

Casting Future **SOLUTIONS**

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Componenta Corporation Interim Report 1 January - 30 September 2012

Heikki Lehtonen
President and CEO

23 October 2012



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Income statement

MEUR	Q1-Q3/2012	Q1-Q3/2011	Change
Order book	87	104	-16%
Net sales	427	435	-2%
EBITDA, excluding one-time items	25.5	36.9	-31%
Operating profit, excluding one-time items	13.6	23.0	-41%
Financial income and expenses	-21.8	-19.2	13%
Result after financial items, excluding one-time items	-8.2	3.8	n/m
One-time items	-0.3	-3.9	-92%
Net result, excluding one-time items	-7.3	3.7	n/m
Earnings/share, excluding one-time items, EUR	-0.43	0.16	n/m
Cash flow from operations	-12.4	-3.2	293%
Capacity utilization rate, %	66%	71%	n/m
Cash and committed unused credit facilities	11.9	48.3	-75%

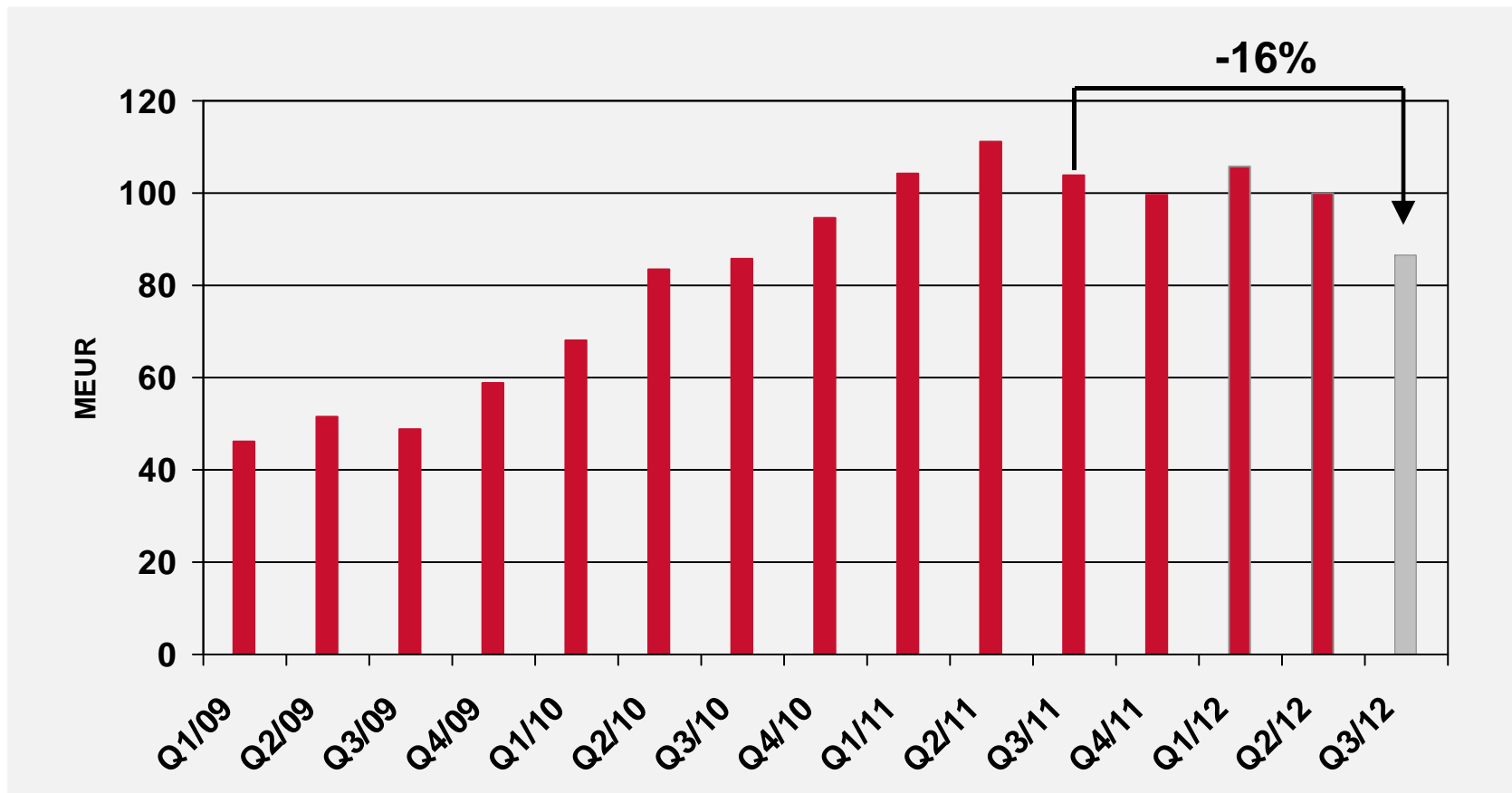
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Q3/2012 briefly

MEUR	Q3/2012	Q3/2011	Change
Net sales	121	134	-10%
EBITDA, excluding one-time items	-2.0	8.0	n/m
Operating profit, excluding one-time items	-5.5	3.8	n/m
Financial income and expenses	-7.0	-7.3	-5%
Result after financial items, excluding one-time items	-12.4	-3.5	256%
One-time items	-0.1	-0.8	-88%
Net result, excluding one-time items	-9.8	-2.1	370%
Earnings/share, excluding one-time items, EUR	-0.46	-0.14	229%
Cash flow from operations	-18.0	-1.9	n/m

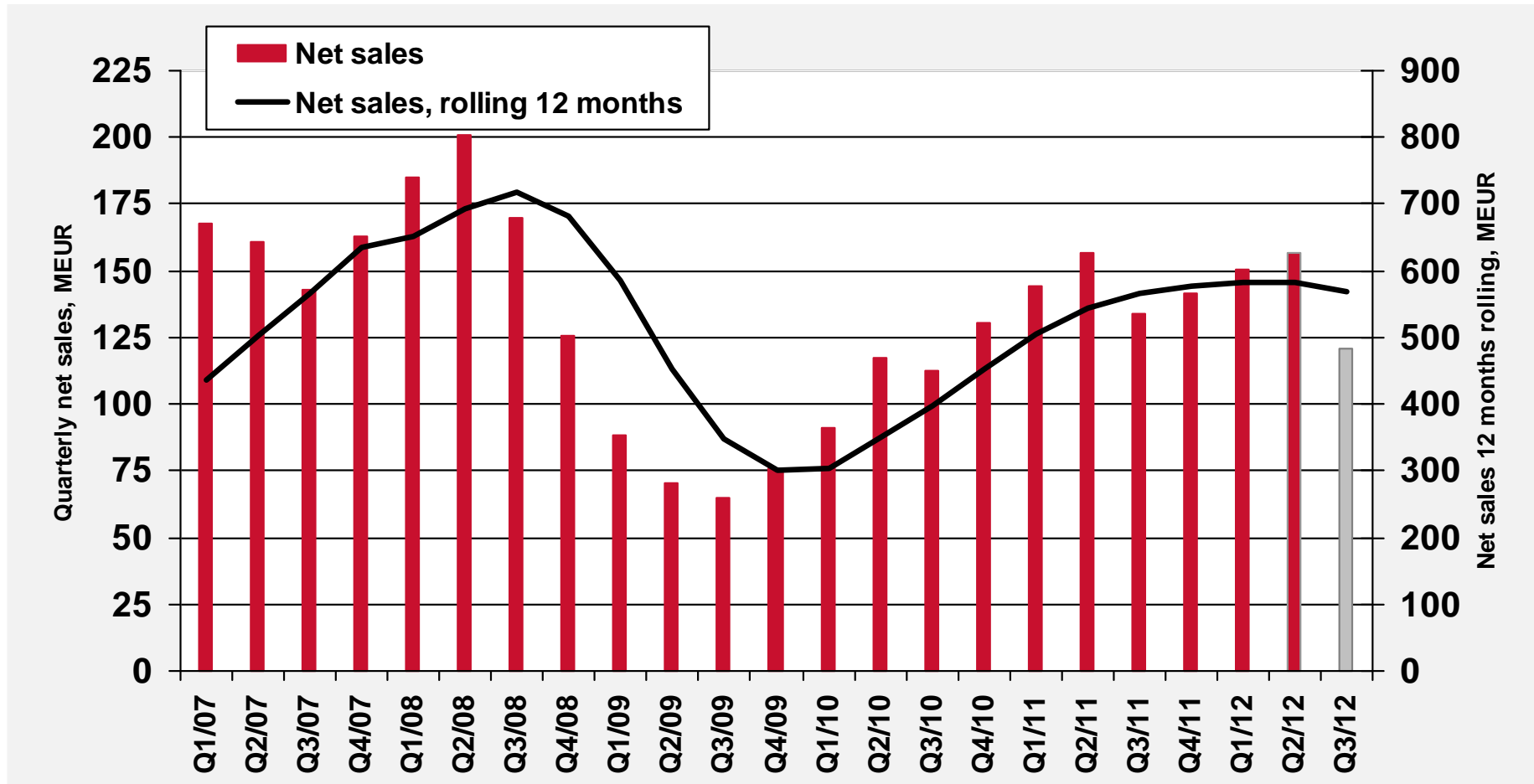
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Quarterly development of order book (incl. orders for coming two months)



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Quarterly development of net sales 2007 - Q3/2012



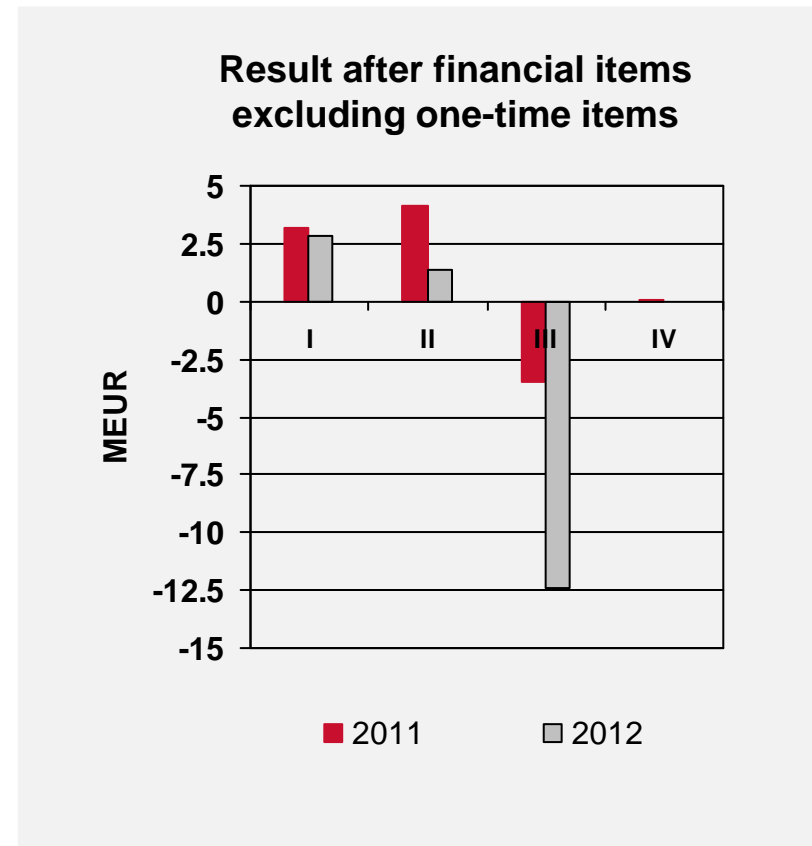
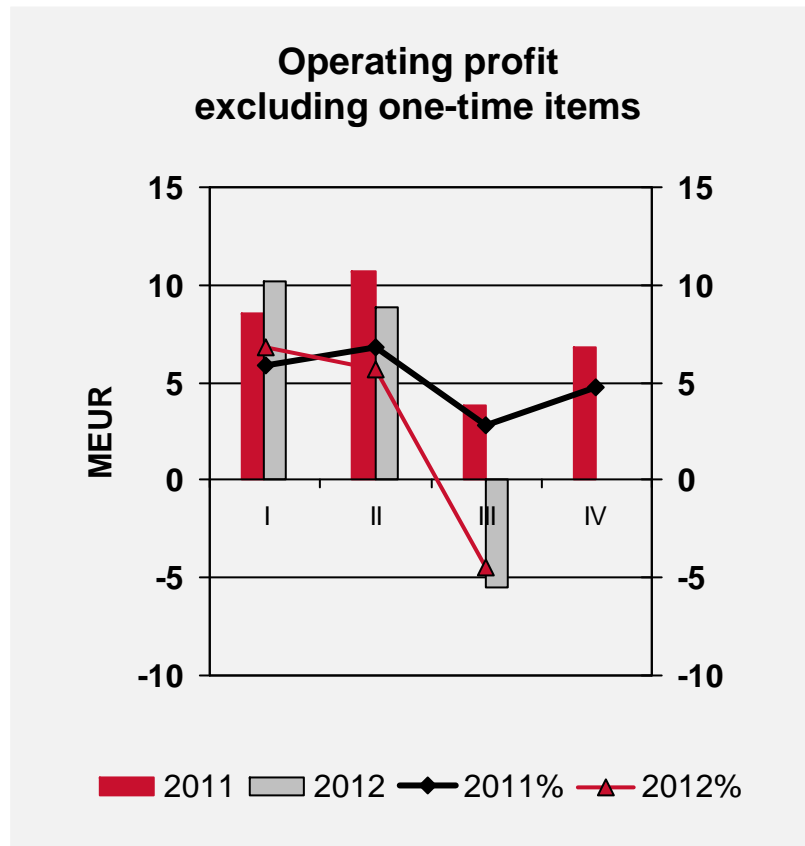
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Analysis of changes in income statements excl. one-time items Q1-Q3/2012 vs. Q1-Q3/2011

MEUR	Q1/12	Q1/11	Diff.	Q2/12	Q2/11	Diff.	Q3/12	Q3/11	Diff.
Net sales	150.4	144.1	4%	156.4	156.5	0%	120.7	134.1	-10%
Value of production	154.3	150.0	3%	158.5	159.1	0%	119.9	132.3	-9%
Materials	-62.8	-61.5	2%	-64.9	-64.4	1%	-49.8	-53.9	-8%
Direct wages and external services	-33.0	-33.6	-2%	-36.7	-36.1	2%	-30.4	-29.8	2%
Other variable and fixed costs	-44.1	-41.6	6%	-44.1	-43.1	3%	-41.8	-40.7	3%
Costs total	-139.8	-136.7	2%	-145.7	-143.6	1%	-121.9	-124.3	-2%
EBITDA	14.5	13.3	9%	12.8	15.5	-17%	-2.0	8.0	-126%

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Quarterly operating profit and result after financial items excl. one-time items



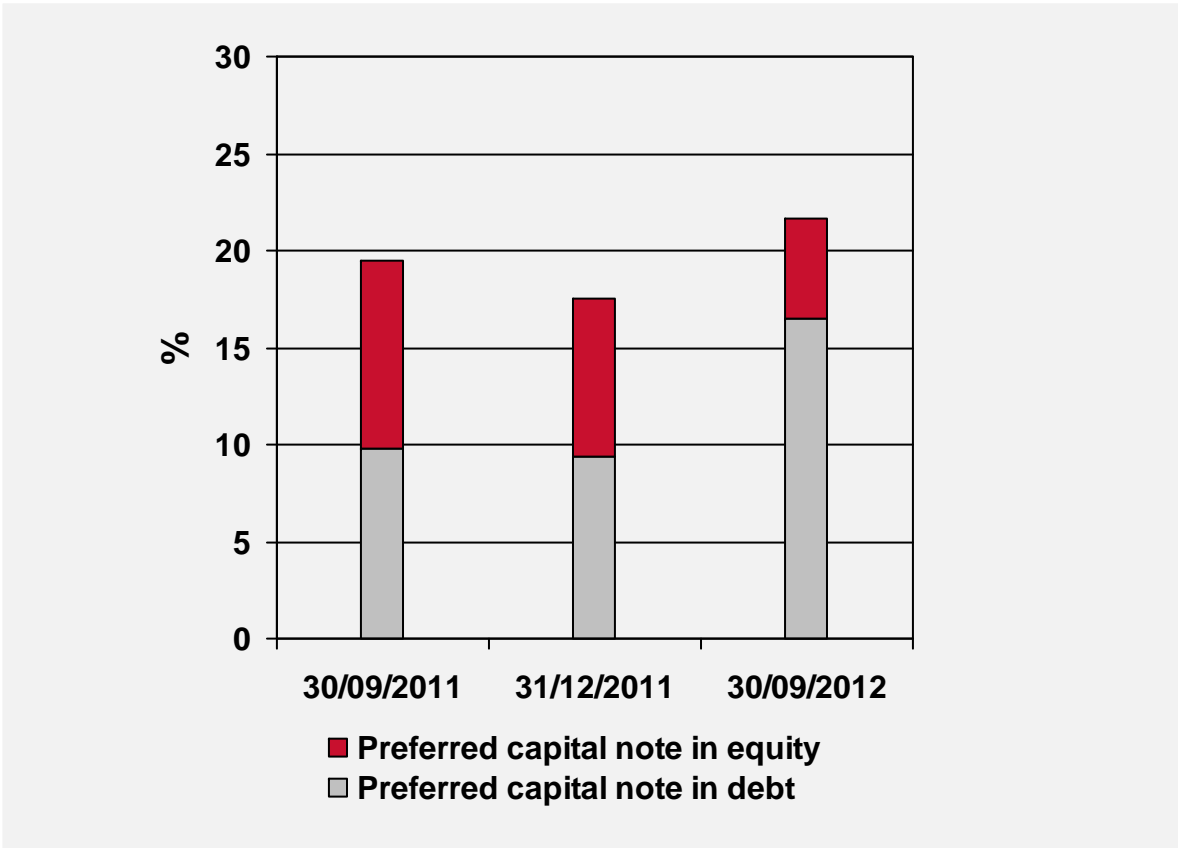
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Key ratios

	30.9.2012	30.9.2011	31.12.2011
Equity ratio, preferred capital note in equity, %	21.7	19.4	17.5
Return on equity, excluding one-time items, %	-13.9	8.8	5.1
Return on equity, %	-14.4	1.6	-5.8
Return on investment, excluding one-time items, %	6.3	10.6	10.2
Return on investment, %	6.2	8.9	7.8
Net interest bearing debt, preferred capital note in equity, MEUR	211.7	202.4	207.5
Net gearing, preferred capital note in equity, %	219.0	248.1	271.2
Order book, MEUR	86.7	103.7	99.5
Investments in production facilities, MEUR	14.3	13.0	21.8
Personnel at the end of period, including leased personnel	4,544	4,726	4,665

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Equity ratio, %



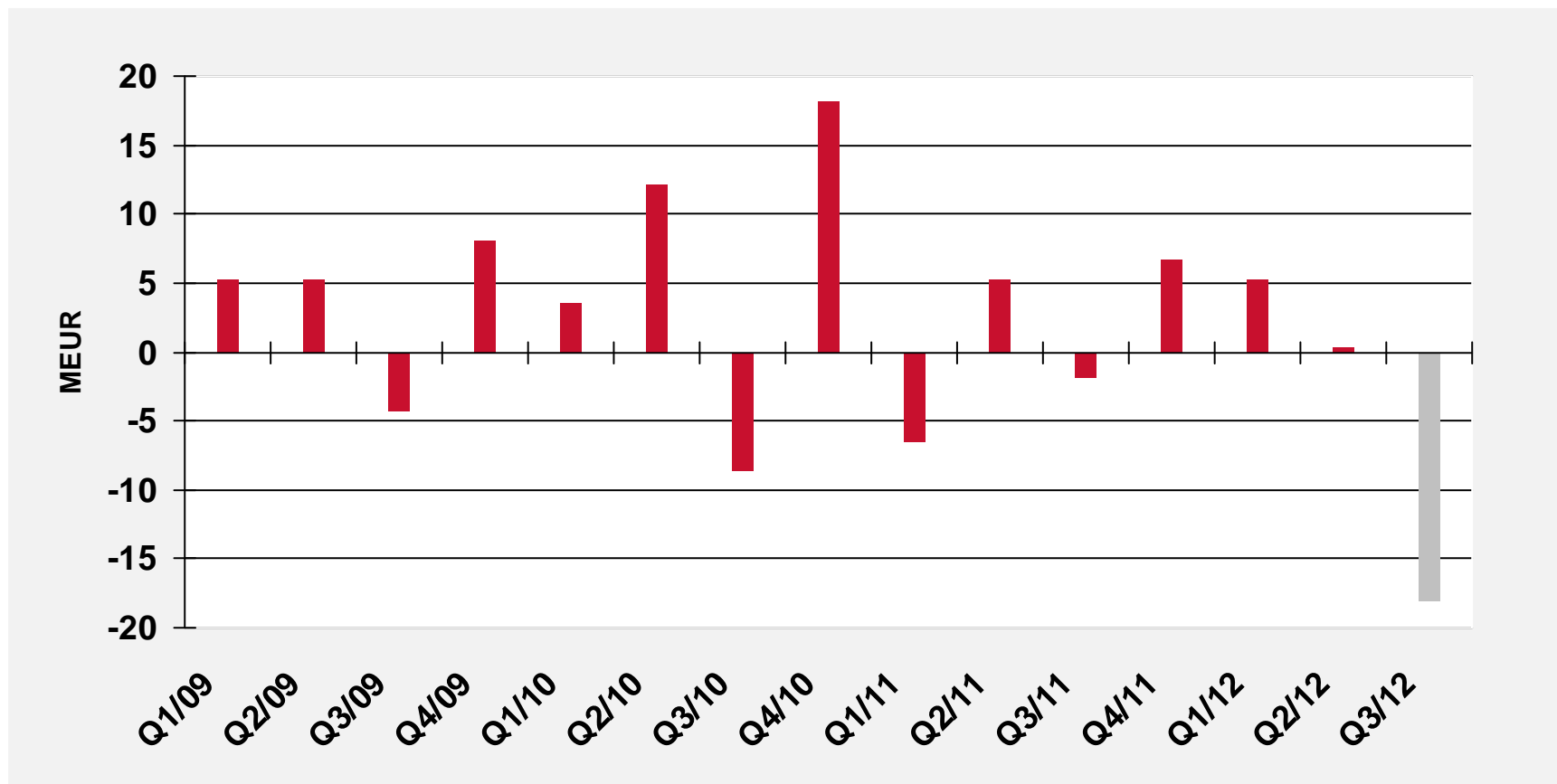
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Cash flow statement

MEUR	1-9/2012	1-9/2011	1-12/2011
Cash flow from operations before change in net working capital, financing and taxes	25.7	35.3	42.2
Change in net working capital	-15.6	-16.3	-10.0
Cash flow from operations before financing and taxes	10.1	19.1	32.2
Cash flow from operations	-12.4	-3.2	3.6
Cash flow from investments	-15.1	-10.9	-12.7
Cash flow from financing activities	-3.3	22.8	41.0
Change in liquid assets	-30.8	8.7	31.9

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Development of net cash flow from operations

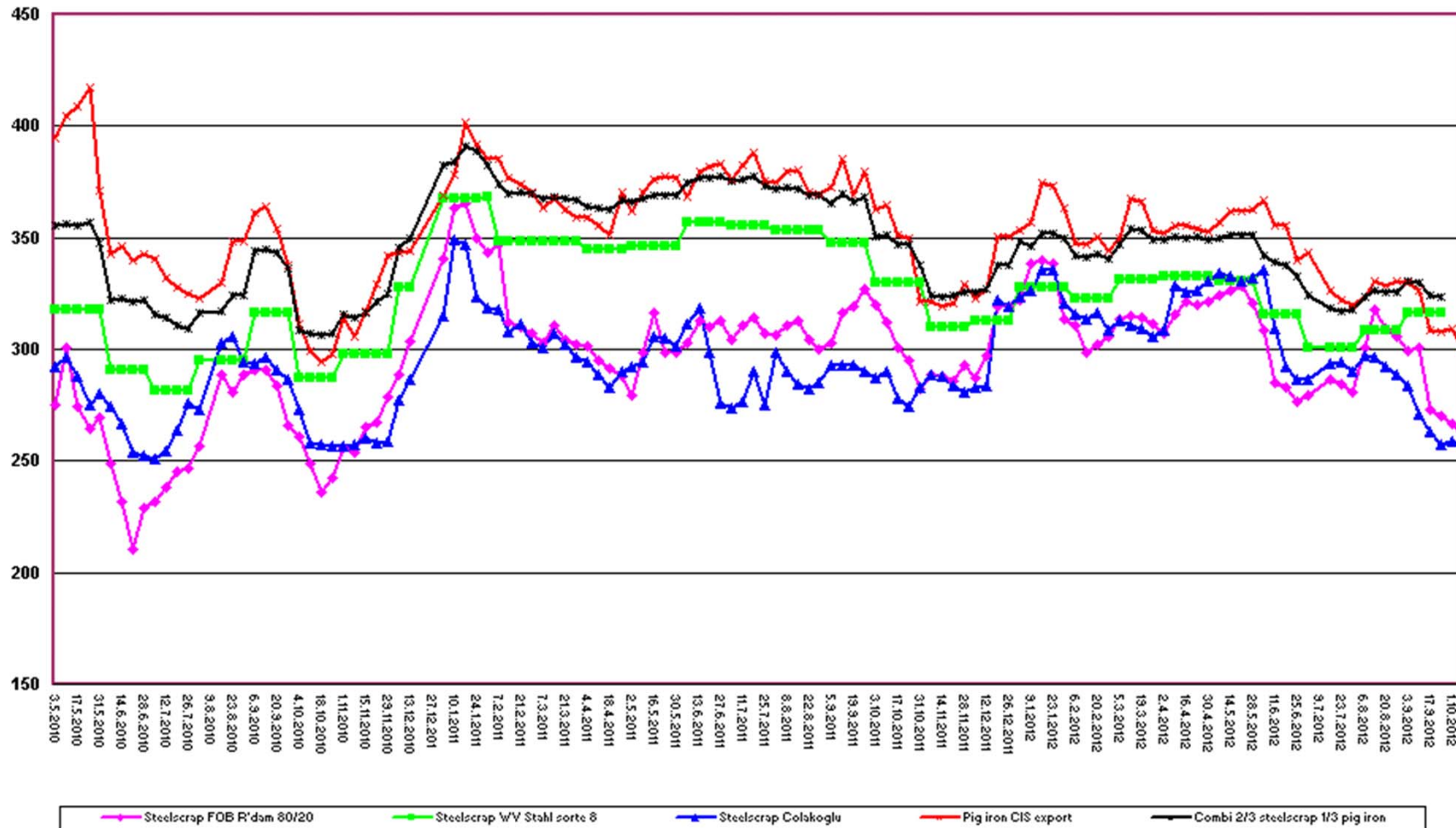


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Pig iron and steel scrap indexes

Pig iron and steel scrap indexes

Source: Metal Bulletin and VV Stahl



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Development of exchange rates Turkish lira



Source: Reuters

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Development of exchange rates Swedish krona



Source: Reuters

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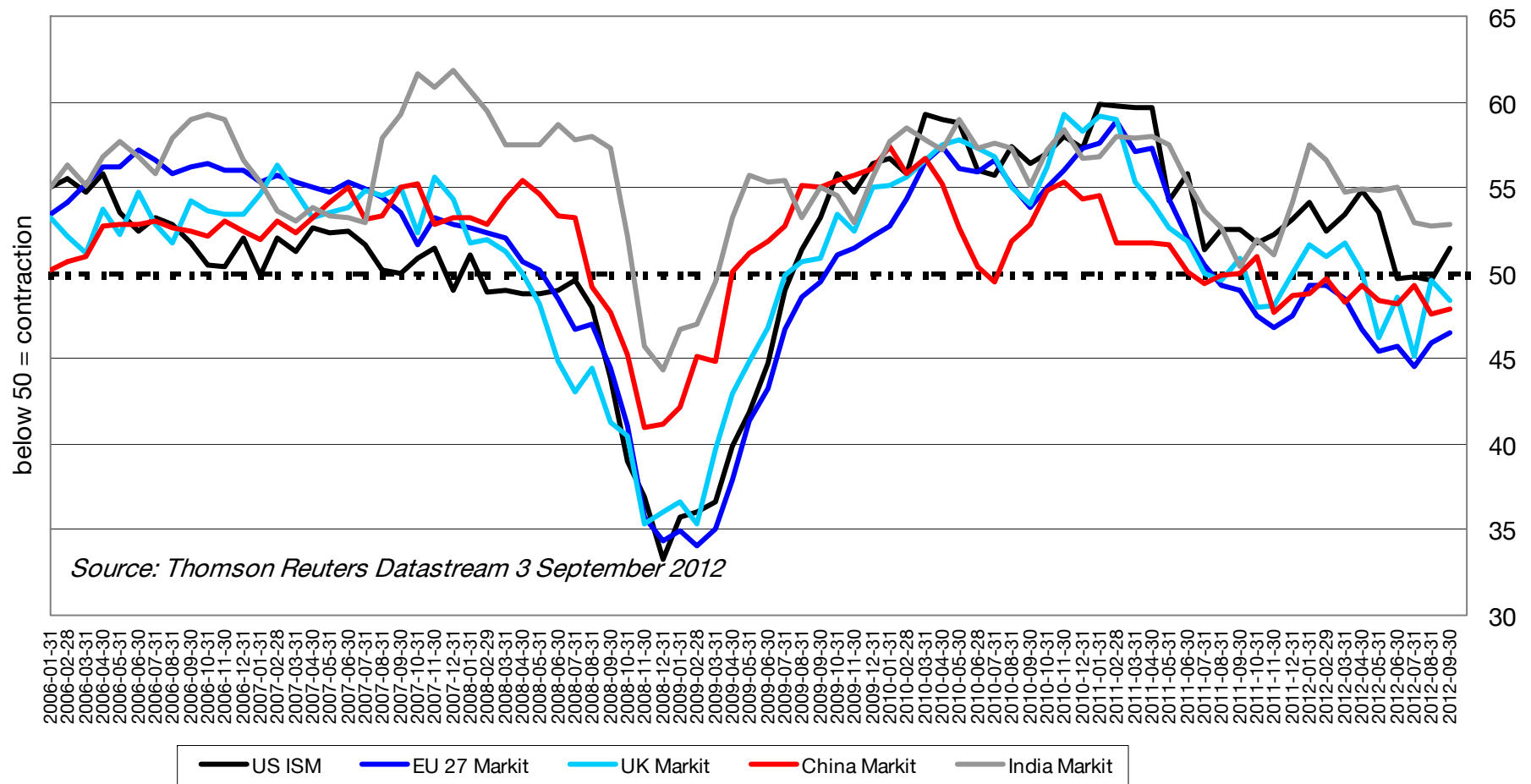
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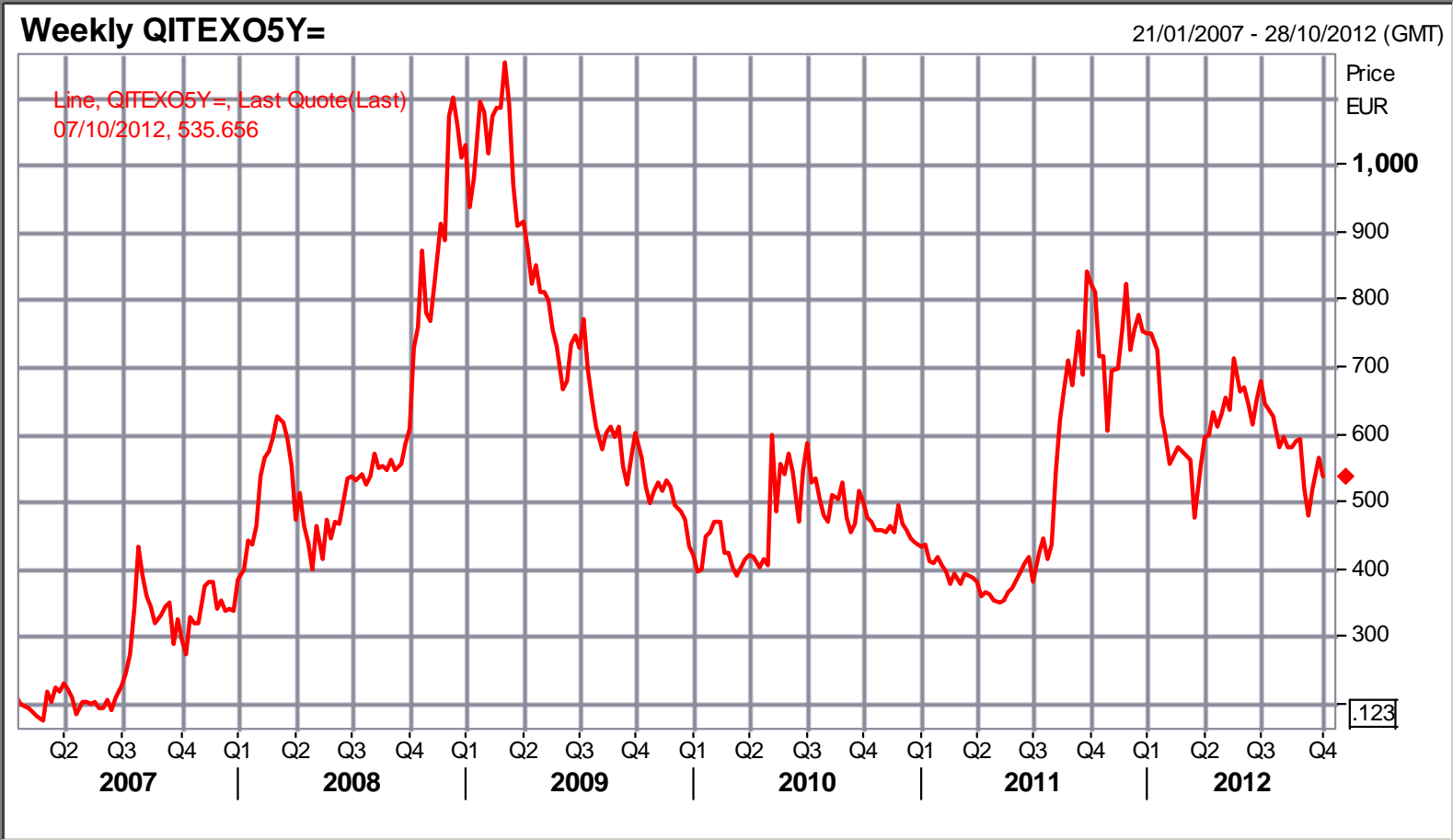
Indicators of economy

Manufacturing Purchasing Manager Indices

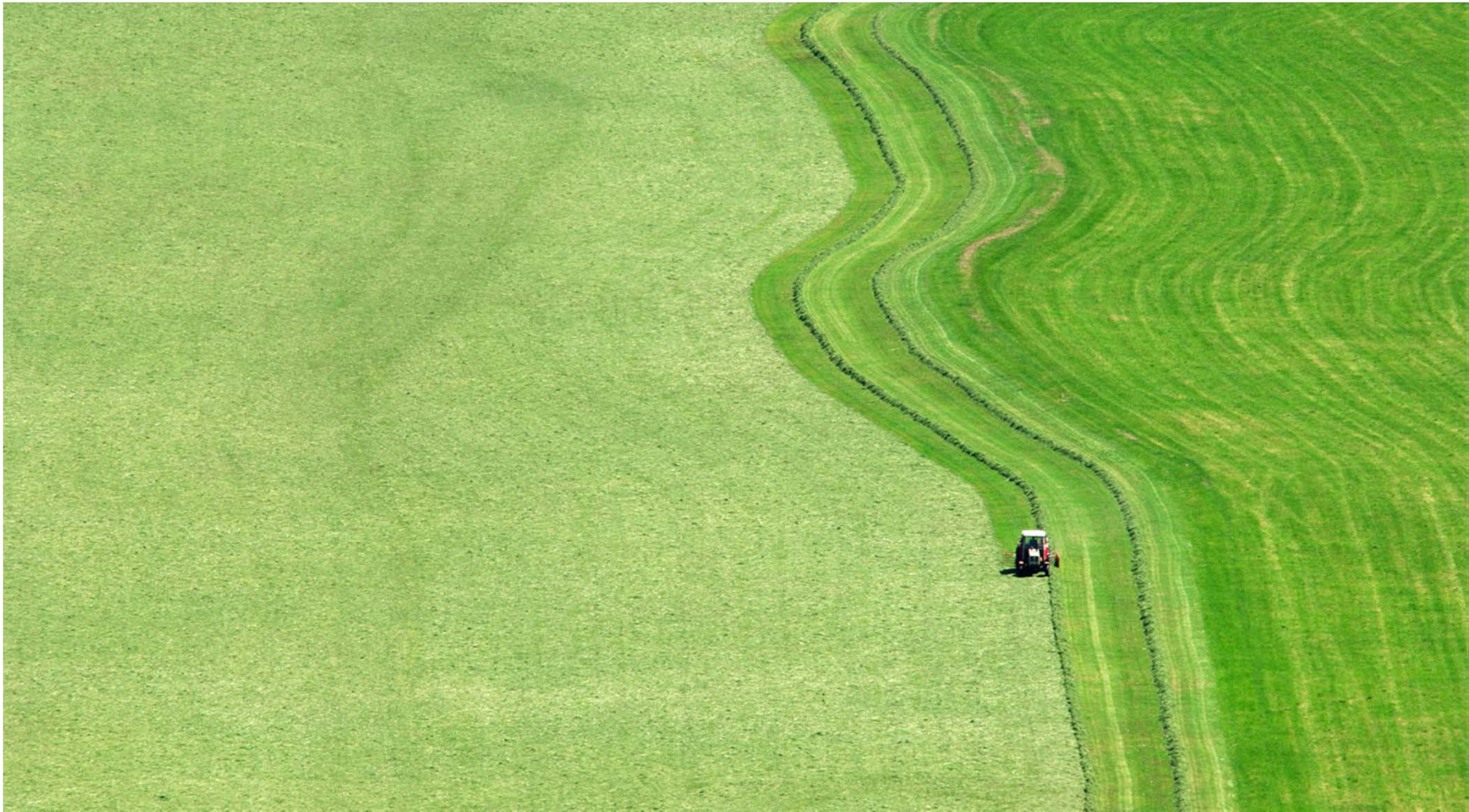


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CDS index

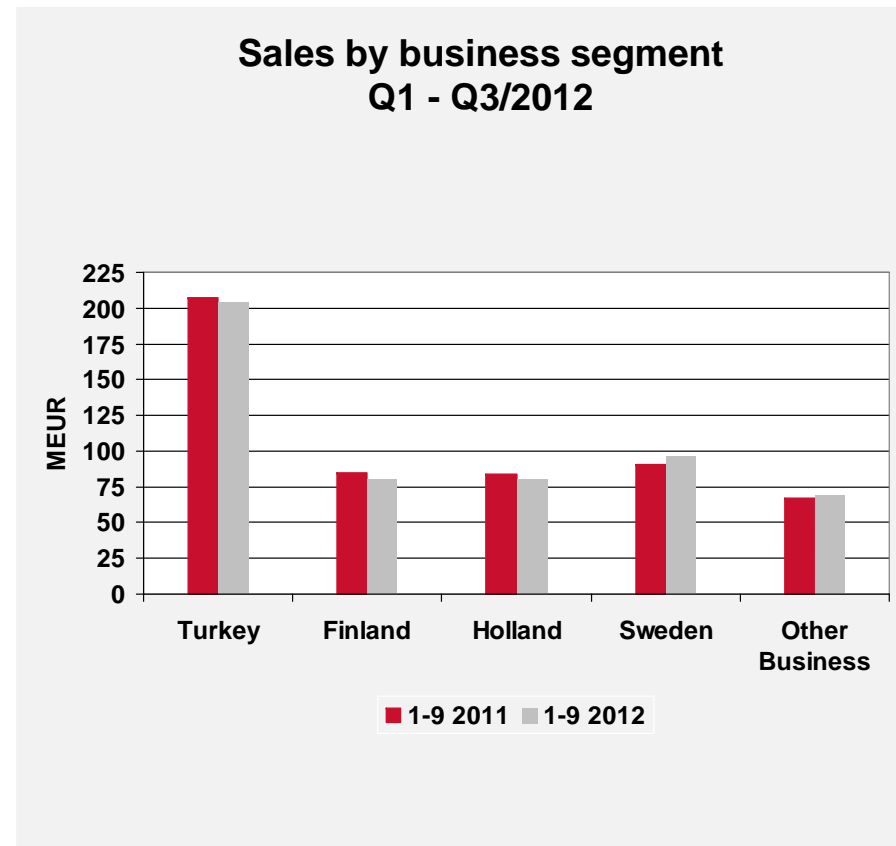
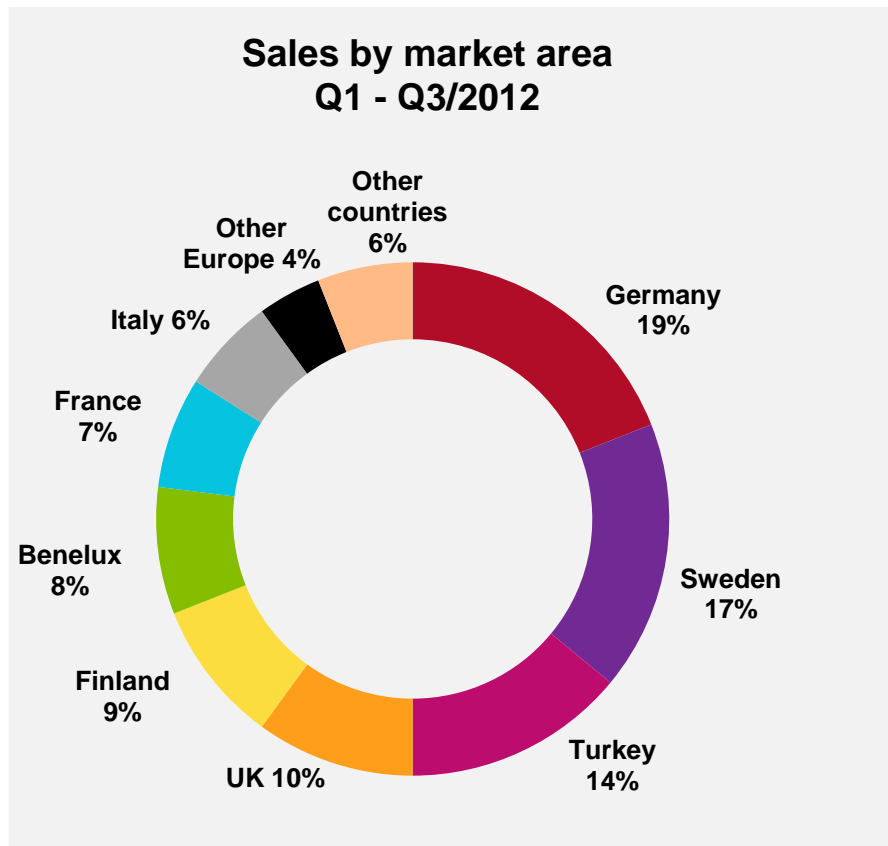


Source: Reuters



Development of sales and order book

Distribution of sales



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Sales by customer industry Q1 - Q3/2012



Heavy trucks

28%
(28%)

**Construction
and mining**

24%
(23%)

**Machine
building**

19%
(19%)

**Agricultural
machinery**

15%
(12%)

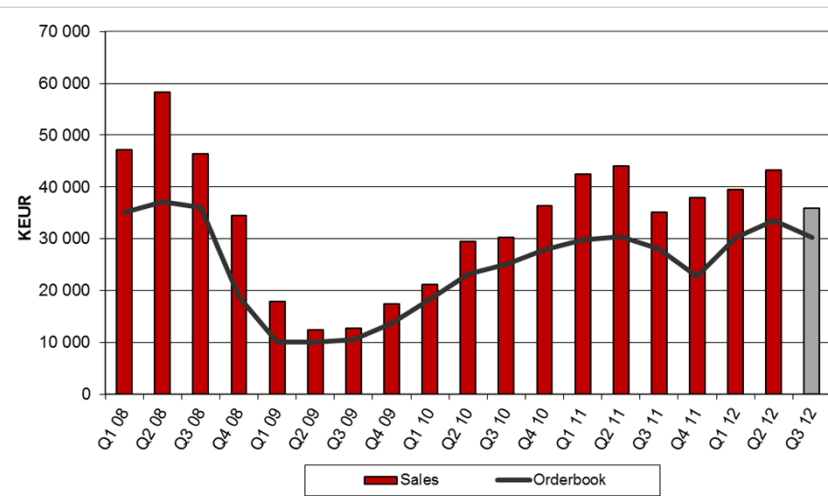
Automotive

14%
(17%)

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Development of sales and order book in heavy trucks industry

Order book
+8%



Comparable sales

”

to heavy trucks industry

in Q3/2012 increased

+2%

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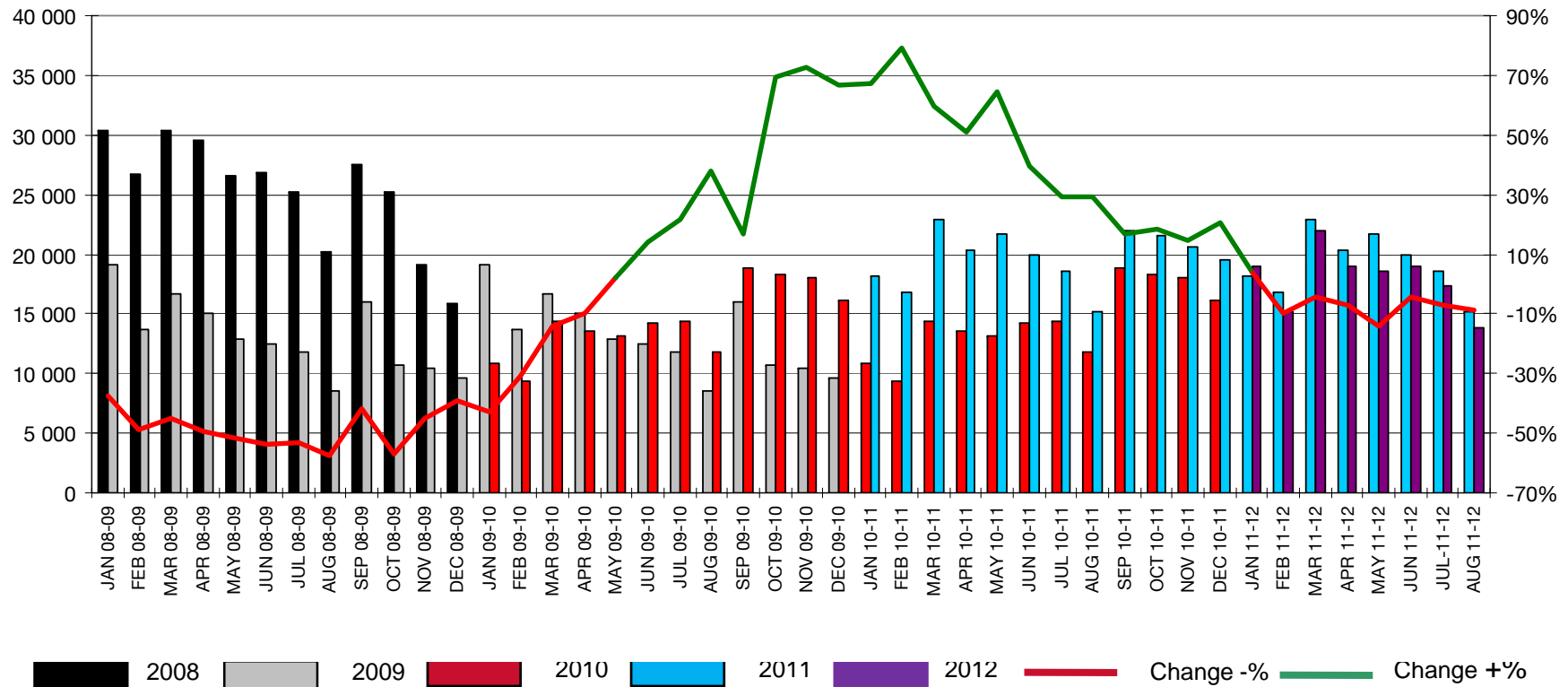
Development of supply chain in heavy trucks industry



Sources: Volvo website, ACEA

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Registrations of new heavy trucks in Europe (EU27)

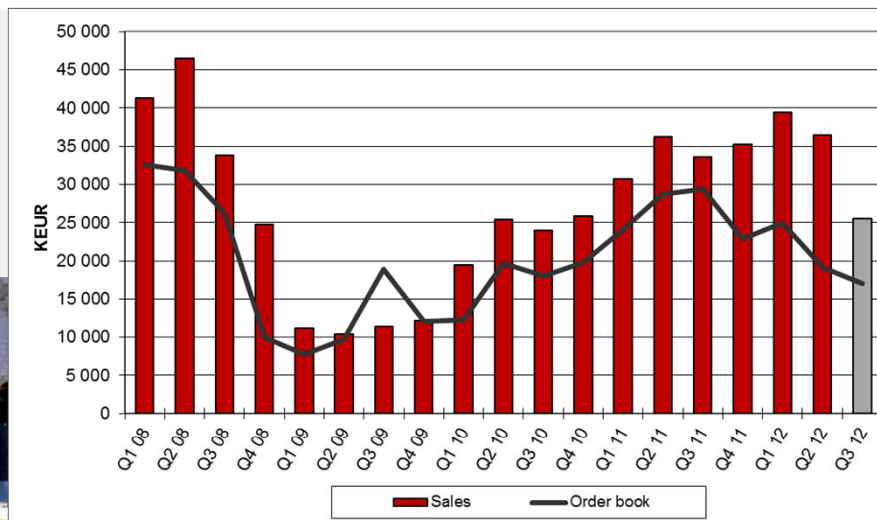


Source: ACEA

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Development of sales and order book in construction and mining industry

Order book
-42%



Comparable sales

”

to construction and mining

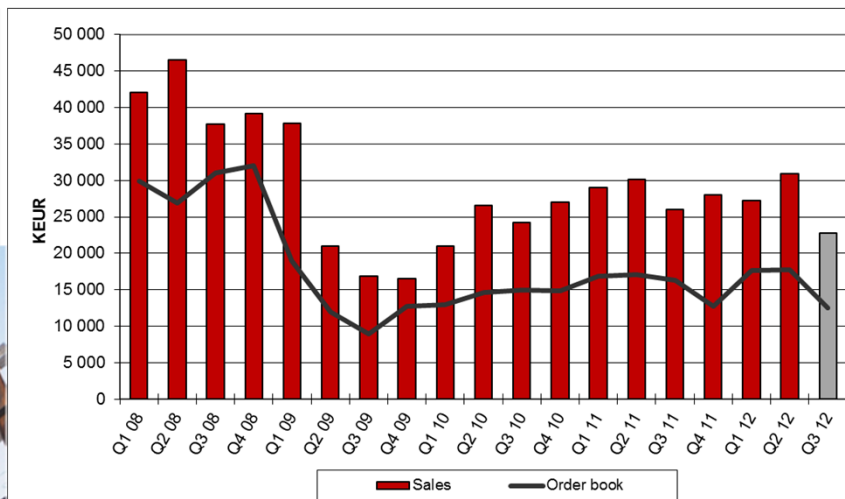
industry in Q3/2012 decreased

-24%

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Development of sales and order book in machine building industry

Order book
-23%



Comparable sales

”

to machine building industry

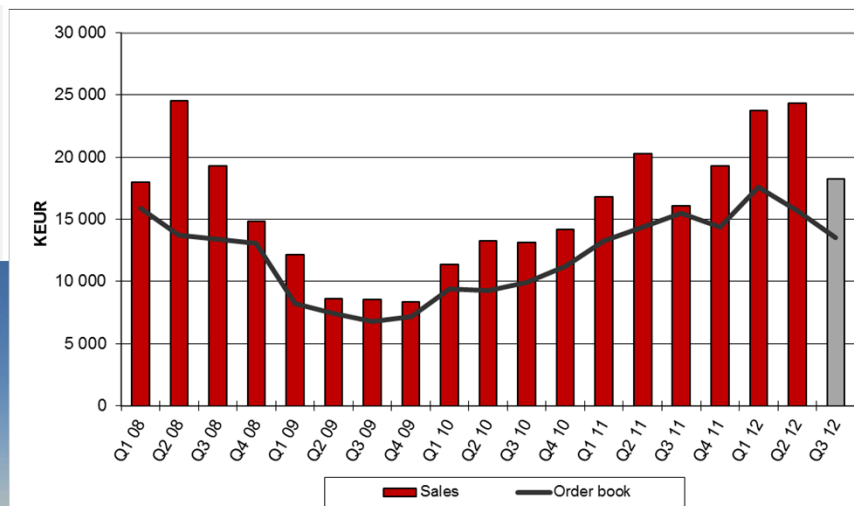
in Q3/2012 decreased

-12%

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Development of sales and order book in agricultural machinery industry

Order book
-13%



Comparable sales

”

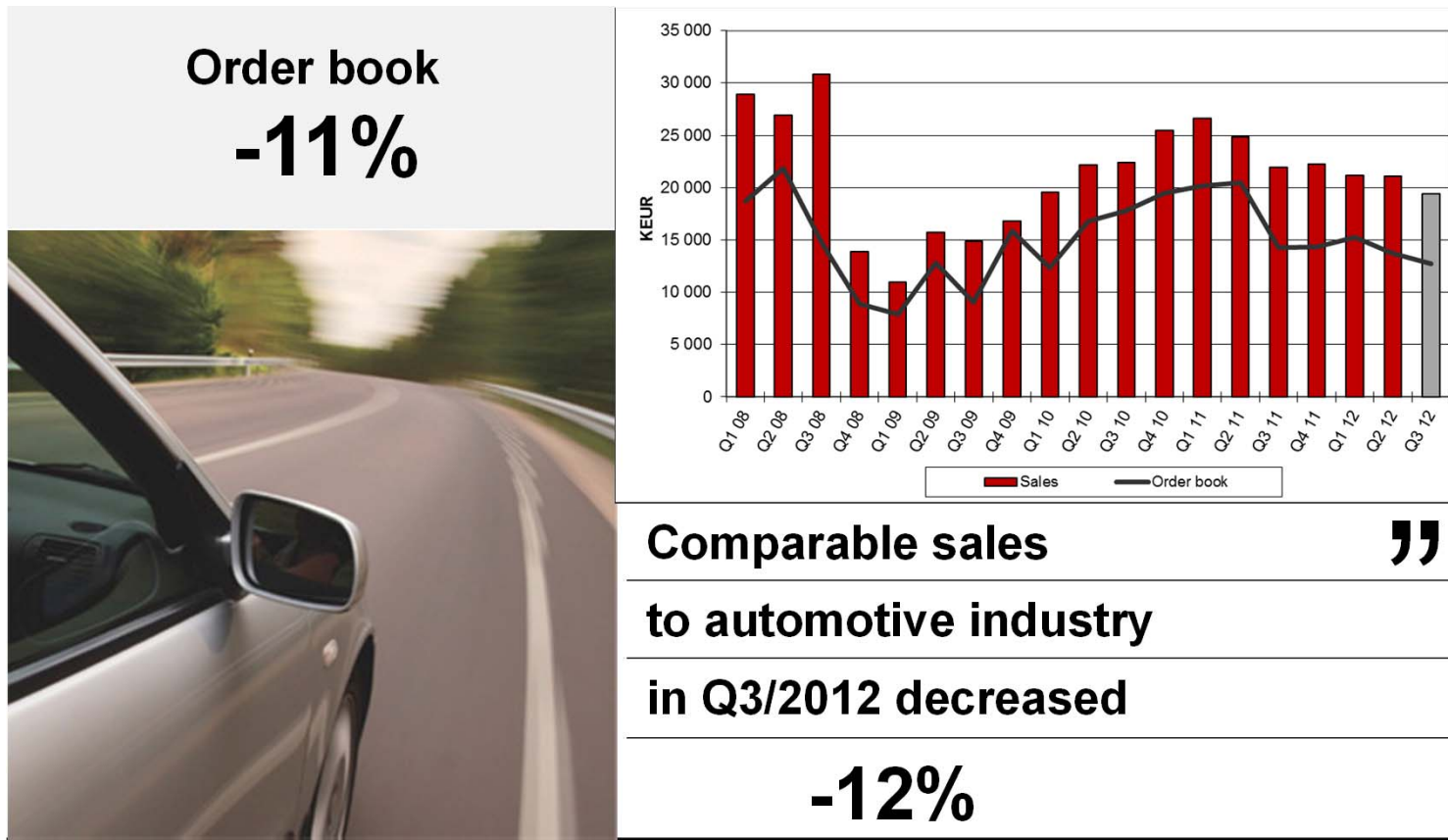
to agricultural machinery

industry in Q3/2012 increased

+13%

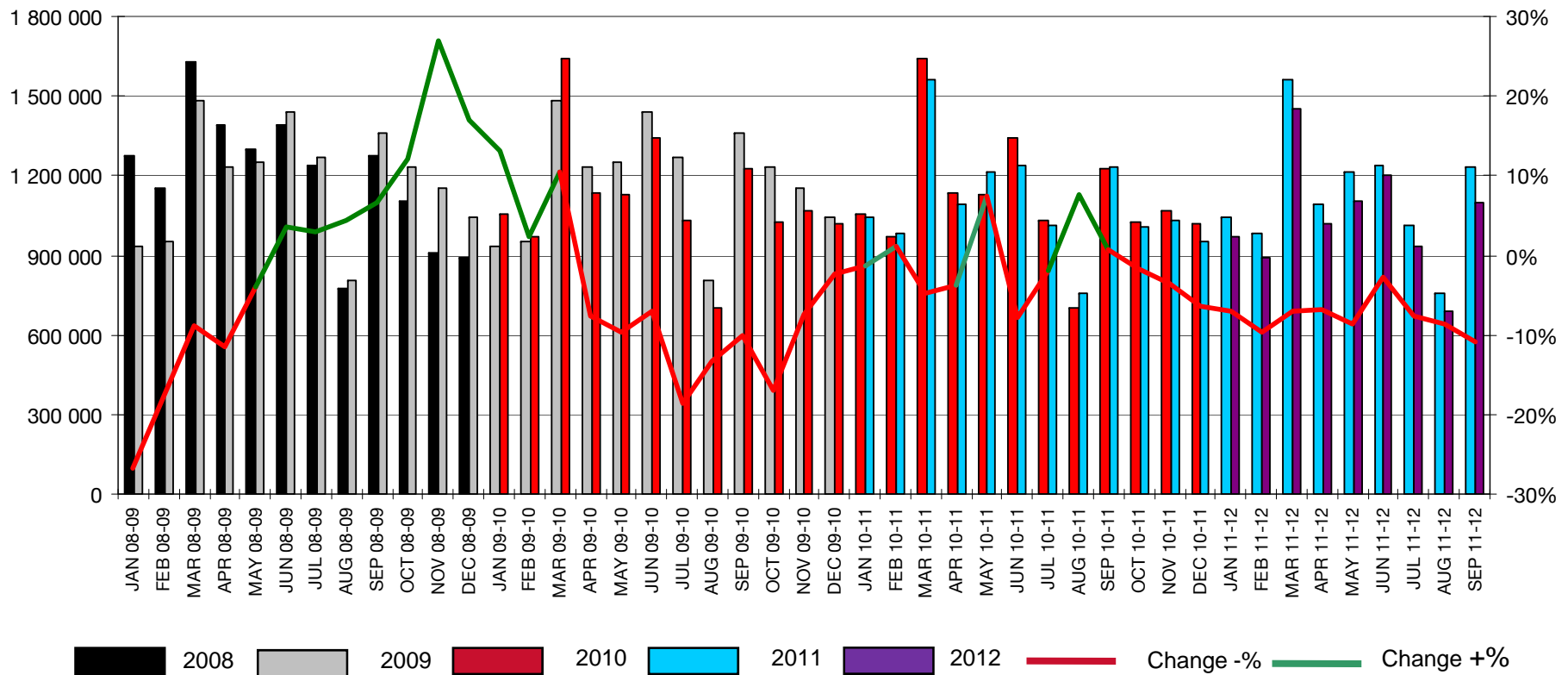
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Development of sales and order book in automotive industry



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Registrations of new passenger cars in Europe (EU27)

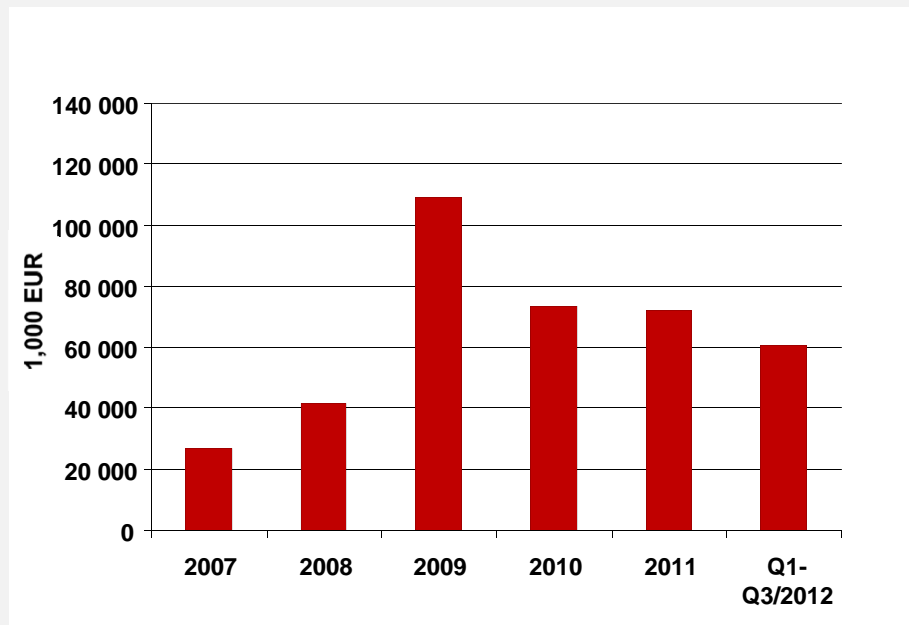


Source: ACEA

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Offers and new sales

Average monthly offers > 100,000 EUR



- The offers submitted by the Group have stayed on relatively high level.
- Componenta's new sales has clearly slowed down after favourable development in the beginning of the year.

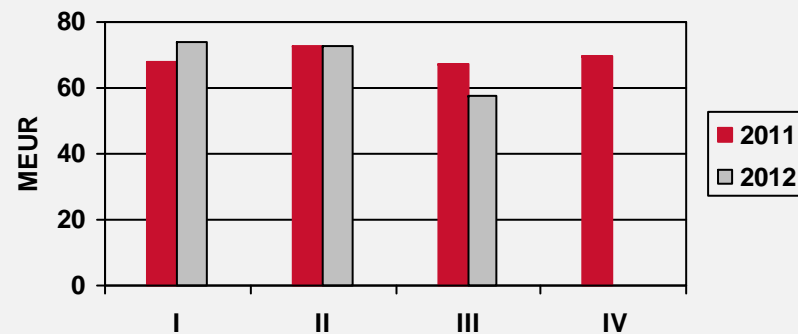


Development of business segments

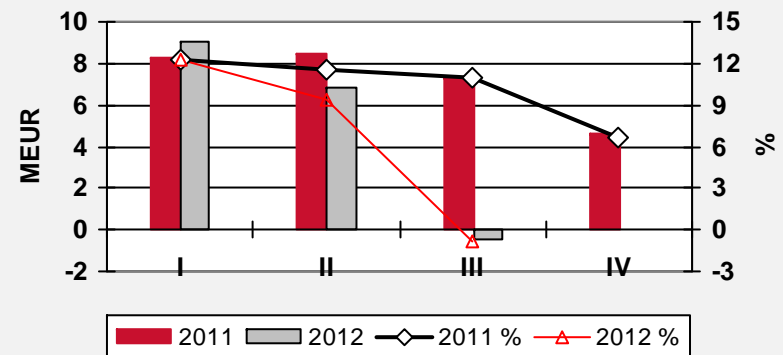
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Performance of the Turkey operations

Net sales



Operating profit excluding one-time items



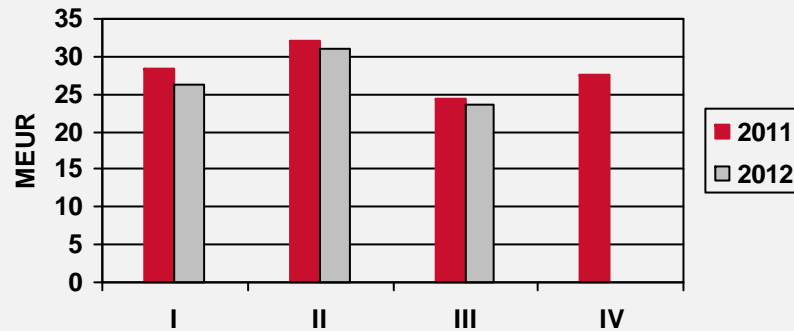
MEUR	Q1-Q3 2012	Q1-Q3 2011	Change
Order book	38.5	50.6	-24%
Net sales	204.1	207.7	-2%
Operating profit	15.3	24.1	-37%
Personnel	2,564	2,539	1%

- Q3/2012 operating profit was hit by low volumes, and poor productivity in Orhangazi foundry which also was affected negatively by the implementation of SAP enterprise resource planning system.
- In addition, the operating profit was affected by strengthened Turkish lira and clearly higher energy costs compared to previous year.

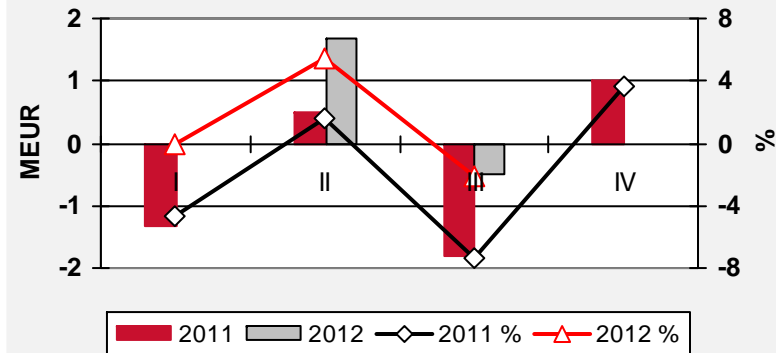
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Performance of the Finland operations

Net sales



Operating profit excluding one-time items



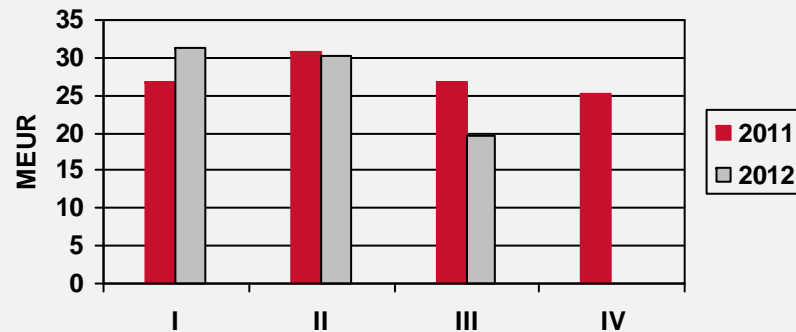
MEUR	Q1-Q3 2012	Q1-Q3 2011	Change
Order book	15.0	15.2	-2%
Net sales	80.7	85.2	-5%
Operating profit	1.2	-2.7	n/m
Personnel	898	1,011	-11%

- Operating profit improved clearly in the review period from last year mainly because two loss making business units in Finland were discontinued at the end of 2011.

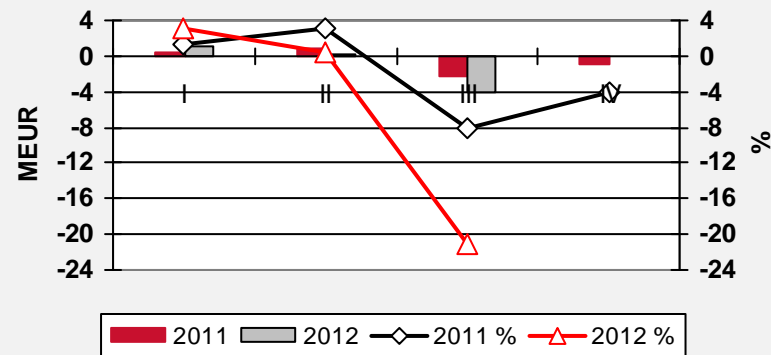
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Performance of the Holland operations

Net sales



Operating profit excluding one-time items



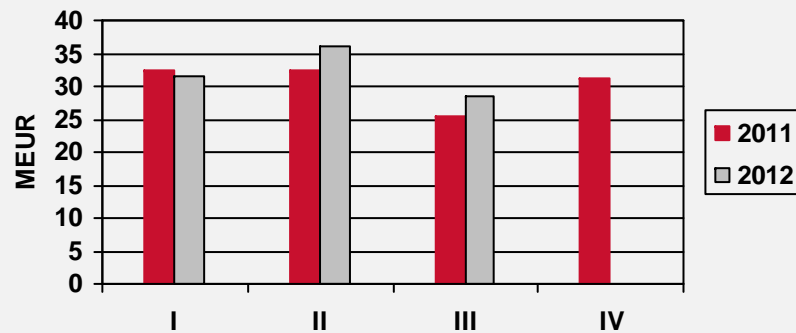
MEUR	Q1-Q3 2012	Q1-Q3 2011	Change
Order book	14.8	18.2	-18%
Net sales	81.0	84.1	-4%
Operating profit	-3.0	-0.9	233%
Personnel	664	753	-12%

- Q3/2012 operating profit declined from previous year significantly.
- Main reasons for the declined operating profit in Holland were significantly decreased volumes, poor productivity and increased maintenance costs.

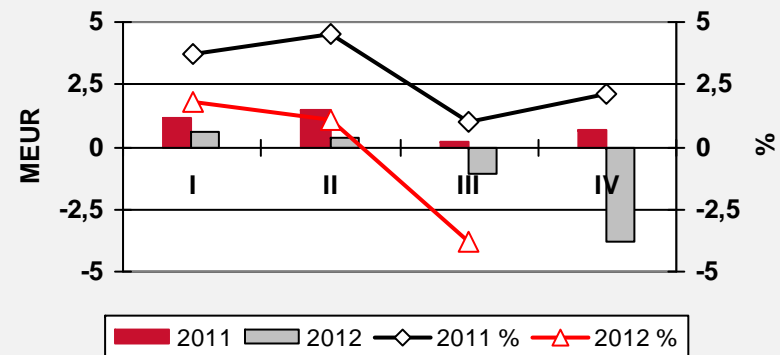
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Performance of the Sweden operations

Net sales



Operating profit excluding one-time items



MEUR	Q1-Q3 2012	Q1-Q3 2011	Change
Order book	23.7	22.9	4%
Net sales	96.3	90.3	7%
Operating profit	-0.1	2.9	n/m
Personnel	418	423	-1%

- Operating profit of the Sweden operations in the review period decreased significantly from the previous year.
- Poor productivity in Främmestad unit, significantly increased freight costs, and increased fixed costs affected the operating profit of the review period.



Events after the review period

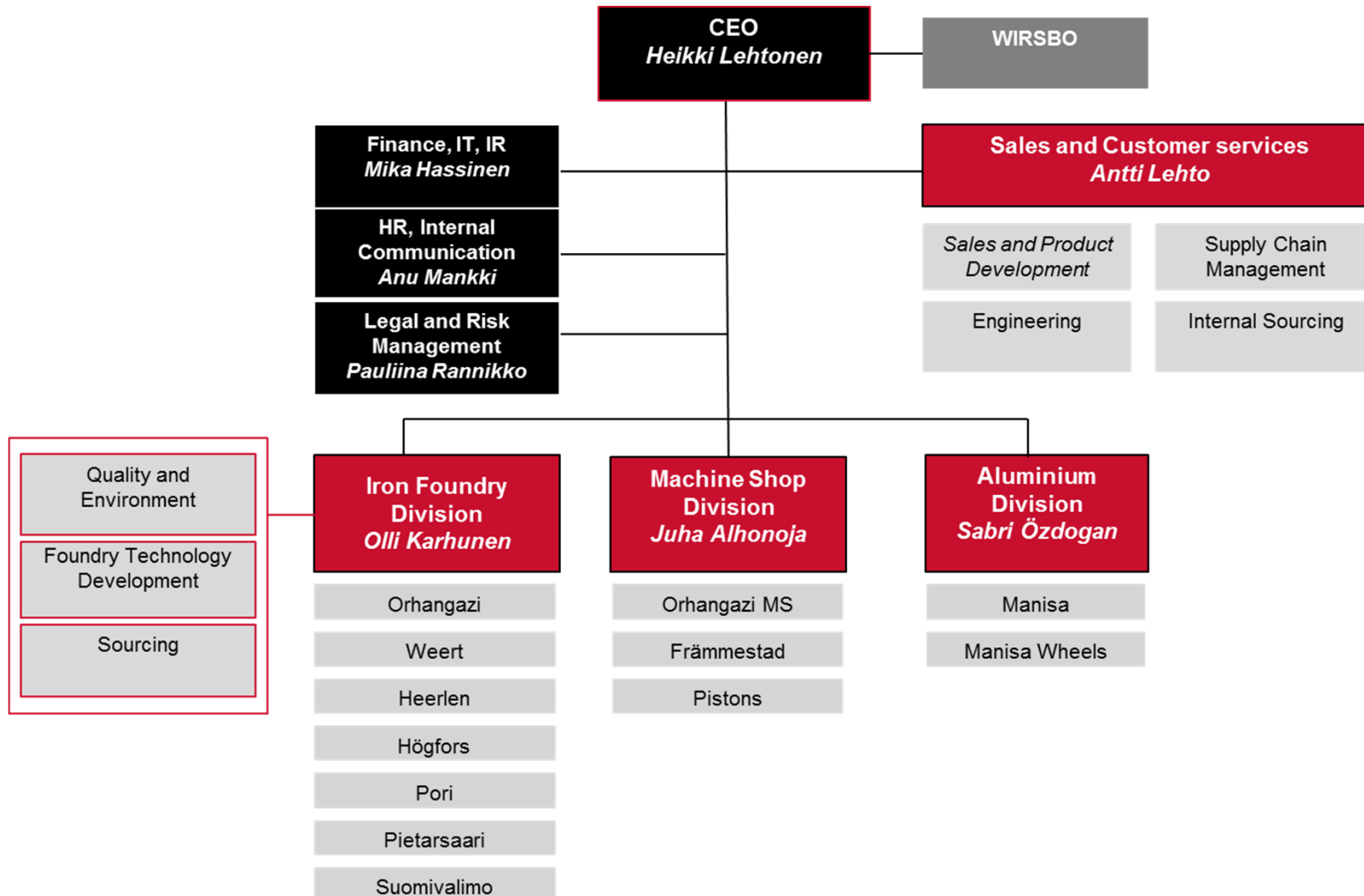
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Changes in the Group's financing and business structure

- New long-term syndicated credit facility of EUR 90 million provided by three Nordic banks
 - clarifies and stabilizes Componenta's financing
 - a positive impact on Componenta's financial costs in long term
- Start of an efficiency program to boost competitiveness and profitability
 - carrying out five sub-programs to achieve savings of EUR 25 million by 2013 - 2014
 - most of the cost savings through reducing personnel in all operating countries throughout Componenta with an estimated reduction in personnel of 550 people
- Restructure of the Group's business operations and corresponding changes in the organization and positions
 - three business divisions – Foundry Division, Machine Shops Division and Aluminium Division to replace the former business segments based on country operations
 - new responsibility areas and related appointments as well as changes in the Corporate Executive Team will come into force on 1 November 2012 and reporting according to the new way of operating as of 1 January 2013

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Componenta Way to Operate as of 1 Nov 2012





Prospects 2012

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Market outlook 2012



Demand uncertain



Demand prospects in the heavy trucks industry continue to be uncertain at the end of third quarter. At the end of September, the order book for Componenta's heavy trucks customer sector was 8% higher than at the same time in the previous year.

Demand in the heavy trucks industry is expected to be impacted by the low level of registrations of new heavy trucks during several past years which has resulted in an ageing fleet of heavy trucks and new environmental regulations coming into force in Europe at the beginning of 2014.



Demand to decrease



The order book for Componenta's construction and mining customer sector was 42% lower at the end of third quarter compared with previous year.

The customers have started to minimize their stock levels during summer and early autumn. Their production is at the moment on clearly lower level than normally.

The current drop in demand is expected to stabilize during first part of 2013.

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Market outlook 2012



Demand uncertain



At the end of the review period, the order book for Componenta's machine building customer sector was 23% lower than at the same time in the previous year.

Demand prospects in the machine building industry are uncertain towards end of the year and many customers are lowering their stocks.



Demand uncertain



The order book for Componenta's agricultural machinery customer sector was 13% lower at the end of the review period compared to the same time in the previous year. The customers have started to lower their stock levels after summer also in this customer segment.

The demand for agricultural machinery is supported by relatively high food prices.



Demand to decrease



The order book for Componenta's automotive customer sector was 11% lower at the end of the review period than at the same time in the previous year.

Demand in the automotive industry in Europe is estimated to decline 5-10% in 2012.

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Componenta's prospects in 2012

- The continuing uncertainty in the European and world economy has further decreased the demand for investment goods in Componenta's customer industries. Componenta's order book on 30 September 2012 was EUR 87 (104) million. The order book has declined in almost all customer segments and the decrease of the order book during the last quarter of the year will be impacted significantly by the adjustments to production and stocks started by many customers. Based on the order book and production estimates given by customers, Componenta's net sales in 2012 are expected to decline from the previous year.
- The operating profit excluding one-time items is expected to decline clearly from the previous year. The notable change in prospects during the third quarter is caused by clearly lower net sales estimate, the weakness of the euro against Turkish lira and Swedish krona, and structural inefficiency in the Orhangazi foundry in Turkey, in operations in the Netherlands and at the Främmestad machine shop in Sweden. The result after financial items, excluding one-time items is expected to show a clear loss.
- Componenta started an efficiency program to improve competitiveness and profitability in October. Five sub-programs are estimated to bring in savings of EUR 25 million during 2013 -2014 (corresponding to a full year impact in 2014). Most of the savings will be achieved by reducing personnel in all countries where Componenta has operations. As a result of the efficiency program the number of personnel is estimated to reduce by 550 persons in total.
- Because of the low delivery volumes during the last quarter of the year, the working capital is expected to decrease significantly. As a result, the net cash flow from operations is expected to be clearly positive on the fourth quarter.



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