

Componenta Corporation Financial Statements 1 January – 31 December 2002

Componenta Group had net sales in 2002 of EUR 180.8 million (net sales in the previous year were EUR 193.8 million, net sales declined 7%). The Group had an operating profit of EUR 7.0 (8.3) million and a loss after financial items of EUR 2.1 million (profit of EUR 2.3 million). The earnings per share were EUR 0.11 (0.77). Low sales in the first quarter and increased net financial costs reduced the Group's result from the previous year's level. The Group's equity ratio, including the preferred capital notes in equity, was 31.4 per cent (32.0%). The Board of Directors proposes to the Annual Shareholders' Meeting that a dividend of EUR 0.10 per share will be paid.

The weak performance of the global economy in 2002 coupled with increased uncertainty about demand reduced Componenta Group's sales and weakened the Group's result. In consequence of the weaker performance and the uncertainty about demand, the Group has initiated a programme to adjust cost and product structures. This is estimated to improve the Group's operating profit by more than EUR 6 million in 2003. The cost structure has been enhanced through programmes to raise productivity at individual units and by cutting fixed costs. These actions account for two thirds of the programme. The programme to adjust the product structure includes optimizing production processes and correcting unhealthy price structures.

The Group reinforced its financing structure through an issue of preferred capital note in February. The preferred capital note is effective at the latest until 2009.

Market

The year 2002 was characterized by uncertainty about developments in the global economy. Many industrial sectors had unused capacity, which reduced the need for capital expenditure by industry. However, the differences in developments between individual sectors and between individual companies were considerable.

Demand for heavy trucks in Europe continued to fall throughout 2002, and total demand was more than 10 per cent down on the previous year. Heavy truck production declined by about 6% in Europe. Componenta's delivery volumes to the heavy truck industry were six per cent lower than in the previous year. Componenta's sales followed general trends closely, despite the steps taken during the year to eliminate non-profitable products.

Demand from the energy and power transmission sector was lower in the final quarter than in the same period in the previous year. Sales were affected by changes in the product structure of wind turbine generator customers, which means that in future sales will focus on larger units. During 2002 sales increased by 3%. The purchase of Componenta Nisamo in the summer of 2001 contributed to this improvement.

Output by Nordic machinery and equipment manufacturers declined in 2002, a consequence of low demand for investments in export and domestic markets. The sector has much unused capacity. Cast and Other Components' deliveries to machine building industry fell 8% in the

final quarter of 2002 from the final quarter in 2001. Componenta's sales to machine building industry were 17% lower in 2002 than in the previous year.

Demand from European off-road manufacturers in 2002 was lower than in the previous year. Componenta's deliveries to off-road manufacturers, however, grew slightly in the final quarter compared to the same period in the previous year. For the whole year sales were 5% down on the previous year, due to the weak sales performance at the start of the year.

Changes in Group structure

In September Componenta sold the operations of metal foundry Componenta Traryd, which was not part of the core business, in an MBO to the company's operative management consisting of Chairman of the Board Antti Lehtonen, Managing Director Bo Rosengren and Finance Manager Gunnar Blomberg. The selling price was EUR 4 million. Componenta continues to participate in Traryd's business as a financier.

Net sales and order book

The Group had net sales in the January – December review period of EUR 180.8 (193.8) million. Net sales fell 7% from the previous year. The Group's order book at the end of the review period on 31 December 2002 stood at EUR 24.9 million (EUR 26.5 million on 31 December 2001). Net sales in the final quarter of the year totalled EUR 44.5 (46.2) million, a fall of 4% from the previous year.

Exports and foreign operations accounted for 72% (72%) of the Group's net sales. Net sales by market area were as follows: Finland 28% (28%), other Nordic countries 53% (52%), Central Europe 17% (18%) and other countries 2% (2%).

Net sales by customer business sector were as follows: heavy truck industry 54% (54%) of net sales, power and transmission 14% (13%), machine building 15% (16%), off-road industry 12% (12%) and other 5% (5%).

Result and financing

Componenta Group had an operating profit of EUR 7.0 (8.3) million, and a loss after financial items of EUR 2.1 million (profit of EUR 2.3 million). The result includes EUR 1.8 (1.2) million in net profit from the sale of non-current assets and other non-recurring items. The remaining amount of the negative goodwill generated in 2001 in the restructuring of the Group was recognized in the final quarter of the year. A total of EUR 2.9 (12.3) million of negative goodwill was recognized as income during the year.

The Group's net financial costs totalled EUR 9.1 (6.0) million. Financial costs increased mainly because the 2001 financial costs do not include interest on preferred capital notes (EUR 1.6 million). Another factor in the increase was the EUR 0.4 million currency exchange losses. The Group's net profit was EUR 1.0 (7.4) million.

The income taxes for the review period were EUR 3.1 (5.0) million positive. This consists partly of the reduction in deferred tax liability through the reversal of depreciation difference and partly of the change recorded in deferred tax assets for the losses for the financial year and for confirmed losses. The prudence principle was followed in recording the deferred tax assets.

Closing the Osby machine shop and the transfer of products to other Componenta units took place largely according to plan. 60% of Osby's production was transferred to other units in the Group. The costs for closing the unit were, however, EUR 0.7 million higher than had been estimated in 2001. Production was terminated at the unit in March and operations ceased entirely in May.

The Group's equity ratio was 18.2% (18.7%). The equity ratio including the preferred capital notes was 31.4% (32.0%).

The Group reinforced its financial structure in February with an issue of preferred capital note which is effective at the latest until 2009. The Group had unused committed credit facilities at the end of the year of EUR 27 million.

The Group has a EUR 40 million commercial paper programme and EUR 16.6 million of this was in use at the end of the year. The Group's net interest-bearing liabilities, excluding the EUR 28.6 million preferred capital note, totalled EUR 116.5 (112.4) million.

Cast and Other Components

The Cast and Other Components business group, which forms the Group's core business, supplies ready to install cast and machined components to heavy truck industry, power and transmission industries, machine building industry and off-road industry.

Cast and Other Components had net sales in the period January - December of EUR 148.7 (158.4) million and an operating profit of EUR 5.8 (8.7) million. The order book on 31 December 2002 stood at EUR 19.6 (22.0) million.

Net sales in the fourth quarter were EUR 36.4 (38.5) million and the operating profit was EUR 1.5 (1.1) million.

The fall of EUR 9.7 million in sales from the previous year and the restructuring actions taken had a major impact on the result for the whole year, resulting in lower capacity usage. The Alvesta unit was still loss-making, even though its result improved from the previous year.

Other Business

Componenta's Other Business consists of operations that are not part of the company's core operations, such as the Wirsbo forges, associated companies, the Group's support functions and service units, as well as divested businesses.

Other Business had net sales in January - December of EUR 32.1 (35.4) million and an operating profit of EUR 1.2 million (loss of EUR 0.4 million). The order book at the end of the year stood at EUR 5.3 (4.5) million. Net sales in the fourth quarter were EUR 8.1 (7.7) million and the operating profit was EUR 1.0 (0.0) million.

Despite weak sales at the start of the year, Componenta Wirsbo almost achieved the same level in its sales as in the previous year. Wirsbo's operative result failed to match expectations, however, and the unit was heavily loss-making. A one-time write-down of inventory in the third

quarter was an extra burden on the unit's result. A streamlining programme has been started at the unit to correct prices and to increase efficiency in the unit.

In January 2002 Componenta raised its holding in the associated company Thermia AB from 30 per cent to 36 per cent.

Componenta Group's share of the result of the associated companies was EUR 0.2 (-0.5) million. Improved operating profits by Thermia and Ulefos NV increased the Group's share and exchange rate losses at Ulefos NV reduced it.

Investments

Investments in production facilities in 2002 totalled EUR 7.9 (15.6) million. The largest of these were the expansion of Suomivalimo, new production lines at Albin and Nisamo, and the pressing line for forged components at Wirsbo, which was started in 2001 and taken in use in the summer of 2002. The Group also invested EUR 1.1 million in the shares of the associated company Thermia AB. Gross investments totalled EUR 9.8 (53.1) million. Because of its divestments the Group's cash flow for investments was EUR -5.7 million.

The Group's research and development costs are recorded as expenses for the period in which they are incurred.

Share capital and shares

Componenta Corporation's shares are quoted on the main list of the Helsinki Exchanges. At the end of the review period, the company's share capital stood at EUR 19.2 million. The share has a nominal value of 2 euros. At the end of the year the quoted price of Componenta Corporation shares stood at EUR 1.81. The lowest quoted price during the year was EUR 1.71 and the highest was EUR 2.70. The share capital had a market value at the end of 2002 of EUR 17.4 million. The volume of shares traded during the review year was the equivalent of 11.3% of the share stock.

Authorization for share issues and purchasing own shares

The company's Board of Directors has no authorization to issue shares or to purchase the company's own shares.

Preferred capital note

Componenta Corporation offered holders of the preferred capital notes issued in 1997 by Componenta's subsidiary Componenta Finance Corporation the opportunity to exchange their notes for new preferred capital note issued in February 2002 by Componenta Corporation. The preferred capital notes issued by Componenta Finance Corporation were in their entirety in the possession of Componenta Corporation by the end of March, and as a result stock exchange trading in Componenta Finance preferred capital notes also ceased in March.

The preferred capital note issued by Componenta Corporation had a principal of EUR 25.1 million and the loan period is 15 February 2002 – 19 March 2009. Annual interest is paid on the note at a rate 4% above the 12-month Euribor interest rate. The company repays 10% of the principal annually, and the first instalment was repaid on 19 March 2002. Componenta

Corporation also has the right to pay off more than 10% of the note on the annual interest payment date.

On 31 December 2002 Componenta Corporation had preferred capital note with a value of EUR 28.6 million.

Personnel

During the financial year the Group had an average of 1,705 (1,810) employees. The Group had 1,616 (1,741) employees on 31 December 2002. 52.8% (50.8%) of the Group's personnel were in Finland, 46.6% (48.7%) in Sweden and 0.5% (0.5%) in other countries.

Board of Directors and Management

Componenta's Annual Shareholders' Meeting on 12 February 2002 elected Heikki Bergholm, Antti Lehtonen, Heikki Lehtonen, Juhani Mäkinen and Olli Reenpää as members of the Board of Directors. The Board chose Olli Reenpää as its chairman and Juhani Mäkinen as its vice chairman.

Antti Lehtonen resigned from the Board of Directors of Componenta Corporation at the end of September.

Senior Vice President Yrjö Julin left to work at another company at the beginning of May and Bengt Christensson, Director of Supply Group 1, at the beginning of October. The corporate executive team of Componenta Group is formed by President and CEO Heikki Lehtonen, Lauri Huhtala, Director, Foundries, Olli Karhunen, Director, Power and Transmission, Jari Leino, Director, Sales and Marketing, CFO Sirpa Koskinen and Communications Manager Pirjo Aarniovuori.

Announcements in conformance with Chapter 2, Article 9 of the Finnish Securities Markets Act in 2002

According to a statement made on 12 July 2002, the holding of Etra-Invest Oy in Componenta Corporation exceeded 10 per cent, rising to 10.42 per cent of the shares and voting rights.

Shareholders' Meeting

The Annual Shareholders' Meeting of Componenta Corporation will be held on 12 February 2003 at 2.00 pm.

Publication of Annual Report

Componenta Corporation will publish its 2002 annual report and the Internet version of the report in week 6.

Prospects for 2003

This perception of Componenta's prospects is based on publicly available, external business cycle indicators, order forecasts given by customers and on Componenta's order intake and order book.

Uncertainty about developments in the global economy continues to postpone decisions about capital expenditure in machinery and equipment by industry. Demand is expected to be slack in 2003.

Demand for heavy truck components stopped falling in 2002. The uncertainty about general economic developments may, however, also affect demand for heavy truck components in 2003.

Judging from the order books, the first quarter of 2003 is likely to be a weak period for wind turbine components due to a seasonal trend. Demand is expected to pick up in the second quarter.

Demand in Nordic machine building industry remained weak at the end of 2002 and any recovery in growth will probably be further postponed, even though demand is expected to have stopped falling. The Group's deliveries to European off-road manufacturers increased in the final quarter of the year and this positive trend is expected to continue in the first part of 2003.

Thanks to the restructuring programme initiated in 2002, in the first quarter of 2003 the Group's cost structure will be EUR 1 million lighter than in 2002.

Componenta Group's net sales in the first quarter of 2003 should be at the same level as in the corresponding period in the previous year and the operating profit is expected to improve.

Income statement

M€	1.1.-31.12.2002	1.1.-31.12.2001
Net sales	180.8	193.8
Other operating income	3.1	4.1
Share of the associated companies' result	0.2	-0.5
Operating expenses	167.7	184.1
Depreciation, amortization and write-down	12.3	17.3
Negative goodwill recognized as income	-2.9	-12.3
Operating profit	7.0	8.3
<i>% of net sales</i>	3.9	4.3
Financial income and expenses	-9.1	-6.0
Profit/loss after financial items	-2.1	2.3
<i>% of net sales</i>	-1.2	1.2
Income taxes	3.1	5.0
Minority interest	0.0	0.0
Net profit	1.0	7.4

Balance sheet

M€	31.12.2002	31.12.2001
Assets		
Non-current assets		
Intangible assets	3.4	4.3
Group goodwill	1.8	-
Tangible assets	127.3	131.9
Investments	16.8	15.2
Total non-current assets	149.2	151.4
Current assets		
Inventories	20.2	20.5
Receivables	45.6	42.8
Cash and bank accounts	2.9	1.7
Total current assets	68.8	65.1
Total assets	218.0	216.5
Liabilities and shareholders' equity		
Shareholders' equity		
Share capital	19.2	19.2
Other equity	18.5	19.2
Preferred capital note	28.6	28.7
Total shareholders' equity	66.3	67.1
Minority interest	2.1	2.1
Negative goodwill	-	0.7
Provisions	-	2.0
Liabilities		
Non-current liabilities		
Interest bearing liabilities	75.8	80.0
Interest free liabilities	0.0	0.0
Current liabilities		
Interest bearing liabilities	43.7	34.1
Interest free liabilities	30.1	30.4
Total liabilities	149.6	144.6
Total liabilities and shareholders' equity	218.0	216.5

Consolidated cash flow statement 1.1.-31.12.

M€	2002	2001
Cash flow from operations		
Profit/loss before extraordinary items	-2.1	2.3
Depreciation, amortization and write-down	9.4	5.0
Net financial income and expenses	9.1	5.0
Other income and expenses, adjustments to cash flow	-3.5	2.4
Change in net working capital	1.6	7.8
Cash flow from operations before financing and income taxes	14.4	22.5
Net financial income and expenses	-7.9	-3.9
Income taxes	0.0	-0.1
Cash flow from operations	6.5	18.6
Cash flow from investing activities		
Capital expenditure in tangible and intangible assets	-7.0	-23.6
Proceeds from tangible and intangible assets	3.6	1.0
Other investments and loans granted	-2.4	-3.5
Proceeds from other investments & repayments of loan receivables	0.0	14.4
Cash flow from investing activities	-5.7	-11.8
Cash flow from financing activities		
Dividends paid	-1.4	0.0
Share issue	-	1.2
Draw-down (+)/ repayment (-) of preferred capital note	-2.6	6.0
Draw-down (+)/ repayment (-) of current loans	9.5	-13.9
Draw-down (+)/ repayment (-) of non-current loans	-5.0	1.7
Cash flow from financing activities	0.4	-5.0
Increase (+)/ decrease(-) in cash and bank accounts	1.2	1.7

Key Ratios

	2002	2001
Change in net sales, %	-6.7	-14.1
Operating profit, % of net sales	3.9	4.3
Equity ratio, %	18.2	18.7
Equity ratio, %, preferred capital note in equity	31.4	32.0
Equity ratio, %, preferred capital note and negative goodwill in equity	31.4	32.3
Return on equity, %	2.5	20.0
Invested capital at period end, M€	187.8	186.0
Return on investment, %	4.4	5.6
Net interest bearing debt, M€	116.5	112.4
Net interest bearing debt, M€, preferred capital note in debt	145.1	141.1
Net gearing, %, preferred capital note in debt	365.0	348.0
Net gearing, %, preferred capital note in equity	170.5	162.3
Net gearing, %, preferred capital note and negative goodwill in equity	170.5	160.8
Order book, M€	24.9	26.5
Share of export and foreign activities in net sales, %	72.0	72.0

Investments in non-current assets, M€ (*)	9.8	53.1
Investments in non-current assets, % of net sales	5.4	27.4
Average number of personnel during the period	1,705	1,810
Number of personnel 31.12.	1,616	1,741

*) Investments in year 2001 include the acquisition of Componenta Finance Corporation shares.

Per Share Data

	2002	2001
Number of shares at period end, 1,000 shares	9,615	9,615
Earnings per share (EPS), € (*)	0.11	0.77
Equity per share, €	3.92	4.00
Dividend per share, € (**)	0.10	0.15
Payout ratio, %	94.73	19.58
Effective dividend yield, %	5.52	6.98
P/E multiple	17.15	2.81
Share price at period end, €	1.81	2.15

*) For the year 2001 calculated with the number of shares at year end.

***) For the year 2002 the proposal of the Board of Directors.

Contingent liabilities

M€	2002	2001
Mortgages		
For own debts	14.7	16.1
General charges		
For own debts	16.9	15.8
Pledges		
For own debts	9.7	2.7
Guarantees		
For associated companies	-	0.0
	41.3	34.6
Other own commitments	12.5	14.5
Leasing commitments		
Next year	0.8	0.8
In more than one year	2.4	1.2
	15.7	16.4
Secured liabilities		
Liabilities secured with mortgages		
Loans from financial institutions	16.0	13.9
Loans from pension funds	14.4	16.8
Other interest bearing current liabilities	-	0.6
	30.4	31.2
Liabilities secured with pledges		
Loans from financial institutions	6.8	1.3
Loans from pension funds	2.4	1.3
	9.2	2.7

Derivative instruments

M€	31.12.2002		31.12.2001	
	Nominal value	Current value	Nominal value	Current value
Interest derivatives				
Interest rate swaps	21.0	-0.5	27.2	0.1
Currency derivatives				
Forward exchange agreements	37.6	0.0	47.1	-1.0
Currency swaps	3.0	0.0	0.6	0.0

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

Group development by business group

Net sales (M€)	1.1.-31.12.2002	1.1.-31.12.2001
Cast and Other Components	148.7	158.4
Others and internal sales	32.1	35.4
Componenta Group total	180.8	193.8

Operating profit (M€)	1.1.-31.12.2002	1.1.-31.12.2001
Cast and Other Components	5.8	8.7
Others and internal sales	1.2	-0.4
Componenta Group total	7.0	8.3

Order book at period end (M€)	2002	2001
Cast and Other Components	19.6	22.0
Others and internal sales	5.3	4.5
Componenta Group total	24.9	26.5

Group development by quarter

(M€)	Q4/2002	Q3/2002	Q2/2002	Q1/2002	Q4/2001	Q3/2001	Q2/2001	Q1/2001
Net sales	44.5	39.1	50.1	47.1	46.2	39.8	51.5	56.3
Operating profit	2.5	0.3	3.1	1.1	1.1	-0.6	4.0	3.8
Net financial items	-2.4	-2.2	-2.4	-2.1	-0.6	-1.8	-1.7	-1.9
Profit/loss after financial items	0.1	-1.9	0.7	-1.0	0.6	-2.5	2.3	1.9

Quarterly development by business group

Net sales (M€)	Q4/2002	Q3/2002	Q2/2002	Q1/2002	Q4/2001	Q3/2001	Q2/2001	Q1/2001
Cast and Other Components	36.4	32.4	41.1	38.8	38.5	33.1	41.6	45.2
Others and internal sales	8.1	6.7	9.0	8.3	7.7	6.7	9.9	11.1
Componenta Group total	44.5	39.1	50.1	47.1	46.2	39.8	51.5	56.3

Operating profit (M€)	Q4/2002	Q3/2002	Q2/2002	Q1/2002	Q4/2001	Q3/2001	Q2/2001	Q1/2001
Cast and Other Components	1.5	-0.4	3.3	1.4	1.1	0.2	3.7	3.6
Others and internal sales	1.0	0.7	-0.2	-0.3	0.0	-0.8	0.3	0.2
Componenta Group total	2.5	0.3	3.1	1.1	1.1	-0.6	4.0	3.8

Order book at period end (M€)	Q4/2002	Q3/2002	Q2/2002	Q1/2002	Q4/2001	Q3/2001	Q2/2001	Q1/2001
Cast and Other Components	19.6	22.5	23.8	22.9	22.0	26.3	25.9	27.0
Others and internal sales	5.3	5.9	6.1	5.3	4.5	5.4	5.1	6.5
Componenta Group total	24.9	28.4	29.9	28.2	26.5	31.7	31.0	33.5

Componenta Corporation Largest registered shareholders on December 31, 2002

Shareholder	Shares	Share of total voting rights %
1 Lehtonen Heikki	3,681,731	38.29
Lehtonen Heikki	3,336,731	
Helsingin Santapaperi Oy	340,000	
Oy Högfors-Trading Ab	5,000	
2 Etra-Invest Oy Ab	1,001,800	10.42
3 Ilmarinen Mutual Pension Insurance Company	457,600	4.76
4 Sampo Group	437,800	4.55
Sampo Life Insurance Company Ltd	237,800	
If Insurance Company Ltd	200,000	
5 Inkinen Simo-Pekka	287,644	2.99
6 Svenska Handelsbanken	286,200	2.98
7 Lehtonen Anna-Maria	178,823	1.86
8 Local Government Pension Institution Finland	150,000	1.56
9 Federation of Finnish Metal Engineering and Electrotechnical Industries MET	122,600	1.28
10 Lehtonen Yrjö M	121,040	1.26
11 Alfred Berg Finland Investment Fund	95,100	0.99
12 Bergholm Heikki	90,000	0.94
13 Finnish National Fund for Research and Development (Sitra)	87,000	0.90
14 Lehtonen Antti	83,000	0.86
15 Alfred Berg Optimal Investment Fund	77,000	0.80
16 Other shareholders	2,457,971	25.56
Total	9,615,309	100.00

The members of the Board of Directors own 39.3% of the shares. All shares have equal voting rights. The members of the Board of Directors hold 8.1% of the outstanding warrants. If all the warrants were converted to shares, the holding of shares by the members of the Board of Directors would decrease to 37.5%.

Componenta's subsidiary Componenta Finance Corporation will publish its own financial statements at a later date.

Helsinki, 24 January 2003

COMPONENTA CORPORATION
Board of Directors

Heikki Lehtonen
President and CEO

Further information:

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Componenta is a metal sector company with international operations and production plants located in Finland and Sweden. The company's net sales exceed EUR 180 million and the group employs about 1,700 people. Componenta's shares are quoted on the Main List of the Helsinki Exchanges. The group's customers operate in the heavy truck, power and transmission, machine building and off-road industries. Componenta specializes in supplying ready-to-install cast, geared and machined components directly to the customer's assembly line.

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