trading price, EUR	=	Trading volume Number of shares traded during the financial period
Equity per share, EUR	=	Shareholders' equity, preferred capital notes excluded Number of shares at period end
Dividend per share, EUR	=	Dividend Number of shares at period end
Payout ratio, %	=	Dividend x 100 Earnings (as in Earnings per share)
Effective dividend yield, %	=	Dividend per share x 100 Market share price at period end
Market capitalization, MEUR	=	Number of shares x market share price at period end
P/E multiple	=	Market share price at period end Earnings per share
Net interest bearing debt, MEUR	=	Interest bearing liabilities + preferred capital notes - cash and bank accounts
Net gearing, %	=	Net interest bearing liabilities x 100 Shareholders' equity, preferred capital notes excluded + non-controlling interest

THE PROPOSAL OF THE BOARD OF DIRECTORS FOR THE DISTRIBUTION OF PROFITS

The distributable equity of the parent company statement of financial position is EUR 87,621,619.96. The Board of Directors proposes to the Annual General Meeting to be held on 22 March 2013 that no dividend will be paid for financial year 2012.

Helsinki 28 February 2013

Harri Suutari Chairman	**Pii Kotilainen**	**Marjo Miettinen**
Juhani Mäkinen	**Matti Ruotsala**	**Riitta Palomäki**
Heikki Lehtonen President & CEO		

AUDITOR'S REPORT (Translation from the Finnish Original)

To the Annual General Meeting of Componenta Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Componenta Oyj for the period 1 January – 31 December 2012. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility
Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements
In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors
In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki 28.2.2013

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jan Holmberg
Authorised Public Accountant

INFORMATION FOR SHAREHOLDERS

Annual General Meeting

The Annual General Meeting of Componenta Corporation will be held at 9.00 a.m. on Friday, 22 March 2013 at the company's headquarters in Käpylä, in the auditorium of the Sato building at Panuntie 4, 00610 Helsinki, Finland.

Right to participate

A shareholder, who on the record date of the General Meeting, 12 March 2013, is registered as a shareholder in the company's shareholders' register maintained by Euroclear Finland Ltd, is entitled to attend the General Meeting.

Registration

A shareholder, who is registered in the shareholders' register, wishing to participate in the General Meeting is required to register his/her participation no later than 19 March 2013 at 10.00 a.m. by letter to the address Componenta Corporation, Panuntie 4, 00610 Helsinki, by telephone +358 10 403 2744, by fax +358 10 403 2721 or by email to ir.componenta@componenta.com. The registration letter or message must have arrived prior to the expiration of the registration period.

Dividend and dividend policy

The Board of Directors proposes to the Annual General Meeting that that no dividend will be paid for the 2012 fiscal year.

The Board of Directors takes the financial performance, financing structure and growth expectations into account when making its proposal for the dividend to be paid. The target is to pay a dividend of 30% - 50% of net profit.

Financial information in 2013

Interim report January – March	on 25 April 2013
Interim report January – June	on 16 July 2013
Interim report January – September	on 28 October 2013

The press conferences for representatives of media and analysts held when the interim reports are published will be webcast simultaneously on the company's website at www.componenta.com.

Componenta's publications and releases are available immediately after their release date at www.componenta.com/Investors/Releases and publications.

Publications and interim reports printed on paper will only be sent to those who have requested it from the company. Publications printed on paper can be ordered from Componenta's website at www.componenta.com/Order reports, by telephone +358 10 403 2744 or by e-mail to ir.componenta@componenta.com.

By registering at Componenta's website at www.componenta.com/Investors/Order releases to your email you can order all company releases directly to your own email address immediately after their release.

All Componenta's financial publications are drafted in both Finnish and English.

Investor relations and contacts

Our aim is to provide comprehensive information about Componenta's business, operating environment and financial position for investment decisions.

30 days prior to the publication of any financial statements or quarterly reports Componenta has a closed window period during which we do not meet with capital market representatives nor comment on result developments.

Investors and shareholders are served at Componenta by the investor relations team consisting of President and CEO, CFO and Communications Directors. Contact our IR team by email at ir.componenta@componenta.com.

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