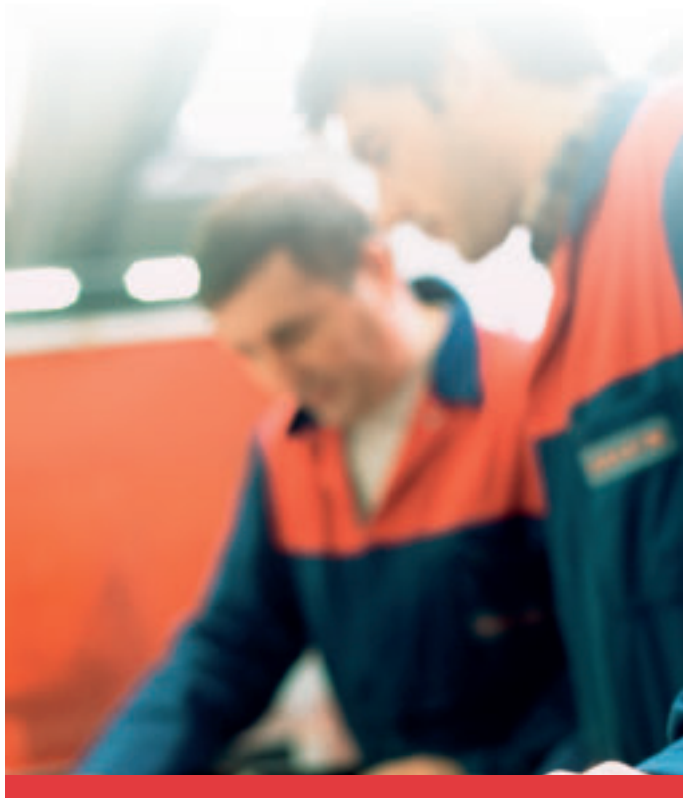


# COMPONENTA

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Annual Report 2006



Casting Future Solutions

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## Information for shareholders

Componenta's Annual Report 2006 is available as a printed report and as a flash version which can be read on the Internet. On the company's web pages there is also a printable pdf format of the Annual Report. Componenta will publish its 2006 environmental report during the first half of 2007.

During the past few years Componenta has increasingly switched its investor communications to the Internet. Publications and releases are available immediately after their release date on the Internet at the address [www.componenta.com](http://www.componenta.com). Releases can be ordered from that address direct to the receiver's email. A printed version of publications can be ordered by telephone at +358 10 403 2701 or by e-mail at [ir.componenta@componenta.com](mailto:ir.componenta@componenta.com).

The Annual General Meeting of Componenta Corporation will be held on 26 February 2007 at 1.00 pm at company's head office, address Sato-talo, Panuntie 4, 00610 Helsinki.

In 2007 Componenta Corporation will publish interim reports in Finnish and English as follows:

- January - March on 24 April 2007
- January - June on 17 July 2007
- January - September on 16 October 2007

The press conferences to be held when the interim reports are published will be webcast simultaneously on our Internet pages.

Componenta is a metal sector group of companies with international operations that manufactures cast, machined and surface-treated, ready-to-install components and total solutions made up from these. The Group's customers are companies with global operations in the heavy truck and automotive, machine building and off-road, and power and transmission industries. The components supplied by Componenta are often strategic parts in the products of its customers.

Componenta creates added value for its customers through close R&D partnership. Specialized production units and efficient supply chains, management of the production process and logistics expertise enable the Group to supply products just in time, direct to the customer's assembly line.

29% of the Group's sales are in the Nordic countries, 67% in other European countries and 4% in other countries.

Componenta's production plants – foundries, machine shops and forges – are located in Finland, the Netherlands, Sweden, and Turkey. The Group's head office is in Helsinki. The Group has net sales of EUR 617 million and employs approx. 5,250 people. 22% of personnel work in Finland, 50% in Turkey, 16% in the Netherlands and 12% in Sweden.

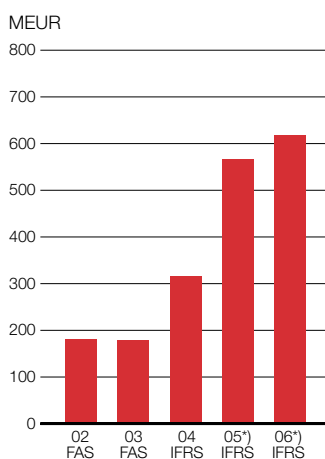
Componenta shares are quoted on the Helsinki Exchanges.

### Key figures

	Pro forma		
	31.12.2006	31.12.2006	31.12.2005
Net sales, MEUR	616.9	362.1	343.2
Operating profit excl. one-time items, MEUR	40.4	14.9	6.6
Net result, MEUR	12.2 *)	3.5	2.5
Earnings per share (EPS), EUR	1.26 *)	0.36	0.26
Return on equity, %	20.7	6.0	4.2
Return on investment, %	11.4	6.6	5.0
Order book, MEUR	101.0	101.0	60.4
Investments in non-current assets, MEUR	131.2	123.6	25.1
Personnel including leased personnel	5,249	2,628	2,429

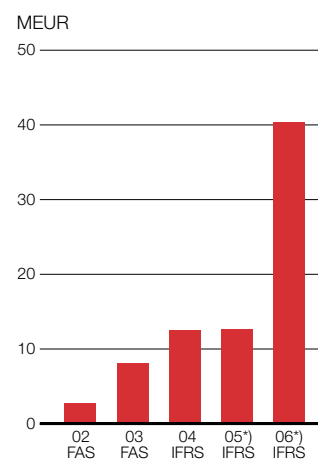
\*) Excluding one-time items

### Componenta net sales 2002 - 2006, MEUR



\*) Pro forma

### Componenta operating profit excluding one-time items 2002 - 2006, MEUR



\*) Pro forma

## Group strategy



## Componenta's mission is Casting Future Solutions.

### Business definition:

Componenta supplies competitive value-adding cast component solutions to European and North American customers in heavy truck, off-road, machine building and power & transmission industries. Our operations are based on specialized production units and efficient supply chains.

### Values

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

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

### Strategic goals

Componenta's strategic goal is that by 2010 we are the market leader in advanced cast components in Europe.

- We provide value-added to our customers through
  - Product development and advanced engineering
  - Creating new applications and multifunctional solutions
  - Ready-to-install cast components
- We are organized as a specialized network with efficiently performing business units and business chains
  - Capable people with clear targets and responsibilities
  - Unified processes and procedures
  - One Componenta with uniform operations
- We have improved our profitability and decreased the risks relating to business cycles by balancing our production capacity by
  - Double tooling which enables us to cast components in two of our production units
  - Effective sourcing

- We have effectively utilized growth opportunities primarily from our current customer base and added
  - Turnover
  - Profitability
  - Value-added
- We are the market leader in Europe and are supplying our customers globally

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

### Financial objectives

- Return on investment (ROI) to be between 10 and 20 per cent over the economical cycle
- Profitable organic growth based on adding value by increasing share of engineering and customers outsourcing operations
- Equity ratio on the level of 40 per cent
- Dividend 30 - 50 per cent of result

### Dividend policy

Componenta's goal is to pay a dividend of 30 – 50 % of the net result. The Board of Directors takes into account the Group's financial performance, financial structure and growth expectations when making its dividend proposal.

#### Rauta- ja Metallivalimo Suomi (RMS)

Matti Lehtonen with his partner established a foundry in Helsinki.

#### Niemen Foundry

Foundry specializing in manhole covers is now part of associated company Ulefos NV

#### Santasalo-Gears

Gear factory was sold to Metso in 1999

#### Främme stad Mek, Sweden

Today machine shop  
Componenta Främme stad

1918

1975

1984

1985

1987

1988

1991

#### Suomivalimo

Foundry moved to Iisalmi, operates under the name Componenta Suomivalimo

#### Högfors Foundry

Today Componenta Karkkila foundry

#### Rosenlew Foundry

Today Componenta Pori foundry

## Strategic steps 2006

*The guiding principle behind Componenta's operations is the strategic goal of becoming the leading supplier of advanced cast components in Europe by 2010. The year 2006 was a time of raising efficiency in the Group's operations and improving customer satisfaction. During the first half of the year the work continued of running in the new machines acquired the previous year to boost competitiveness and raise capacity and of stabilizing production processes. These, coupled with the Group's stronger operational structure and expert personnel form the foundation for the company's profitable operations and for generating more added value for customers. Towards the end of the year the core business was strengthened and expanded through an acquisition.*

### Business expansion

In 2006 Componenta's major investment towards implementing the strategy was the purchase of a majority of the shares in Turkish foundry company Döktas. Through the acquisition of Döktas, Componenta became the second largest independent supplier of cast components and advanced solutions in Europe. The transaction was completed in December 2006.

### Improving productivity

In September 2006 Componenta divided its business into two divisions, Foundries and Machine Shops. Following this change all the foundries and machine shops are both under their own joint management. The purpose of the change is to optimize operations throughout the Group and through this to improve international competitiveness and productivity. Reporting in accordance with the new structure will be started in 2007.

The operations of the Componenta Pori machine shop and Lempäälä-based Componenta Nisamo were merged, and machine shop operations ended in Pori. The merger aims at ensuring the greater efficiency offered by a larger unit size and long-term competitiveness.

### Organization changes

Componenta's organization was reinforced during the spring and summer with the appointment of several key persons to corporate management and in the business units. The sales area responsibilities were also streamlined, and new responsible persons were appointed in the sales regions Nordic and Central Europe. Local business unit organizations were strengthened with new personnel and by reallocating responsibilities.

### Obtaining equity

In connection with the purchase of the shares of Döktas, Componenta issued two capital loans. The capital notes for professional investors obtained EUR 14,166,000 and the convertible capital notes issued to the general public EUR 19,695,600 in equity financing to finance the Group's strategic acquisition. The capital notes for professional investors was subscribed in full and the maximum amount of the convertible capital notes issued to the general public was raised because of oversubscription.

#### Santasalo-JOT

Santasalo-Gears and JOT-Companies merged to form Santasalo-JOT Group

1993

#### Componenta Industri, Sweden

Company still operating is machine shop Componenta Albin

1997

#### Asko Components

Pietarsaari foundry operates as Componenta Pietarsaari and the machine shop under the name Componenta Pietarsaari MS. The forge in Sweden in today Componenta Wirsbo

2000

#### Santasalo-JOT > Componenta

Group name changed to Componenta Corporation

2001

#### Nisamo machine shop

Componenta Nisamo operates in Lempäälä, Finland

2004

#### De Globe, The Netherlands

Componenta B.V.'s foundries function under the names Componenta Weert, Componenta Heerlen Furan and Componenta Heerlen HWS

2006

#### Döktas A.S., Turkey

Döktas's iron foundry in Orhangazi and aluminium foundry in Manisa merged with Componenta in December 2006

## President's review



**Heikki Lehtonen**  
*President & CEO*

## Componenta rises to new size-category

The purchase of Turkish foundry company Döktas in 2006 made Componenta the second largest independent supplier of cast components in Europe. Componenta and Döktas had combined net sales in 2006 of EUR 617 million and 5,250 employees.

The purchase of Döktas was a logical step towards Componenta's goal of being the leading company in the sector in Europe by 2010. The previous major acquisition in line with this strategy was the purchase of De Globe in the Netherlands in 2004. The strategy also involves divesting non-core business with the aim of expanding the cast component business. At the same time the Group has raised the productivity and competitiveness of its existing production with ongoing development.

The significant increase in company size through the purchase of Döktas opens up many new opportunities to develop the Group. Above all it increases the competitiveness of the combined

Group, thanks for example to purchasing synergies and the possibility of optimizing production. Döktas is also a major supplier of cast components to the automotive industry and in this way complements Componenta's offering in an important customer sector. It is estimated that combining operations will give synergy benefits of about EUR 10 million by 2008.

Following the purchase of Döktas, Componenta is the only independent supplier in the cast component market in Europe that has significant production both in western Europe and in a lower-cost country. This will give the Group good flexibility during different economic situations in the future and make it stronger in product groups where competition is most intense.

The increase in capacity also enables the Group to compete for even larger deliveries as partner to customers with global operations. The Group's potential here is boosted in particular because

Döktas' foundries are technically very modern and their standard is fully comparable to that of Componenta's other foundries. It is also possible to raise capacity at Döktas with only small investments.

The purchase of Döktas took place in a very favourable economic climate. Demand in all the company's customer sectors was strong, so the financial performance of foundries and machine shops was positive. In the Foundries division, the impact of the investments made at Heerlen in the Netherlands and Karkkila in Finland in 2005 started to be felt. Developments at Heerlen were encouraging throughout the year and towards the end of the year Karkkila made faster progress as well. The Machine shops division continued its consolidation and automation of production during the year. Componenta's net sales rose and the result improved during 2006, but despite the good progress made, the overall financial performance is still not good enough. The

integration of Döktas into the Group will make a major contribution to raising the financial performance.

As from the beginning of 2007 Componenta has three divisions, Foundries, Machine shops and Döktas. The change in structure will streamline the management of operations and will give greater potential for optimizing production to meet customer needs. The divisions share centralized sales and R&D functions, which are a key element in Componenta's competitive edge. The core of sales and R&D is formed by the Customer Product Centers, whose services form a unique strength in developing cooperation with customers.

Another means used to improve the Group's financial results is by further consolidating production so as to obtain the benefits of high volumes. Increasing unit size gives greater potential for boosting production efficiency and productivity than at smaller separate units. This is the goal for example in merging

*“The increase in company size boosts the Group's competitiveness. The company is looking for benefits by combining purchasing functions and optimizing production.”*

the operations of the Componenta Pori machine shop and Componenta Nisamo, which took place in the second half of 2006.

Prospects in 2007 for Componenta's customer sectors are good. Production volumes in the heavy truck industry are expected to remain high. Demand is also expected to remain strong in the machine building, off-road and power and transmission industries. This gives Componenta a good start for its operations in 2007.

The biggest challenge in 2007 is integrating Döktas into the Group's operations. Döktas' modern production methods and efficient operations are a big help

in this. A firm foundation for building internal cooperation is given by Componenta's strong values: openness, honesty and human orientation, which combines trust and mutual respect.

I would like to thank our shareholders, personnel, customers and other partners for successful work together in 2006.

Heikki Lehtonen  
President & CEO

## Customer industries

### Heavy trucks



For the heavy truck industry Componenta manufactures ready-to-install components used in the chassis, engine, axles, transmissions and brakes. The company offers customers all parts of the supply chain, from product design and manufacturing to surface treatment, painting and pre-assembly.

In 2006 the heavy trucks business accounted for approx. 28% of Componenta's pro forma net sales. Customers included DAF, DaimlerChrysler, Iveco, MAN, Scania, Volvo/RVI, Wabco, ZF.

### Off-road



Customers in the off-road industry include manufacturers of tractors, forklifts, forest machines, combine harvesters, excavators and dumpers, to whom Componenta supplies various components for engines, power transmission, drives and chassis.

The business area accounted for approx. 31% of Componenta's pro forma net sales in 2006. Customers include Agco Fendt, Bomag, BT products, Carraro, Case, Caterpillar, Dynapac, JCB, John Deere, Knorr Bremse, New Holland, Ponsse, Same Deutz, Sisu Axels, Sisu Diesel, Valtra, Volvo CE and Üzel.

### Machine building



For the machine building industry the company manufactures various machine and equipment parts such as rope and travel wheels, housings and casings, gearwheels and frames. The components supplied are often of strategic importance to customers, such as parts used in elevators and robots, various crane and hoist components, and demanding cast products for pumps, stone crushers and hydraulic motors.

The business area accounted for approx. 10% of Componenta's pro forma net sales in 2006. Customers include ABB, Asko Cylinda, Atlas Copco, Burrow & Smith, Dana Traction, Gardner Denver, Ingersoll-Rand, KCI, Kone, Linde, Sampo Hydraulics, Voith, Powertrain and ThyssenKrupp.

### Power and transmission



Customers in the power and transmission business area include manufacturers of large electric motors and diesel engines and of industrial gears and wind power gears. Componenta supplies them with motor frames and pistons and parts for transmissions and gear boxes.

The business area accounted for approx. 8% of Componenta's pro forma net sales in 2006. Customers include ABB, Caterpillar, Kawasaki, Mahle, Moventas, Sulzer Pumps and Wärtsilä.

### Cars and light trucks



The company supplies manufacturers of cars and light trucks with a wide range of different iron and aluminium cast components and aluminium wheels. The business area accounted for approx. 20% of Componenta's pro forma net sales in 2006. The biggest customers are Haldex, Fiat, Ford, NCB, Peugeot, Renault, Toyota and Woco.

## Group structure





# Sales and R&D work together

*Componenta's sales and R&D departments work closely together to produce optimal customer solutions. Customer Product Centers form the core for collaborating with customers, providing customers with service through a sales organization focused on specific industrial sectors.*

Componenta's customer service is centralized in Customer Product Centers (CPC), which possess specialized expertise in customer management, logistics, management of product projects, and R&D. The Centers effectively utilize Componenta Group's specialized production units. A high priority in their operations is rationalizing the manufacture of existing products in customer projects in order to optimize manufacturing costs.

The mission of Componenta's CPCs is, starting from customer needs, to design product options that are optimal in the light of the whole production chain, and create added-value for customers. Right from the design stage, expertise in the whole value-adding chain – from foundries and machine shops through to logistics management – is incorporated into customers' requests for tender. The role of R&D in CPCs is thus focused on satisfying customers' needs and optimized towards this end.

Componenta Group's sales and R&D operate under common management. They are organized according to the main customer sectors, and responsibilities are then further divided into geographical areas in the Nordic countries and Central Europe. The integration of Döktas's sales with the Group's sales and R&D operations has started and will continue into 2007.

The CPCs in Finland and the Netherlands are strong in foundry knowhow, and this expertise is exploited in all customer sectors. The CPC in Finland specializes in serving the heavy truck industry, while the core focus of the CPC in the Netherlands is the off-road industry.

The Swedish CPC's strengths include machine-building technology, surface treatments and assembly, as well as the planning of logistics solutions. A main focus for development in Sweden is production technology aimed at streamlining manu-


facturing and thus continuously enhancing added-value for the customer. The Swedish CPC specializes in serving the heavy truck industry.

### Cooperation in research boosts expertise

Componenta conducts continuous research and development in collaboration with universities and research institutes. For example, Componenta is cooperating with the Chalmers University of Technology in Sweden, Swecast, KTH, and the School of Engineering at Jönköping University in Sweden on the design and manufacturing of lightweight cast constructions, especially in Austempered Ductile Iron (ADI) applications. The project covers the entire manufacturing chain.

Componenta also collaborates with customers to determine the properties of the cast materials already in use, as a basis for higher precision in design and product optimization.

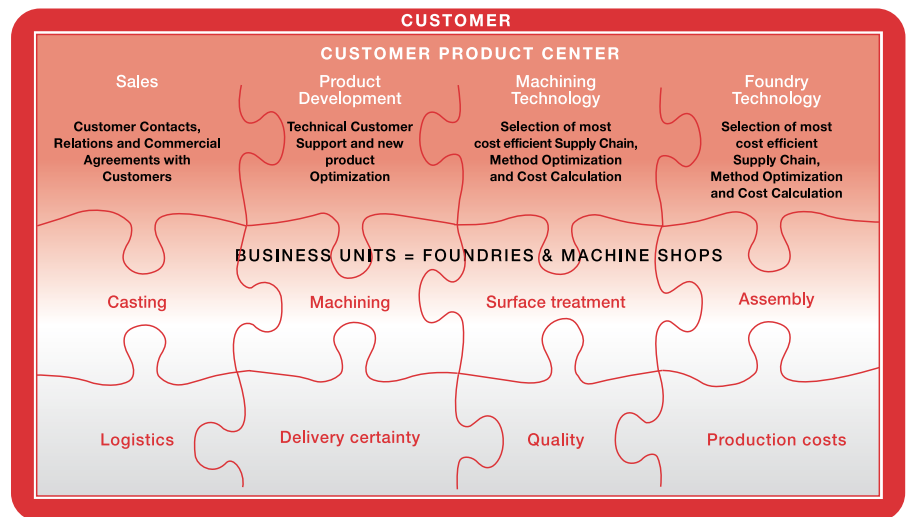
Componenta is conducting a joint research project, launched in Finland in 2005 and supported by Tekes, the Finnish Funding Agency for Technology and Innovation, with Helsinki University of Technology aimed at standardizing and regulating



**Marc Omes**

"The mission of Componenta's CPCs is, starting from customer needs, to design product options that are optimal in the light of the whole production chain, and create added-value for customers."

the foundry process as well as at creating a possible analysis tool for the foundry process. Componenta is also participating as a case study in an FC-ICT research project funded by the Academy of Finland, which is studying ICT support for a modernized business and service concept for the cast products sector. The research project is being conducted by Helsinki University of Technology's Laboratories of Machine Design, Foundry Engineering, and Software Business and Engineering (SoberIT).





## Foundries continue their good performance

*Componenta's Foundries division comprises seven foundries in Finland and the Netherlands. The largest customer sectors for the foundries are companies in the heavy truck, off-road, machine building, and power and transmission industries. Componenta's foundries manufacture cast components on different production lines, in series ranging from a batch of a few pieces to production runs of hundreds of thousands.*

The foundries are the starting point of Componenta's value-adding chain. In addition to casting, the foundries also perform heat treatment and priming to customer specifications. Many of the castings are further processed at either the Group's own machine shops or other subcontractors before being supplied to customers.

Foundries generated net sales of EUR 179.7 million in 2006, an increase of 7.3% on the previous year. Good demand in the customer sectors fed this growth

in sales. The division employed approx. 1,690 people in the end of 2006, representing 32% of the Group's total workforce.

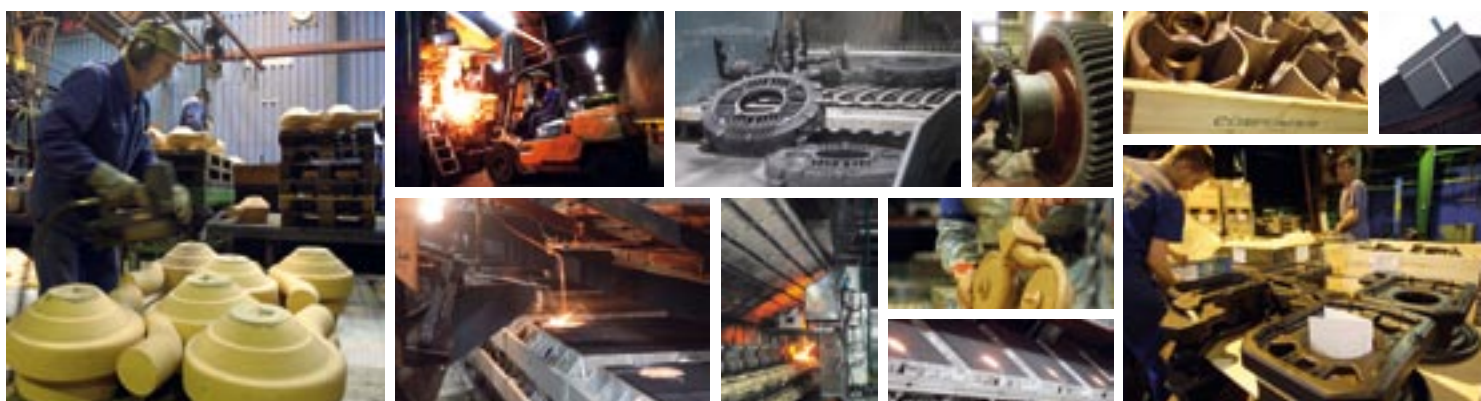
Overall there was firm demand for the foundries' products in 2006. Five of the seven foundries were able to exploit the high demand and kept their capacity utilization rate at a high level throughout the year. Heerlen HWS's production line, however, had to reduce capacity towards the end of the year to adjust to lagging demand by replacing three-shift working with two shifts. Higher capacity at the Heerlen Furan foundry, the result of new investment, was not put to full use. The Suomivalimo foundry managed to fully replace the production of frames for electric motors, which it no longer manufactures, with other products.

The forces generating the year's strong demand were the off-road, machine building, and power and transmission industries. Mild uncertainty was perceivable

in the heavy truck industry due to the predicted impact on demand of the Euro-4 standards that came into force in the autumn. The situation returned to normal at the end of the year.

The Heerlen Furan foundry took a major step forwards by starting the manufacture of cast components for wind power gears. The wind power industry's demand for cast components is expected to increase steeply in the future, and some of these components are particularly well suited to the product portfolios of Heerlen Furan and Suomivalimo.

In September 2006 all the Group's foundries were integrated into the same division. A key aspect in terms of the foundries' cost-efficiency is optimized use of production capacity. The profitability of the foundries quickly suffers if the workload is too high or too low, and it is difficult to adjust operations to rapid changes. Combining the foundries into one division makes it possible to even out



the workload between different foundries. The goal is to optimize capacity loading at different units by transferring certain jobs where possible to foundries with unused capacity.


The Karkkila and Heerlen Furan foundries are currently conducting a programme for improving their production processes and business operations. The Karkkila foundry's original goal was to return to operating profit in 2007, but the programme has now been extended to 2008. The internal development programme aims to raise the quality level, cut costs, boost production and productivity, and upgrade the product portfolio. The programme produced positive benefits in Karkkila towards the end of 2006. Substantial improvements were also achieved at the Heerlen Furan foundry during the year, and the unit is expected to post an operating profit in 2007.

The Pietarsaari foundry's capacity

was overloaded in 2006, which incurred extra costs. Pietarsaari is also a pilot for the Group's introduction of an SAP enterprise resource planning system. Deploying the system is proving to be more difficult than anticipated, and is adversely affecting operations there. Pietarsaari is also conducting an internal development programme, which is expected to produce results in 2007.

The Six Sigma method will be utilized to develop quality and operations at Componenta's foundries. The pilots for adopting Six Sigma have been the Pori, Weert and Pietarsaari foundries. A key goal for improvement is to produce consistent quality, which requires focused work over a long time span and for which the Six Sigma method offers highly effective tools.

One objective for 2007 is to optimize all production at division level, taking into account Döktas's capacity and spe-

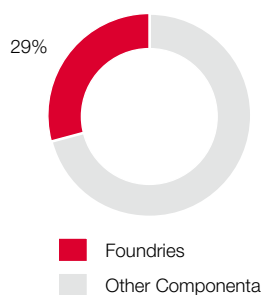


**Olli Karhunen**

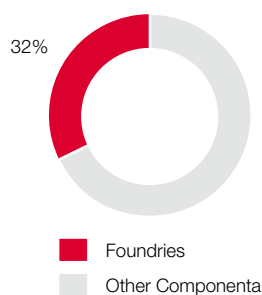
"Combining the foundries into one division makes it possible to optimize the production between all the foundries."

cialist expertise. Döktas is also working with the Group to achieve cost savings through combined procurement of materials and other purchasing operations. Cooperation between foundries presents an opportunity for adopting the best practices of different units to the benefit of all.

Foundries' share of Group's net sales, pro forma



Foundries' share of Group's personnel, pro forma



Units in Componenta's Foundries division

- Componenta Karkkila, Finland
- Componenta Pietarsaari, Finland
- Componenta Pori, Finland
- Componenta Suomivalimo, Finland
- Componenta Heerlen Furan, The Netherlands
- Componenta Heerlen HWS, The Netherlands
- Componenta Weert, The Netherlands

## Machine shops



## Automation enhances efficiency in Machine shops

*Machine shops division has six machine shops in Finland, Sweden and the Netherlands. The machine shops are the last link in the supply chain for Componenta's cast components, often delivering components directly to customers' assembly lines. Componenta's machine shops procure castings mainly from the Group's own foundries and then machine, surface-treat and pre-assemble them into components to the customer's specifications.*

Machine shops generated net sales of EUR 155.7 million in 2006, an increase of 14.3% compared to the previous year. The growth in net sales was a result of good demand in the customer sectors. The division employed approx. 550 people in the end of 2006, representing 10% of the Corporation's total workforce.

The key strength of Componenta's machine shops is their ability to participate in the entire manufacturing process for a product, from product design through to machining, surface treatment and logistics planning. In the machine shops sector Componenta's operating model that covers the entire value-adding chain is extremely modern, thus providing a clear competitive advantage over machine shops that operate as individual suppliers. Componenta's model enables the manufacturing method for products to be optimized throughout the value-ad-

ding chain, producing benefits in shorter lead times, higher quality and improved reliability in deliveries.

In 2006 the operations of the Pori machine shop and the Lempäälä-based Nissamo machine shop were merged in the Machine shops division, with the aim of achieving enhanced efficiency and long-term competitiveness by virtue of operating with a larger-sized unit. In practice, enhancing efficiency at the machine shops requires investing in automation, which in turn needs sufficiently large production volumes to make the investment a viable proposition.

Componenta has continuously invested in the machine shops to improve their competitiveness. The division has one of Europe's most modern surface treatment plants in the Främmestad machine shop in Sweden, where products can be heat-treated in connection with surface treatment on the same fully automa-



ted production line. The division plans to continue investing in automation, both in Främmestad and in other units, in order to progressively improve productivity.

One objective of the Machine shops division is to enhance the internal cooperation between machine shops so that production can be optimized throughout the entire Group. The possibility of planning production at division level gives additional flexibility and greater potential for further operational improvements.

The main targets for development in the Machine shops division in 2007 are to improve the reliability of deliveries and to enhance quality. The CLEPS (Componenta Lean Production System) principles that form the basis for development will be extended to cover more of the division's units. The aim of CLEPS is to continuously reduce unnecessary activities and to minimize the use of both materials and energy in production. Applying CLEPS will streamline producti-

on, enhance efficiency and raise quality. CLEPS is an application adapted from the lean production philosophy originally used in the Japanese car industry.

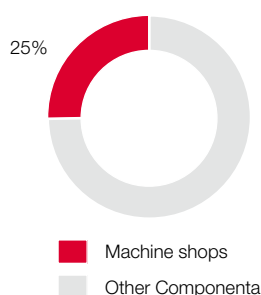
Machine shops will also continue its policy of consolidating production units. A major development project in 2007 is to optimize procurement activities with Döktas, which joined the Group in 2006. With the Döktas machine shop operations joining Componenta Group, this offers further opportunities for reaping synergies within the division. Componenta plans to further increase internal sourcing, especially in the Netherlands, for products where this is reasonable in terms of cost-efficiency.



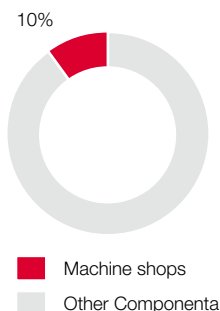
**Michael Sjöberg**

"The key strength of Componenta's machine shops is their ability to participate in the entire manufacturing process for a product, from product design through to machining, surface treatment and logistics planning."

**Machine shops' share of Group's net sales, pro forma**



**Machine shops' share of Group's personnel, pro forma**



**Units in Componenta's Machine shops division**

- Componenta Pietarsaari MS, Finland
- Componenta Nisamo, Finland
- Componenta Albin, Sweden
- Componenta Främmestad, Sweden
- Componenta Åmål, Sweden
- Componenta Weert MS, The Netherlands



## Döktas becomes part of Componenta

*Turkey's leading foundry company Döktas Dökümcülük Sanayi ve Ticaret A.S. was merged with Componenta Group in December 2006 after Componenta purchased a majority holding in the company. Döktas produces iron and aluminium castings with a value of about EUR 250 million a year mainly for the European market.*

Merging Döktas with Componenta Group strengthens the Group's market position as a supplier of advanced cast components in almost all main customer segments. The merger also brings new customer segments, namely manufacturers of light commercial vehicles and cars. The integration of Döktas with Componenta Group began at the end of 2006.

Döktas including Sherbrook International Ltd. generated net sales in 2006 of EUR 254.8 million and employed approx. 2,620 people in the end of 2006. The company's shares are quoted on the Istanbul Stock Exchange and it previously belonged to the Turkish Koc Group. Componenta's holding in Döktas at the end of 2006 was 68.6 per cent. At the beginning of 2007, in accordance with Turkish law, Componenta is making a public offer to purchase the remaining Döktas shares.

Iron castings account for about 61 per

cent of Döktas' production, with production capacity of 130,000 tonnes a year. Döktas produces nodular and grey cast iron castings and is the market leader in these in Turkey. The company's iron foundry is located close to Istanbul in Orhangazi in the Bursa region, centre for the automotive and component industries.

The remaining 39 per cent of Döktas' production is aluminium castings and aluminium wheels. Döktas is also market leader in Turkey in aluminium castings and number two in wheels. The company has production capacity of 9,500 tonnes a year for aluminium castings and 1,200,000 wheels a year. The company's aluminium foundry is located in Manisa, close to the city of Izmir.

The group formed by the company also includes the sales company Sherbrook which operates in Great Britain. Sherbrook mainly serves the automotive and off-road industries.



Only just over a third of Döktas' sales are to customers operating in Turkey. Most of these customers are European or Asian vehicle manufacturers who ship their products to other parts of Europe. 60 per cent of Döktas' sales go directly to Western Europe and 6 per cent outside Europe and Turkey.

Döktas' largest customer sectors are the heavy truck, off-road, machine building and automotive industries. The customer base and product portfolio complement those of Componenta, since the companies previously had only a few customers in common. Componenta and Döktas together form the second largest independent supplier of demanding cast components in Europe.

Döktas' Orhangazi iron foundry was established in the 1970s. The foundry's production capacity has been expanded many times at the end of the 1990s and

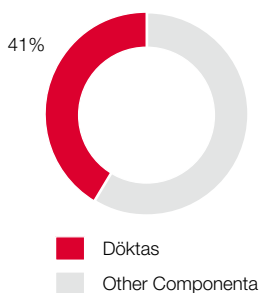
most recently in 2004. The Manisa aluminium foundry joined Döktas in the 1990s through an acquisition. About 80 per cent of the production capacity of the Manisa foundry has been built in the 2000s. The modern production technology and high quality of operations, coupled with significantly lower costs than in the countries of western Europe, create for Döktas an extremely strong competitive position as a cast component supplier. Döktas will form a key element in Componenta Group's operations strategy.



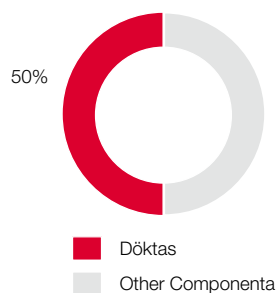
Yaylalý Günay

"Döktas's modern foundries operate cost-effectively. The foundries hold all the most important quality certificates and several quality awards."

Döktas' share of Group net sales, pro forma



Döktas' share of Group personnel, pro forma



### Döktas' production plants

- Orhangazi, iron foundry
- Manisa, aluminium foundry



## Commitment and capability create basis for development

*“Componenta’s strategic goal is by 2010 to be the market leader in advanced cast components in Europe.” Goal-oriented and committed, actively participating skilled personnel creates a solid basis for business development.*

After Döktas joined Componenta at the start of the year, the Group now employs 5,250 persons – representing 29 different nationalities – in the Netherlands, Sweden, Turkey, Finland and England. The management of this multicultural organization that has grown through corporate acquisitions is rooted in Componenta’s strong values: openness, honesty and human-orientation.

One high priority in 2006 was a dialogue about common goals and integrating them into human resources practices. In the division-oriented business model introduced in the autumn, a primary management tool is a performance-based process that combines goal-setting, per-

formance evaluation and remuneration – at company, individual and team level – into a tightly interwoven system. This ensures that personal goals clearly support the achievement of the Group’s or divisions’ primary goals.

Discussions initiated with shop steward organizations during the year addressed business goals and common personnel-related practices. At Componenta’s Management Days the focus was especially on Döktas’ integration into the Group and the challenges this sets for management. The incentive and commitment schemes in production were further developed in 2006 in cooperation with personnel in the Finland and Sweden units. In the Netherlands we have continued the constructive dialogue and cooperation with the local Work council. In the Turkey unit personnel committed to common goals that had been achieved received bonuses at the end of 2006. The better than average figures for employee turnover and sick-lea-

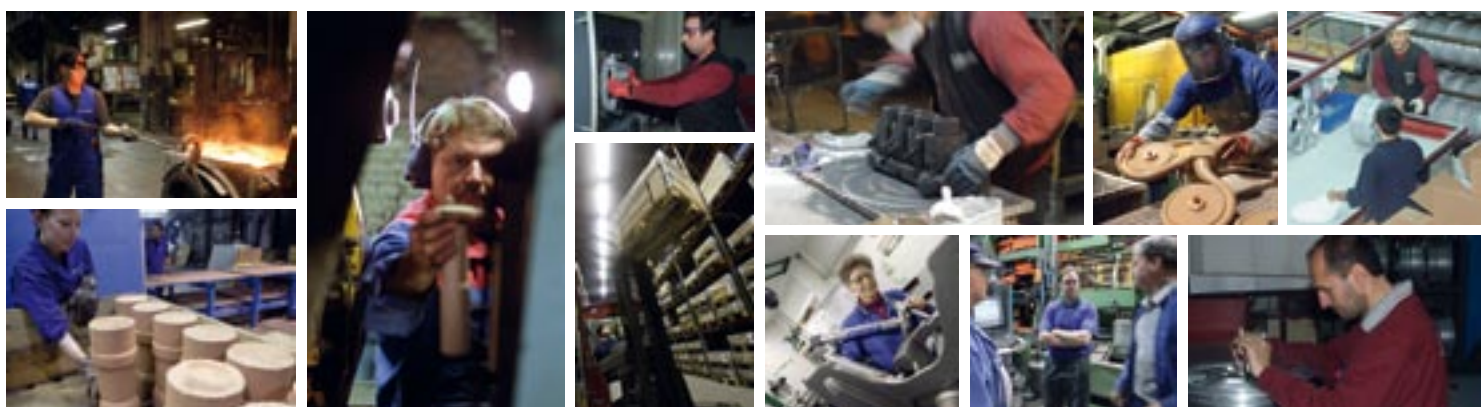
ve absence in industry and the long years of employee service are testimony to personnel’s commitment to their work and to Componenta. In 2007 Componenta will further develop the instruments and practices for bonuses and remuneration and strengthen its performance-based management process.

### **An attractive place to work**

Over 80% of Componenta’s personnel work in tasks related to production or production management. Approximately 45% of personnel have vocational training. The number of personnel holding university or college degrees is growing; in 2006 they accounted for some 16% of all personnel.

As a strong company locally, Componenta was an attractive employer for around 650 new recruits in 2006. A challenge for all companies in the sector is the low level of interest shown by young people in the sector. Attracting





young people to work in the heavy metal industry's production tasks has called for action on Componenta's part – such as continuous collaboration with educational institutions in the sector, and offering training jobs and specialization opportunities to students.

Long-term collaboration with companies providing leased labour has been an asset for recruitment, especially in the Netherlands, Turkey and Finland. It has, for instance, enabled flexible work induction and recruitment, especially for production tasks.


Common recruiting principles and practices were created within Componenta during 2006. These aim to clarify the principles of internal and external resourcing, build a framework for job rotation and strengthen Componenta's public image as an employer. The focus in 2007 will be on developing strategy- and business-oriented resource planning. An international work training programme will also be launched that offers inter-

esting options to young people seeking to join the industry.

#### Development of skills and capabilities

The average age for the Group's employees is 37 years. In Turkey and Finland, young people have been recruited for production tasks. This poses a challenge for transferring knowhow from skilled professionals to personnel who are new to their jobs, in addition to the demands of occupational guidance and induction training. In 2006 many of our units gave high priority to improving job versatility and job rotation.

The organization's growth and the expansion of its operations will underscore the importance of supervisory work and management practices in the future. In 2006 country-specific training programmes were held for day-to-day personnel management. A group-level development programme for enhancing Componenta's business management and personal skills will be launched in 2007. Training pro-



**Anu Mankki**

"Management of the multicultural organization is rooted in Componenta's solid values: openness, honesty and human orientation."

grammes for individual target groups enhancing the product and business management expertise at the divisions will also be launched in 2007. The first of these will be a training programme for sales personnel.

The HR management processes and tools built in 2006 combined with the strengthened human resources management model support daily management tasks and the implementation of business strategy within Componenta Group. In 2007 we will continue to strengthen and build common HR practices.

Geographical division of personnel



- Turkey including Sherbrook 50%
- Finland 22%
- Sweden 12%
- The Netherlands 16%

Personnel by function



- Production 80%
- Production management 6%
- Quality and maintenance 4%
- Administration and management 5%
- CPC, sales and purchasing 5%



## Responsibility for quality and the environment belongs to everyone

*The underlying principle for Componenta's approach to quality and environmental issues is that each person working at the Group is for their part responsible for quality, for enhancing quality, and for paying attention to environmental issues in their work. Responsible operations are an essential element in sustainable development of business operations.*

The Group's quality and environmental policies define the main principles for business operations, and activities are managed at business unit level. Componenta's goal is to supply just in time products that comply with the customer's requirements, taking environmental aspects into account.

As is stated in the Group's policy, each production unit shall have a quality management system with third party certification. Depending on customer requirements, the quality management system conforms to the ISO 9001 and/or ISO/TS 16949 standard. The production units shall also have an approved ISO 14001 environmental management system. During 2006 good progress has been made in building the systems.

The goal is for all production units to have systems in use that comply with the Group's quality and environmental policies during 2007. The systems help in taking responsibility for quality, enhancing

quality and paying attention to environmental impact.

### **Use of energy a key area**

One of the most significant environmental aspects at Componenta Group is the use of energy. Most of the energy used (67%) is electricity. The foundries consume more than 90% of all the energy, since the foundry melting processes in particular use very much energy. Energy consumption in proportion to output at Componenta's foundries fell more than 6% compared to 2005. Energy consumption in proportion to output at Döktas also declined, by almost 5% from 2005.

Action is being taken continuously to improve energy efficiency. For example the investment in a new energy-efficient melting furnace at the Karkkila foundry in 2005 has helped to reduce energy consumption in 2006. Other factors that have reduced energy consumption, in addition to the investments made, include



paying attention to the use of energy in daily operations and many measures relating to continuous improvement.

All the production units are continuously making efforts to improve quality, and improvements in quality also have a positive impact on environmental load. The fewer defective items a process produces, the less energy it consumes. And this reduces other environmental impact at the same time.

Other significant environmental issues for the Group include restricting particle and VOC emissions, reducing the environmental noise cause by operations, improving the sorting of waste, and reducing the amount of non-reusable waste.

Detailed information about Componenta's energy consumption and other environmental impact will be given in the environmental report to be published in spring 2007. The report will be available on the Internet at [www.componenta.com](http://www.componenta.com).

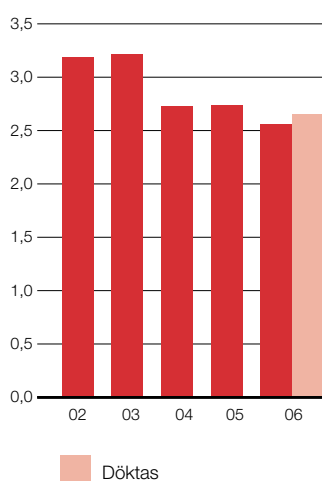
### Developing processes with the aid of Six Sigma

The Group has taken the first steps in introducing Six Sigma. Six Sigma improves processes by using statistical methods to meet targets in line with the strategy. During 2006 Six Sigma pilot projects were carried out at three production units. The experiences obtained were positive and so it has been decided to introduce Six Sigma throughout the Group. The target is for Six Sigma to be in use at five production units and the Group's Customer Product Centers by the end of 2007.

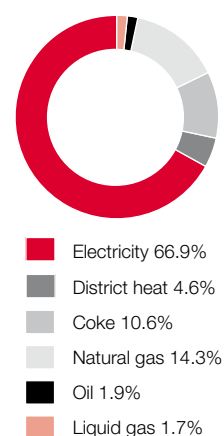
### Componenta's quality and environment systems

Production unit	ISO 9001	ISO/TS 16949	ISO14001	Actions 2006
Albin	X	X	X	QS 9000 updated to ISO/TS16949
Döktas	X	X	X	
Heerlen HWS	X	X	X	ISO/TS 16949 ISO 14001 finalized 2006
Heerlen Furan	X		X	ISO 14001 finalized 2006
Främmestad	X	X	X	
Karkkila	X	X	X	
Nisamo				ISO 9001 and ISO 14001 will be ready 2007
Pietarsaari	X	X	X	
Pietarsaari MS	X	X	X	
Pistons				ISO 9001 and ISO 14001 will be ready 2007
Pori	X	X	X	
Suomivalimo	X		X	
Ämäl	X	X	X	
Weert	X	X	X	ISO/TS 16949 and ISO 14001 finalized 2006
Weert MS	X	X	X	ISO/TS 16949 and ISO 14001 finalized 2006

### Energy consumption MWh/t



### Distribution of energy consumption 2006



# Board of Directors



**Heikki Bergholm**  
Chairman  
b. 1956

M.Sc.(Eng)  
Board Member since 2002,  
Chairman 2003  
Chairman of the Board of  
Lakan Betoni Oy  
Member of the Board of Directors of  
Kemira Oyj, Suominen Corporation, MB  
Rahastot Oy, MedOne Oy and MedOne  
Group Oy  
109,550 Componenta shares  
100 convertible capital notes (2005)



**Juhani Mäkinen**  
Vice Chairman  
b. 1956

Attorney  
Board Member since 2000  
Chairman of the Board of Directors of  
Hannes Snellman Attorneys at Law Ltd  
Chairman of the Board of Directors of  
Oy Forcit Ab  
Vice Chairman of the Board of Directors  
of Myllykoski Oyj  
Member of the Board of Directors of  
Blue1 Oyj, Oy Karl Fazer Ab and  
Polttimo Companies Ltd  
8,000 Componenta shares  
42 convertible capital notes (2005)  
75 convertible capital notes (2006)



**Heikki Lehtonen**  
b. 1959

M.Sc.(Eng)  
Board Member since 1987  
Vice Chairman of the Board of Directors  
of Pöyry Plc and The Finnish Family Firms  
Association  
Member of the Board of Directors of Ota-  
va Books and Magazines Group Ltd,  
Member of the Supervisory Board of  
Finnish Business and Policy Forum EVA,  
Member of Finnish Consultative Board on  
Ownership  
3,854,007 Componenta shares  
1,100 convertible capital notes (2006)



**Marjo Raitavuo**  
b. 1957

M.Sc. (Ed.)  
Board Member since 2004  
President and CEO of EM Group Oy  
Member of the Board of Directors  
of Ensto Oy, EM Group Oy, Efla Oy,  
Technology Industries of Finland and  
Confederation of Finnish Industries  
10 convertible capital notes (2005)  
25 convertible capital notes (2006)



**Matti Tikkakoski**  
b. 1953

B.Sc.(Econ.)  
Board Member since 2003  
President and CEO of Atria Group Plc  
Member of the Board of Directors of  
Atria Group plc and Finnish Food and  
Drink Industries' Federation  
Member of the Supervisory Board of  
Tapiola Mutual Pensions Insurance  
Company  
1,500 Componenta shares  
50 convertible capital notes (2005)

# Corporate Executive Team



**Heikki Lehtonen**

b. 1959

M.Sc.(Eng)  
President and CEO  
3,854,007 Componenta shares  
1,100 convertible capital notes (2006)



**Yaylalý Günay**

b. 1945

M.Sc. (Eng.)  
Managing Director of Döktas



**Hakan Göral**

b. 1967

M.Sc. (Eng.)  
Sales director of Döktas



**Olli Karhunen**

b. 1959

M.Sc. (Eng.)  
Director, Foundries  
1,000 Componenta shares



**Matti Kivekäs**

b. 1966

B.Sc. (Econ.)  
CFO



**Jari Leino**

b. 1961

Engineer  
Director, Sales & Product Development  
of Heavy trucks



**Anu Mankki**

b. 1963

M.A.  
Director, Human Resources



**Marc Omes**

b. 1965

Engineer  
Director, Group Sales & Product  
Development  
7,500 Componenta shares



**Marko Sipola**

b. 1973

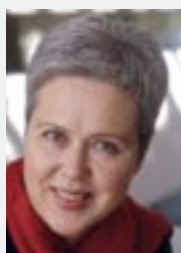
M.Sc. (Eng.), M.Sc. (Econ.)  
Director, Business Development  
9,500 Componenta shares  
10 convertible capital notes (2006)



**Michael Sjöberg**

b. 1964

M.Sc. (Eng.), E-MBA  
Director, Machine shops  
1,000 Componenta shares



**Pirjo Aarniovuori**

b. 1955

Communications Manager

## Corporate governance

The administration of Componenta Corporation is based on the Finnish Companies Act and the company's Articles of Association. The company applies the Corporate Governance recommendations for public listed companies issued by Helsinki Stock Exchange, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry EK, which came into force on 1 July 2004.

### Componenta Corporation shares

All Componenta Corporation shares have equal voting rights at the General Meeting. Componenta Corporation's Articles of Association do not contain any voting restrictions other than those in the Companies Act.

All shares carry equal dividend rights.

### Annual General Meeting

The highest governing body of Componenta Corporation is the General Meeting. The functions of the General Meeting and matters to be resolved therein are defined in the Companies Act and the Articles of Association.

The Annual General Meeting of Componenta Corporation shall be held within six months of the end of the financial period. In 2006, the Annual General Meeting of Componenta Corporation was held on 8 February 2006. The Extraordinary General Meeting was held on 8 November 2006.

### Board of Directors

The Annual General Meeting elects each year Componenta Corporation's Board of Directors, which according to the Articles of Association consists of 3 - 7 members. The term of office of the Board of Directors expires at the close of the following Annual General Meeting. The Board of Directors elects from its members a chairman and a vice-chairman.

The 2006 Annual General Meeting elected five members to the Board: Heikki Bergholm, Heikki Lehtonen, Juhani Mäkinen, Marjo Raitavuo and Matti Tikkakoski. The Board chose Heikki Bergholm as its chairman and Juhani Mäkinen as vice chairman.

Heikki Bergholm, Juhani Mäkinen, Marjo Raitavuo and Matti Tikkakoski are independent of the company and of the shareholders. Heikki Lehtonen is president and CEO of Componenta Corporation. He is also the company's largest shareholder through companies which he controls.

Taking into account the membership of the Board and the nature and size of Componenta's operations, the Board has not considered it necessary to set up committees to prepare matters for which the Board is responsible.

The Annual General Meeting decides on the remuneration of the members of the Board of Directors. The 2006 Annual General Meeting decided that the remuneration for the chairman would be EUR 40,000 and for the other members of the Board EUR 20,000 a year. Travel expenses are paid in accordance with the company's travel regulations.

The tasks and duties of the Board of Directors are laid down primarily in the Articles of Association and the Finnish Companies Act. The Board has drawn up written Rules of Procedure which define the tasks and operating principles for the Board. According to these Rules of Procedure, the Board's tasks include matters that have a far-reaching impact on the operations of Componenta Group. These include confirming the strategic guidelines, the annual budget and operational plans, and deciding on major corporate restructuring and capital expenditure. The Board assessed its activities in December 2006 under the leadership of the chairman.

During 2006 the Board met 18 times. All Board members were present at all Board meetings.

### President and CEO

The Board of Directors appoints the President and CEO and decides upon the President's remuneration and other benefits. The functions and duties of the President are defined in the Companies Act. In addition to these, the duties of Componenta Corporation's President include

- managing and developing Componenta's business in

accordance with the instructions given by the Board of Directors,

- presenting matters for consideration at meetings of the Board of Directors and
- implementing the decisions of the Board of Directors

Heikki Lehtonen is president of Componenta.

The president receives a salary of EUR 15,708 a month and benefits in kind of altogether EUR 40 a month. The president's income from the option scheme of the company were EUR 39,936 in 2006. In addition, the president is entitled to a bonus that is determined by the return on investment and that may be at most the equivalent of the president's salary for 12 months, and to the remuneration paid to Board members. The President is eligible to take retirement as laid down in legislation. The President's contract of employment may be terminated by the company by giving 12 months notice and by the President with six months notice. The president is not entitled to any separate compensation due to notice but the salary and benefits agreed in the terms of notice.

Salaries and other remuneration paid to the members of the Board and the President totalled EUR 308,496 in 2006. The income of the members of the Board of Directors and the president from the option scheme of the company were EUR 64,304 in 2006. Other benefits received by the members of the Board and the President in 2006 totalled EUR 480. The company has no specific pension commitments for Board members or managing directors.

### Corporate Executive Team

The Corporate Executive Team assists the President in managing and developing Componenta Group. The appointment of members to the corporate executive team and their terms of employment are decided on by the Board of Directors from a proposal by the President and CEO. In accordance with the "one over one" principle in use at the Group, the Chairman

of the Board of Directors approves these decisions.

The corporate executive team consists of nine persons (as from 9 January 2007 eleven persons) and convenes once a month. The President acts as chairman and the Communications Manager as secretary at the meetings. Information about the areas of responsibility and shareholdings of the members of the corporate executive team can be found on Componenta's website

### Monitoring systems

#### Audit

The Annual General Meeting appoints the auditor and decides on the remuneration to be paid to the auditor. The company has at least one and a maximum of two auditors, and one deputy auditor. In addition to the duties prescribed in current accounting regulations, the auditor reports as necessary to the Board of Directors of Componenta Corporation.

Componenta Corporation's auditor during the accounting period 1 January - 31 December 2006 is Kari Miettinen, APA, and the deputy auditor is PricewaterhouseCoopers Oy, Authorized Public Accountants.

The Annual General Meeting on 8 February 2006 decided that the remuneration for the auditor would be based on invoicing. Remuneration in 2006 based on invoicing for Componenta Group's auditors totalled EUR 295,900, comprising EUR 202,900 in audit fees and EUR 93,000 for other services purchased from PricewaterhouseCoopers Oy.

### Insider regulations

Componenta Corporation complies with the insider regulations of the Helsinki Exchanges and also with its own insider regulations. Componenta's statutory insiders are the Board of Directors of the parent company, the president and CEO, and the auditors. Company-specific insiders are the Group's corporate executive team and named individuals. The holdings of Componenta's statutory insiders are given on the Group's website.

The holdings in Componenta Corporation of statutory and company-specific insiders are monitored regularly through the SIRE system of the Finnish Central Securities Depository.

### Risk management

Internal monitoring at Componenta Group takes place in accordance with the operating principles approved by the Board of Directors, and these are based on the Group's internal reporting and the annual audit plan approved by the Board.

Financial reporting that covers the entire Group is used to monitor how well financial targets are being met. The reports include actual figures, plans and up-to-date forecasts for the current year.

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

Appropriate insurance has been taken against risks associated with assets and interruption of operations and to minimize indemnity.

The financial administration of Componenta Group conducts an internal audit of Group companies with the auditor as part of the annual plan.

### Right to sign Company name

Componenta Corporation's name is signed by the chairman of the Board of Directors and the President, each alone, and by other members of the Board of Directors, two together. Furthermore, the Board of Directors may also authorize members of the Company's management to sign for the Company per procuram.

### Incentive schemes

Componenta has a short-term incentive scheme for key personnel, which has been bound to the operative result and

achievement of the personal targets. The incentive remuneration varies by positions between 8 and 32 per cent of the annual earnings.

The long-term incentive scheme of Componenta terminated in 2006.

## Contact information

### Head office

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FI-00610 Helsinki  
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fax +358 10 403 2832

Customer Product Center  
Componenta B.V.  
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fax +31 495 513 195

Customer Product Center  
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fax +46 512 534 37

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fax +31 495 513 895

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fax +358 10 403 2614

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fax +46 532 621 89

### Other business

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Componenta Wirsbo AB  
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tel +46 223 395 00  
fax +46 223 347 19

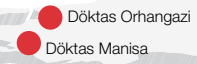
### Döktas foundries

Döktas Dökümcülük Sanayi  
ve Ticret A.S.  
Head Office & Iron Foundry  
Gölyolu no:26 (PK18)  
Orhangaz  
16801 Bursa  
Turkey  
tel +90 224 573 4263  
fax +90 224 573 4273, +90 224 573  
5458

Döktas Dökümcülük Sanayi  
ve Ticret A.S.  
Aluminium Foundry  
Organize Sanayi Bölgesi Sakarya  
Cad. no:14  
Manisa  
Turkey  
tel +90 236 233 8057  
fax +90 236 233 8061



## Componenta business units



## Releases 2006

### January

- 20.1.2006 Financial Statements 1 Jan – 31 Dec 2005
- 20.1.2006 Invitation to the Annual General Meeting
- 20.1.2006 Amendment to the release of the Financial Statements
- 27.1.2006 Componenta's CFO to change

### February

- 1.2.2006 Componenta's 2005 Annual Report has been published
- 8.2.2006 Decisions of the Annual General meeting of Componenta
- 8.2.2006 Oy Etra Invest Ab's holding in Componenta Corporation exceeds 20 per cent

### March

- 30.3.2006 Componenta comparison data for 2005

### April

- 13.4.2006 Interim Report 1 January – 31 March 2006
- 27.4.2006 Notification of change of shareholding in accordance with chapter 2, section 9 of the Securities Markets Act
- 27.4.2006 Componenta Corporation's shares subscribed with option rights

### May

- 5.5.2006 Matti Kivekäs new CFO for Componenta

### June

- 2.6.2006 Marko Sipola appointed Director, Business Development at Componenta
- 9.6.2006 Revised forecast for Componenta's second quarter result
- 15.6.2006 Componenta Corporation's shares subscribed with option rights

### July

- 10.7.2006 Componenta's Environmental Report 2005 has been published
- 14.7.2006 Interim Report 1 January - 30 June 2006
- 28.7.2006 Componenta Corporation's shares subscribed with option rights

### August

- 14.8.2006 Componenta will renew the Group organization

### September

- 20.9.2006 Furnace accident at Karkkila foundry

### October

- 5.10.2006 Componenta Corporation's shares subscribed with option rights
- 13.10.2006 Interim Report 1 January – 30 September 2006
- 19.10.2006 Componenta acquires the majority of Döktas
- 20.10.2006 Notice of Extraordinary General Meeting
- 25.10.2006 Componenta Pori machine shop and Componenta Nisamo to be consolidated
- 26.10.2006 Componenta Corporation's shares subscribed with option rights

### November

- 8.11.2006 Decision of the Extraordinary General Meeting of Componenta
- 14.11.2006 Componenta publishes the key figures of the interim report of the turkish foundry company Döktas
- 17.11.2006 The Board of Directors of Componenta Corporation decided on issue of two capital notes
- 24.11.2006 Componenta Corporation's shares subscribed with option rights
- 24.11.2006 Prospectus on Componenta Convertible Capital Notes 2006
- 29.11.2006 Componenta Corporation's shares subscribed with option rights
- 30.11.2006 Conditional approval of subscriptions of Componenta convertible capital notes 2006

### December

- 12.12.2006 Componenta's Döktas transaction completed
- 20.12.2006 Componenta's holding in Döktas exceeds 68.6 per cent
- 20.12.2006 Componenta Corporation financial calendar 2007



# Componenta Oyj

## Financial Statements 1 January - 31 December 2006

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The pro forma figures show what the result of the combined Componenta Group and Döktas would have been, based on the acquisition of Döktas, if the merger had taken place as from 1 January 2005. In the 2006 fiscal year Döktas is included in the consolidated official financial statements only in the balance sheet.

## Report by the Board of Directors

On 18 October 2006 Componenta signed an agreement with Koc Holding A.S. and its related parties (Koc Group) under which it purchased 55% of the shares and voting rights in Döktas, a company listed on the Istanbul Stock Exchange. In this transaction, which was completed on 12 December 2006, Koc Group sold all the Döktas shares that it held. After this transaction Componenta has increased its holding in the company in trading on the Istanbul Stock Exchange. On 31 December 2006 Componenta had a 68.6% holding in the company. Componenta acquired shares with a total value of MEUR 111.3 (balance sheet value on 31 December 2006). In December, before the transaction was completed, Döktas purchased the remaining 75% of the share capital of British sales company Sherbrook International Limited. The purchase of Döktas resulted in non-allocated goodwill of EUR 42.7 million.

Döktas Dökümcülük Sanayi ve Ticaret A.S. (Döktas) is a Turkish supplier of iron and aluminium castings with net sales in 2006 of EUR 232.7 million and about 2,500 employees, including leased personnel. The company comprises two business units, an iron foundry in Orhangazi (61% of net sales) and an aluminium foundry in Manisa (39% of net sales).

The acquisition changes the structure of Componenta Group significantly. In the 2006 fiscal year Döktas is included in the consolidated official financial statements only in the balance sheet. The 2006 Report by the Board of Directors also covers the information in the consolidated pro forma income statement which includes the figures for Componenta, Döktas and Sherbrook. The Döktas figures are preliminary and are based on the information releases on 5 February 2007.

The Group's pro forma net sales in 2006 were EUR 616.9 (567.5) million. Componenta Group's net sales in January – December were EUR 362.1 (343.2) million. Döktas' net sales including Sherbrook International Ltd were EUR 254.8 (224.3) million in 2006.

The Group's pro forma net sales by customer sector in 2006 were as follows: off-road 31% (30%), heavy trucks 28% (31%), cars and light trucks 20% (19%), machine building 10% (10%), power and transmission 8% (7%) and other sales 3% (3%). Componenta's net sales by customer sector were as follows: heavy trucks 43% (46%), off-road 26% (24%), machine building 17% (15%), power and transmission 12% (12%) and other 2% (3%). Döktas' net sales were as follows: cars and light trucks 48% (46%), off-road 38% (39%), heavy trucks 6% (8%), power and transmission 1% (0%), machine building 0% (1%) and other sales 7% (6%).

The Group's pro forma net sales by geographical area in 2006 were as follows: Nordic countries 29% (31%), other European countries 67% (65%) and other countries 4% (4%). Componenta's net sales by market area were as follows: Nordic countries 49% (51%), other European countries 45% (43%) and other countries 6% (6%). Döktas' net sales by market area were as follows: Nordic countries 0% (1%), other European countries 99% (99%) and other countries 1% (0%).

### Result

Componenta's and Döktas' financial statements have been prepared in accordance with International Financial Reporting

Standards (IFRS). The Group's pro forma income statement has been prepared applying the same principles.

The Group's pro forma operating profit excluding one-time items was EUR 40.4 (12.6) million and the pro forma result after financial items excluding one time items was EUR 23.8 (-4.0) million. Componenta's operating profit excluding one-time items was EUR 14.9 (6.6) million and result after financial items excluding one-time items was EUR 5.0 (- 2.4) million. Döktas' operating profit excluding one-time items was EUR 24.2 (5.3) million and result after financial items EUR 23.6 (3.6) million. The pro forma figures include the increase in financial expenses.

The Group's pro forma net financial costs amounted to EUR -16.6 (-16.6) million and Componenta's net financial costs were EUR -9.9 (-8.9) million.

The Group's pro forma operating profit including one-time items was EUR 40.0 (15.9) million and the result after financial items was EUR 37.6 (-0.7) million, which includes one-time proceeds of EUR 14.1 million from the sale in December 2006 by Döktas of investments with a value of EUR 24.2 million that were not part of business operations. The Group's pro forma profit for the fiscal year was EUR 31.2 (1.9) million.

Componenta's operating profit including one-time items was EUR 14.5 (9.9) million, result after financial items was EUR 4.6 (1.0) million and profit for the fiscal year was EUR 3.5 (2.2) million.

Componenta's taxes totalled EUR -1.1 (+1.2) million. Tax receivables have been recorded in the balance sheet, and it is estimated that these can be utilised in the Netherlands in three years and in Finland in five years.

Componenta's basic earnings per share were EUR 0.36 (0.26). The Group's pro forma result for the fiscal year excluding one-time items was EUR 18.1 (-1.6) million and the corresponding earnings per share was EUR 1.26 (-0.26).

Equity invested in the company at the end of the year was EUR 354 (198.4) million and the return on investment was 6.6% (5.0%). The 2006 pro forma return on investment excluding one-time items was 11.4%.

Componenta's key financial indicators during the past three years were as follows:

	2004	2005	2006
Net sales, MEUR	316.0	343.2	362.1
Operating profit, MEUR	25.7	9.9	14.5
Operating profit, %	8.1	2.9	4.0
Return on equity, %	28.1	4.2	6.0
Equity ratio, %	20.6	18.1	18.7

### Financing

The Board of Directors of Componenta Corporation, under authorization from the Extraordinary General Meeting of Shareholders, decided to issue capital notes. The notes were issued on 17 November 2006. Under the terms of the notes the nominal principal is EUR 14,166,000. The notes will be repaid in a single payment on 17 November 2011. The issue rate for the notes is 95%. Fixed interest of 6.75% will be paid annually on the principal annually on 17 November in arrears. Componenta's Board also decided, under authorization from the Extraordinary General Meeting, to issue convertible capital notes. The notes

were issued on 4 December 2006. Under the terms of the notes, the repayable nominal principal is EUR 19,695,600. The issue rate for the notes is 95%. The notes will be repaid in a single payment on 4 December 2011. Fixed interest of 5.75% will be paid annually on the notes on 4 December in arrears. In addition to the notes mentioned above issued in 2006, Componenta Corporation has issued capital notes dated 15 February 2002 and convertible capital notes dated 15 March 2005. Part of the capital notes is repaid each year and the outstanding nominal value at the end of the fiscal year was EUR 15.9 million and the maturity date was 19 March 2009. Interest accumulated on the notes (12 month euribor + 4%) is paid annually in arrears. The convertible capital notes with a nominal value of EUR 19.0 million will be repaid in a single payment on 15 March 2010 and fixed interest of 5.75% is paid annually in arrears. In accordance with the stipulations of the Finnish Companies Act, no security has been given for the capital notes.

At the end of the year Componenta had outstanding capital notes debt totalling EUR 64.5 million. The accumulated interest on these notes, main terms of the loans, and information about the Company's other loans are given in the notes 27.

The Group had EUR 137.0 million in non-utilised committed credit facilities at the end of the review period. In addition the Group has a EUR 100 million commercial paper programme. The Group's interest-bearing net debt, excluding the outstanding capital notes debt of EUR 64.5 million, was EUR 186.9 (106.8) million. Gearing was 287.8% (297.5%). The company's net debt to equity ratio, including the capital notes in shareholders' equity, was 123.1% (123.7%).

Componenta is making more effective use of capital with a programme to sell its sales receivables. Under this arrangement, some of the sales receivables are sold without any right of recourse. By the end of the year the company had sold sales receivables totalling EUR 33.0 (18.7) million.

Componenta's cash flow from operations during the review period was EUR 26.2 (18.6) million, and of this the change in net working capital was EUR 1.6 (8.7) million. The net cash flow from investment was EUR -104.2 (-11.6) million, which includes the cash flow from the Group's production investments and the cash flow from the sale and purchase of shares and from the sale of fixed assets.

The Group's equity ratio was 18.7% (18.1%). The Group's shareholders' equity, including the capital notes on 31 December 2006 in shareholders' equity, as a proportion of the balance sheet total was 32.5% (32.1%).

Cash loans, commitments and contingent liabilities given by the company to Group companies classified as related parties on 31 December 2006 totalled EUR 107.7 million. Cash loans, commitments and contingent liabilities given by the company to private persons classified as related parties on 31 December 2006 totalled EUR 0.3 million.

### Performance of business groups

In 2006 Componenta had one IFRS business segment: Cast Components. In addition to that Döktas is treated as two separate business segments: Döktas' Cast Components and Döktas' Aluminium Components. Outside these business segments remain the associated companies, Sherbrook, the Wirsbo forges,

the real estate companies and the Group's administrative functions.

### Componenta's Cast Components

Componenta's Cast Components business group consists of Componenta's foundries and machine shops that supply ready to install cast and machined components to the heavy truck, machine building, power and transmission, and off-road industries.

Cast Components had net sales in the review period of EUR 316.7 (295.4) million and an operating profit of EUR 14.0 (4.5) million. The order book at the end of December stood at EUR 58.5 (54.1) million. The business group's operating profit improved from the previous year mainly due to the increase in net sales and the improved operating result of the Dutch units. Cast Components had fourth quarter net sales of EUR 82.5 (71.5) million and an operating profit of EUR 3.7 (-0.2) million.

The Karkkila foundry's operating result was EUR -5.5 (-6.6) million. The current programme to enhance operations at Karkkila is expected to further reduce the unit's operating loss during 2007.

The Heerlen furan foundry recorded an operating loss in 2006 of EUR -2.8 (-5.6) million. The enhancement programme at the unit is expected to further improve the operating result during 2007.

### Döktas' Cast Components (Orhangazi)

Döktas' Cast Components business group comprises the company's foundry and machine shop in Orhangazi. The unit supplies ready-to-install components mainly to the off-road industry and car and light truck manufacturers.

Döktas' Cast Components had net sales of EUR 142.6 (141.1) million and an operating profit of EUR 15.1 (0.2) million. The unit's order book on 31 December 2006 stood at EUR 24.1 (22.1) million. The unit's operating result improved mainly due to price increases made on account of rising raw material prices and the devaluation of the Turkish lira.

### Döktas' Aluminium Components (Manisa)

Döktas' Aluminium Components comprises the company's plant in Manisa that mainly manufactures aluminium pressure cast components and aluminium wheels.

Döktas' Aluminium Components had net sales of EUR 90.1 (67.8) million and an operating profit of EUR 9.1 (4.8) million. The unit had an order book on 31 December 2006 of EUR 10.5 (9.7) million.

### Componenta's Other Business

Componenta's Other Business segment comprises the Wirsbo forges, as from 2007 the sales company Sherbrook, associated companies, and the Group's support functions and service units.

Other Business had net sales in January – December of EUR 45.4 (47.8) million and operating profit excluding one-time items of EUR 0.9 (2.1) million. The order book at the end of year stood at EUR 7.8 (6.3) million. Fourth quarter net sales totalled EUR 13.0 (24.1) million and operating profit excluding one-time items was EUR 0.2 (-0.7) million.

Sales by the Wirsbo forges fell and the operating profit declined from the previous year.

Including Sherbrook, pro forma net sales for Other Business in January - December were EUR 104.6 (101.1) million and the pro forma operating profit excluding one-time items was EUR 2.2 (2.8) million.

Componenta's share of the result of the associated companies was EUR 1.8 (2.1) million. Ulefos NV had net sales of EUR 38.2 (35.6) million and result after financial items of EUR 4.2 (3.9) million.

### Shares and share capital

The shares of Componenta Corporation are quoted on the Helsinki Stock Exchange. At the end of the review period the company's share capital stood at EUR 20.0 (19.3) million. The shares have a nominal value of 2 euros. On 31 December 2006 the quoted price of Componenta Corporation shares stood at EUR 8.59 (5.95). The average price during the year was EUR 6.56, the lowest quoted price was EUR 5.29 and the highest EUR 8.80. At the end of the review period the share capital had a market capitalization of EUR 86.1 (57.3) million and the volume of shares traded during the review period was equivalent to 57% (51%) of the share stock. The company has one class of shares. On 31 December 2006 the company had 10,022,298 (9,629,709) shares.

The Annual General Meeting of Shareholders on 8 February 2006 decided, in accordance with the proposal of the Board of Directors, not to pay a dividend for 2005.

On 8 February 2006, Componenta received notification from Oy Etra-Invest Ab that its share of the voting rights and share capital of Componenta Corporation had exceeded 20% through a share transaction on 8 February 2006. On 31 December 2006, Oy Etra-Invest Ab held 22.2% of the share capital and voting rights of Componenta Corporation.

On 27 April 2006, Componenta received notification from Simo-Pekka Inkinen that the share of the voting rights and share capital of Componenta Corporation controlled by him had exceeded 5% through a share transaction on 24 April 2006. On 31 December 2006, the shares controlled by Simo-Pekka Inkinen accounted for 6.6% of the share capital and voting rights of Componenta Corporation.

The share capital was raised by EUR 787,178 during the review period, as 393,589 new shares were subscribed using the option rights. The corresponding increases in share capital were registered in the Trade Register on 27 April 2006, 15 June 2006, 28 July 2006, 5 October 2006, 26 October 2006, 24 November 2006 and 29 November 2006. The share subscription period using the option rights ended on 31 October 2006.

### Investments

Componenta's investments in production facilities during the review period totalled EUR 12.1 (22.4) million, and finance lease investments accounted for EUR 5.3 million of these. The net cash flow from production investments was EUR -6.9 (-11.6) million. The net cash flow from investments taking into account the acquisition of Döktas AS was EUR -104.2 million.

### Board of Directors and Management

The Annual General Meeting elects each year Componenta Corporation's Board of Directors, which according to the Articles of Association consists of 3 - 7 members. The term of office of the Board of Directors expires at the close of the following Annual General Meeting. The Board of Directors elects from its members a chairman and a vice-chairman.

The tasks and duties of the Board of Directors are laid down primarily in the Articles of Association and the Finnish Companies Act. The Board has drawn up written Rules of Procedure which define the tasks and operating principles of the Board. According to these Rules of Procedure, the Board's tasks include all matters that have a far-reaching impact on the operations of Componenta Group. These include confirming the strategic guidelines, the annual budget and operational plans and deciding on major corporate restructuring and capital expenditure. The Board assessed its activities under the leadership of its chairman in December 2006.

The Board met 18 times in 2006. All the Board members were present at all meetings.

Componenta's Annual General Meeting on 8 February 2006 elected the following to the Board of Directors: Heikki Bergholm, Heikki Lehtonen, Juhani Mäkinen, Marjo Raitavuo and Matti Tikkakoski. The Board elected Heikki Bergholm as its Chairman and Juhani Mäkinen as Vice Chairman.

The Board appoints the President and CEO and decides on the President's remuneration and other benefits. The functions and duties of the President are defined in the Companies Act. In addition to these, the duties of the President of Componenta Corporation include:

- managing and developing Componenta Group's business in accordance with the instructions given by the Board of Directors,
- presenting matters for consideration at meetings of the Board of Directors and
- implementing the decisions of the Board of Directors

Componenta's President and CEO is Heikki Lehtonen.

At the end of the review period the corporate executive team of Componenta Group was formed by President and CEO Heikki Lehtonen; Olli Karhunen, Director, Foundries; CFO Matti Kivekäs (as from 7 August 2006); Jari Leino, Director, Sales and Product Development; Anu Mankki, Director, Human Resources; Marc Omes, Director, Sales and Product Development; Marko Sipola, Director, Business Development (as from 7 August 2006); Michael Sjöberg, Director, Machine Shops, and Communications Manager Pirjo Aarniovuori.

After the end of the year Döktas Managing Director Yaylalý Günáy and Sales Director Hakan Göral were appointed members of Componenta Corporation's corporate executive team on 9 January 2007.

### Personnel

	Componenta	Döktas	Group total
Personnel	2,316	2,000	4,316
Leased personnel	312	621	933
Total	2,628	2,621	5,249

During the review period Componenta had on average 2,196 (2,214) employees. At the end of December 2006 the Group had 4,316 (4,057) employees. The number of Group personnel at the end of the year including contract labour was 5,249 (4,833). At the end of 2006, 22% of the Group's personnel were in Finland, 50% in Turkey, 16% in the Netherlands and 12% in Sweden.

### Environment

Componenta is committed to continuous improvement and to reducing the environmental impact of its production processes. The objectives of the Group's environmental policy are to reduction of the consumption of energy and raw materials, reduction of particle and VOC emissions and reduction of external ambient noise levels around each unit, sorting of waste and reduction of the quantity of non-recyclable waste material.

One of the most important environmental aspects for Componenta Group is the use of energy. During 2006 Componenta consumed 426 GWh (409 GWh) of energy and Döktas 383 GWh (393 GWh). Most, 67%, of the energy used is electricity. The foundries use more than 90% of all the energy, since in particular the smelting processes at the foundries use much energy. Energy consumption in proportion to production declined in 2006 at Componenta's foundries by more than 6% and at Döktas by almost 5%, compared to 2005.

Componenta will publish its 2006 environmental report during the first half of 2007.

### Research and development

At the end of 2006, 53 people worked in research and development at Componenta, which corresponds to one (1) per cent of the company's total personnel. Componenta's R&D expenses in 2006 totalled EUR 1.4 (1.4) million. This is 0.4% (0.4%) of the company's total net sales.

### Risks

Price fluctuations for Componenta Group's main raw material, recycled metal, affect the sales margins on the Group's products. When the price of scrap metal rises, the increase in the price of the raw materials can be passed on to the products supplied to customers after a certain delay, so price increases in recycled metal reduce the sales margin temporarily. When recycled prices go down the Group's margins improve for a while.

The electricity consumption of the Group's foundries and machine shops creates a spot price risk for the purchased electricity, so the Group purchases electricity price forwards to hedge against the impact of electricity prices on the financial performance. The target hedging level for the forecast electricity consumption by the Group's production plants is 90% for the next 12 months, 60% for the following year and 40% for the third year. Trading in electricity price forwards has been outsourced. The Group aims to pass on the increase in the price of electricity to customers with a separate electricity surcharge.

Appropriate insurance has been taken against risks associated with assets and interruption of operations and to minimize indemnity.

The financial risks relating to Componenta Group'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 finance markets and to secure the Group's financial performance and financial position. Management of financial risks takes place in the corporate treasury function.

The Group has no significant concentration of risk for receivables. The Group recognized no major credit losses in 2006.

The company is not party to any significant contracts that will come into force, that can be amended or that can cease to be valid if control of the company changes in consequence of a public purchase offer.

### Dividend proposal

The distributable equity of the parent company on 31 December 2006 amounted to EUR 18.1 million, of which the loss for the financial year was EUR -0.3 million. The Board of Directors proposes to the Annual General Meeting of Shareholders that a dividend of EUR 0.25 per share be paid for 2006, altogether EUR 2.5 million, and EUR 15.6 million be retained in the shareholders' capital. No significant changes have taken place in the company's financial position after the end of the year. The company's liquidity is strong, and in the opinion of the Board of Directors the proposed distribution of profit does not put the company's solvency at risk.

### Annual General Meeting

The Board of Directors proposes to the Annual General Meeting that the company's Articles of Association be changed in consequence of the new Finnish Companies Act and that the Board be authorized to decide on issuing shares, option rights and special rights as stated in Section 1 of Chapter 10 of the Finnish Companies Act such that on the basis of the authorization a maximum of altogether 2,000,000 new shares is issued.

The Board of Directors proposes that the Annual General Meeting of Shareholders authorizes the Board of Directors to resolve to repurchase own shares with the unrestricted shareholders' equity of the Company. The authorization is proposed to amount to a maximum of 1,000,000 own shares.

### Prospects

Componenta's prospects in 2007 are based on general external financial indicators, order forecasts given by customers, and on Componenta's order intake and order book.

The demand outlook in the Group's customer sectors is good at the beginning of 2007. Rising interest rates and unfavourable developments in exchange rates in Europe may weaken prospects during the year.

Combining the operations of Componenta and Döktas is expected to achieve synergy benefits of MEUR 10 by the end of 2008. The improvement in the performance of the Karkkila and Heerlen units is expected to continue in 2007.

Componenta's and Döktas' order books stood at a higher level at the end of 2006 than at the end of the previous year.

Componenta Group's 2007 net sales and result after financial items, excluding one-time items, are expected to increase on the corresponding pro forma figures for 2006.



# Pro forma income statement

## Income statement

MEUR	Pro forma	
	1.1.-31.12.2006	1.1.-31.12.2005
Net sales	616.9	567.5
Other operating income	1.7	3.8
Operating expenses	-556.6	-532.6
Depreciation, amortization and write-down	-23.7	-29.4
Negative goodwill recognized as income	0.0	4.6
Share of the associated companies' result	1.8	2.1
Operating profit	40.0	15.9
% of net sales	6.5	2.9
Financial income and expenses	-2.5	-16.6
Result after financial items	37.6	-0.7
% of net sales	6.1	0.1
Income taxes	-6.4	2.6
Net profit	31.2	1.9
Allocation of net profit for the period		
To equity holders of the parent	21.1	0.9
To minority interest	10.1	1.0
	31.2	1.9
Share of ownership in Döktas	68.6	68.6

## Income statement excluding one-time items

MEUR	Pro forma	
	1.1.-31.12.2006	1.1.-31.12.2005
Net sales	616.9	567.5
Other operating income	1.7	1.4
Operating expenses	-556.5	-529.0
Depreciation, amortization and write-down	-23.5	-29.4
Negative goodwill recognized as income	0.0	0.0
Share of the associated companies' result	1.8	2.1
Operating profit	40.4	12.6
% of net sales	6.5	2.2
Financial income and expenses	-16.6	-16.6
Result after financial items	23.8	-4.0
% of net sales	3.9	-0.7
Income taxes	-5.7	2.5
Net profit	18.1	-1.6
Allocation of net profit for the period		
To equity holders of the parent	12.2	-2.5
To minority interest	5.9	1.0
	18.1	-1.6
Earning per share calculated on the profit attributable to equity holders of the parent		
Earnings per share, EUR	1.26	-0.26
Number of shares in parent company	9,726	9,622

## Group development by quarter, pro forma

Me	Q1/06	Q2/06	Q3/06	Q4/06
Net sales	154.9	160.3	140.5	161.3
Operating profit	9.6	15.1	4.9	10.4
Net financial items	-3.7	-4.5	-3.3	9.1
Profit/loss after financial items	5.9	10.6	1.6	19.5

## Group development excluding one-time items, pro forma

Me	Q1/06	Q2/06	Q3/06	Q4/06
Net sales	154.9	160.3	140.5	161.3
Operating profit	9.6	15.1	4.9	10.7
Net financial items	-3.7	-4.5	-3.3	-5.0
Profit/loss after financial items	5.9	10.6	1.6	5.7

## Consolidated income statement 1 January - 31 December 2006

MEUR	Note	2006	%	2005	%
NET SALES	1	362.1	100.0	343.2	100.0
Other operating income	3	0.8		3.5	
Operating expenses	4,5,6	-332.8		-327.0	
Depreciation, amortization and write-down of non-current assets	7	-17.4		-11.9	
Share of the associated companies' result		1.8		2.1	
<b>OPERATING PROFIT</b>	<b>1</b>	<b>14.5</b>	<b>4.0</b>	<b>9.9</b>	<b>2.9</b>
Financial income	8	2.7		3.1	
Financial expense	8	-12.6		-12.0	
Financial income and expenses in total	8	-9.9		-8.9	
<b>PROFIT/LOSS AFTER FINANCIAL ITEMS</b>		<b>4.6</b>	<b>1.3</b>	<b>1.0</b>	<b>0.3</b>
Income taxes	9	-1.1		1.2	
<b>PROFIT/LOSS FOR THE FINANCIAL PERIOD</b>		<b>3.5</b>		<b>2.2</b>	
Allocation of net profit for the period					
To equity holders of the parent		3.5		2.5	
To minority interest		0.0		-0.3	
		3.5		2.2	
Earnings per share calculated on the profit attributable to the share holder's of the parent company					
Earnings per share, EUR	10	0.36		0.26	
Earnings per share with dilution, EUR	10	0.36		0.26	

The notes are an integral part of these financial statements.

# Consolidated balance sheet 31 December 2006

MEUR	Note	1.1. - 31.12.2006	1.1. - 31.12.2005
<b>Assets</b>			
<b>NON-CURRENT ASSETS</b>			
Tangible assets	11	213.7	162.5
Goodwill	12	43.4	0.5
Intangible assets	13	2.0	2.1
Investment properties	14	1.9	1.9
Shares in associated companies	15	7.4	6.9
Financial assets	16	0.5	0.5
Receivables	17	1.0	1.0
Deferred tax assets	18	8.2	9.0
		287.2	184.6
<b>CURRENT ASSETS</b>			
Inventories	19	78.5	37.8
Receivables	20	95.9	41.5
Cash and cash equivalents	22	15.3	5.3
		189.7	84.6
<b>TOTAL ASSETS</b>		<b>467.9</b>	<b>269.1</b>

The notes are an integral part of these financial statements.

## LIABILITIES AND SHAREHOLDERS' EQUITY

<b>Shareholders' equity</b>			
Share capital		20.0	19.3
Share premium account		12.4	11.6
Legal reserve		0.0	0.0
Other reserves		3.4	2.4
Translation difference		0.1	0.0
Retained earnings		15.6	12.8
Profit/loss for the financial period		3.5	2.5
Equity attributable to equity holders of the parent	23	55.2	48.5
Minority interest		32.2	0.1
Shareholders' equity		87.3	48.6
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Capital loan	27	61.5	34.9
Interest bearing	27	94.4	57.8
Non-interest bearing		0.1	0.1
Provisions	26	1.2	0.7
Deferred taxes	18	3.2	0.7
<b>Current liabilities</b>			
Capital loan	27	2.9	2.9
Interest bearing liabilities	27	107.8	54.3
Non-interest bearing	28	102.4	68.7
Tax liability		2.0	0.2
Provisions	26	4.9	0.4
		380.6	220.5
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>467.9</b>	<b>269.1</b>

The notes are an integral part of these financial statements.

# Consolidated cash flow statement

MEUR	1.1.-31.12.2006	1.1.-31.12.2005
Cash flow from operations		
Result after financial items	4.6	1.0
Depreciation, amortization and write-down	17.4	11.9
Net financial income and expenses	9.9	8.9
Other income and expenses, adjustments to cash flow	0.2	-4.7
Change in net working capital	1.6	8.7
Interest received	1.2	0.2
Interest paid	-10.0	-8.6
Dividends received	1.2	1.2
Taxes paid	0.0	0.0
<b>NET CASH FLOW FROM OPERATIONS</b>	<b>26.2</b>	<b>18.6</b>
Cash flow from investing activities		
Capital expenditure in tangible and intangible assets	-7.0	-17.5
Proceeds from tangible and intangible assets	0.1	0.2
Other investments and loans granted		-0.1
Proceeds from other investments and repayments of loan receivables		8.4
Acquisition of subsidiary, net of cash acquired	-97.4	-2.6
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-104.2</b>	<b>-11.6</b>
Cash flow from financing activities		
Dividends paid	0.0	-4.8
Share issue	1.6	0.1
Draw-down (+)/ repayment (-) of the equity part of convertible capital notes	2.2	1.5
Repayment of finance lease liabilities	-2.2	-1.8
Draw-down (+)/ repayment (-) of current loans	26.1	1.3
Draw-down (+)/ repayment (-) of non-current loans	60.4	1.0
<b>Net cash flow from financing activities</b>	<b>88.1</b>	<b>-2.8</b>
Change in liquid assets	10.0	4.1
Cash and bank account at the beginning of the period	5.3	1.2
Cash and bank account at the period end	15.3	5.3
<b>CHANGE DURING THE FINANCIAL PERIOD</b>	<b>10.0</b>	<b>4.1</b>

## Statement of changes in shareholder's equity

MEUR	PARENT COMPANY SHARE OF EQUITY						Minority interest	Shareholder's equity total
	Share capital	Share Premium	Other reserves	Other items	Retained earnings	Total		
Shareholder's equity 1.1.2005	19.2	11.5	0.0	0.0	17.1	47.9	7.6	55.4
Derivatives			0.9			0.9		0.9
Other changes				0.1	0.4	0.5		0.5
Dividends paid					-4.8	-4.8		-4.8
Increase of share capital (warrants)	0.0	0.0				0.1		0.1
Change in minority interest						0.0	-7.2	-7.2
Equity share of convertible capital notes			1.5			1.5		1.5
Profit/loss for the period					2.5	2.5	-0.3	2.2
Shareholder's equity 31.12.2005	19.3	11.6	2.4	0.1	15.3	48.5	0.1	48.6

MEUR	PARENT COMPANY SHARE OF EQUITY						Minority interest	Shareholder's equity total
	Share capital	Share Premium	Other reserves	Other items	Retained earnings	Total		
Shareholder's equity 1.1.2006	19.3	11.6	2.4	0.1	15.3	48.5	0.1	48.6
Derivatives			-0.1			-0.1		-0.1
Other changes				0.1	0.3	0.4		0.4
Increase of share capital (warrants)	0.8	0.8	0.0			1.6		1.6
Change in minority interest						0.0	32.1	32.1
Equity share of convertible capital notes			1.2			1.2		1.2
Profit/loss for the period					3.5	3.5	0.0	3.5
Shareholder's equity 31.12.2006	20.0	12.4	3.4	0.1	19.1	55.2	32.2	87.3

# Notes to the consolidated financial statements

## Significant information

Componenta is a metal sector company with international operations. Componenta supplies cast, machined and surface-treated components and total solutions built from these to its customers, who are companies in the heavy truck, off-road and machine-building, and power and transmission industries.

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

The financial year for all group companies is the calendar year and it ended on 31 December 2006.

The Board of Directors of Componenta Corporation has at its meeting on 5 February 2007 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 2006 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.

Componenta adopted IFRS financial statements in 2005, applying IFRS 1 (First-time Adoption of IFRS Standards). IAS 32 and IAS 39 standards concerning financial instruments have been applied as from 1 January 2005. The Group published comparative IFRS figures for 2004 and explained the impact of the transition to IFRS on 7 April 2005. Interim financial reports have been prepared since the beginning of 2005 in accordance with IFRS accounting and assessment principles.

The consolidated financial statements have been prepared based on the historical cost, except that the following items have been assessed at fair value: financial assets and liabilities recognized in the income statement, derivative financial instruments, and hedged items in fair value hedge accounting. 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 note "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. In December 2006, following approval by competition authorities, the purchase of Turkish company Döktas was completed. Döktas and its British subsidiary Sherbrook are included in the consolidated financial statements from the end of December 2006.

The acquisition cost used in consolidation is a preliminary calculation. 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 cost 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. Minority interest is calculated as the minority shareholders' share of the result for the financial period and of the shareholders' equity of subsidiary companies.

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.

The Group's share of the assets and liabilities of mutual real estate limited companies are included in the consolidated financial statements.

## Translation of foreign currency items

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.

The foreign currency receivables and liabilities of the parent company and Finnish subsidiaries are translated into euros at the European Central Bank's average exchange rate on the balance sheet date. The foreign currency receivables and liabilities of non-Finnish group companies are translated at the exchange rate for the country concerned on the balance sheet date. Foreign exchange differences for operating business items are recorded in the appropriate income statement account before operating profit and for financial items are entered as a net amount in financial income and expenses.

The income statements of foreign subsidiaries are translated into euros using the average exchange rates for the accounting period. These are the average of the average exchange rates quoted by the European Central Bank at each month end. Bal-

ance sheet items are translated into euros at the European Central Bank 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 adjustments. 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 adjustments 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.

### Property, plant and equipment and intangible assets

Property, plant and equipment are recorded in the balance sheet at their historical cost less planned depreciation. For certain buildings the Group has made use of transitional relief, according to which it assessed the buildings at fair value in the 2004 opening balance sheet and after that began planned depreciation on them. No depreciation is made on land and water areas. Intangible assets include goodwill, computer software and capitalized development costs. No depreciation is made on intangible items that have an unlimited period of financial impact. Instead they are tested annually for impairment. Intangible items that have a limited period of financial impact are recorded in the balance sheet and amortized on a straight line basis in the income statement over their expected useful life.

Maintenance and repair costs are usually recognized in the income statement as an expense as incurred. Major refurbishment costs can be capitalized and depreciated over their estimated useful life, if they 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 is calculated on a straight line basis on the historical cost, based on the estimated useful economic life, as follows:

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

\*) 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 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.

The amount by which the share of net assets acquired in a business acquisition exceeds the acquisition cost is recognized in the income statement and presented as a separate item.

### 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.

The recoverable amount of goodwill is estimated each year, regardless of whether there is any indication of impairment. In addition, if there is an indication of impairment, the recoverable amount is allocated to the cash-generating unit to which the goodwill belongs. The recoverable amount of a cash-generating unit is compared to its book value and an impairment loss is recognized if the recoverable amount is less than the book value.

### Investment property

Property that is owned by the Group or held under a finance lease and leased to an external party, and that is not mainly owner-occupied, is classified as investment property and is valued in the balance sheet at acquisition cost. Rental income from investment property is recorded in the Group's net sales. Investment property is depreciated on a straight line basis over its useful economic life, which is 25 - 40 years. The residual value is 25% of the acquisition cost.

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

Leases are classified at inception as finance or other leases. Leases for fixed assets that transfer substantially all the risks and rewards incidental to ownership of an asset 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 the ownership is obtained at the end of the lease term, asset is depreciated over the shorter of the lease term and its useful 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 costs and instalment payment of the liability using the effective interest rate method, so that the liability is repaid over the lease term as an annuity. The financing cost calculated with the effective interest rate is recognized as a financial expense. The difference between floating interest rate agreements and the effective interest rate is recorded as a rental expense.

Rents paid under other lease agreements are recognized as an expense in the income statement on an accrual basis throughout the lease term.

#### **Employee benefits/Pensions**

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. Defined benefit pension schemes have been treated in the same way if the pension company has not been able to provide actuarial valuations. Componenta has pension schemes classified as defined benefit schemes in Sweden (Alecta ITP) and the Netherlands (Metalektro), which are treated as defined contribution schemes. The work disability part of the Finnish TEL system is treated as a defined contribution scheme.

Pension coverage for employees of Group companies in Finland is provided in line with statutory arrangements under the TEL 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.

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

#### **Employee benefits/Share-based payment transactions**

Share options are valued at fair value at grant date and are expensed in the income statement over their vesting period. The options granted in the Group were granted before 7 November 2002 and the subscription period for them began before 1 January 2005, so they have not been expensed in the income statement.

Payments for share subscriptions are recorded in share equity and the share premium account.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and cash in bank accounts as well as short-term deposits.

#### **Segment reporting**

Componenta has three primary business segments, which are Cast Components, Döktas Cast Components and Döktas Aluminium Components. The Cast Components segment comprises all the Group's foundries and machine shops in Finland, Sweden and the Netherlands. The Döktas Cast Components segment comprises the Orhangazi foundry and machine shop in Turkey. The aluminium foundry in Manisa in Turkey forms the Döktas Aluminium Components segment. Outside these segments are the associated companies, the Sherbrook sales company in England, the Wirsbo forges, real estate companies and the Group's administrative functions. The business segments are based on the Group's internal organizational structure and internal financial reporting. The secondary, geographical segment comprises the Nordic Countries and Other European Countries. Revenues and transfers between Componenta's business segments and the operations outside of them and between the geographical segments are recorded at fair market prices. A geographical segment that must be reported separately is formed by a market area that accounts for more than 10% of the Group's net sales and for which the risks and rates of return for its operations differ from the risks and rates of return in the financial environment in other market areas. The net sales of geographical segments are presented by customer location and assets are presented by the location of the assets.

#### **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.

#### **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.

Deferred tax assets for confirmed losses or for losses for the financial period have only been recognized to the extent that it is considered probable that the losses can be utilized. Deferred tax liabilities have been calculated for Finnish companies using a tax rate of 26%, for Swedish companies using a rate of 28% and for Dutch companies using rates of 29.6% in the result and 25.5% in the balance sheet.

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, sales adjustments and exchange rate differences for sales in foreign currencies. 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.

### **Other income from operations**

Revenues that are not part of actual net sales, such as revenue from the sale of fixed assets, are recorded under other income from operations.

### **Financial assets and liabilities**

#### **Financial assets**

The Group's financial assets are initially classified in the following categories: 1) financial assets at fair value through profit and loss, 2) loans and other receivables, 3) held-to-maturity investments and 4) available-for-sale financial assets. At the balance sheet date all investments and receivables are included in the categories: financial assets at fair value through profit and loss, loans and receivables, and available-for-sale financial assets.

Financial assets at fair value through profit and loss contains those derivative financial instruments acquired for hedging purposes but to which the principles of hedge accounting are 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 income statement for the period in which they are incurred.

Loans and other interest bearing receivables are recognized at amortized cost using the effective interest rate method. Only substantial transaction costs are taken into account when calculating the acquisition cost.

Holdings and investments that do not belong to the other financial asset categories are classified under the available-for-sale category. 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 recognized at fair value through profit and loss.

#### **Financial liabilities**

Those derivative instruments acquired for hedging purposes but to which the principles of hedge accounting are not applied are classified under financial liabilities at fair value through profit and loss.

These financial liabilities held for trading are recognized at fair value using the market prices on the balance sheet date. Re-

alized and unrealized profit and losses resulting from changes in fair value are recognized in the income statement for the period in which they are incurred.

Financial liabilities that are not classified as financial assets at fair value through profit and loss are classified as other financial liabilities. These financial liabilities are initially recognized at fair value reduced by any substantial transaction costs that are directly attributable to the acquisition or issue of the financial liability. Other financial liabilities category is 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. 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 as the present value of the contractually determined stream of future cash flows discounted at, in the lack of reliable determined corresponding market interest rate, the 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 the other reserves of equity reduced by the costs attributable to the issue and deferred tax liability.

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

#### **Derivative financial instruments and hedge accounting**

The Group's derivative financial 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 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. Forward foreign exchange contracts and currency exchange contracts 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 financial instruments are recognized either as financial hedging instruments that are excluded from hedge accounting as defined in IAS 39 or as hedging instruments that qualify as cash flow hedges or as currency hedges of net investments in foreign operations. When the hedge accounting is applied the hedged item as well as the hedging relationship are identified and documented according to the principles of hedge accounting. The hedge effectiveness is assessed retrospectively when entering the hedge accounting and prospectively on a regular basis, at least quarterly. On balance sheet date, cash flow hedge accounting is applied when hedging against future changes in interest rate and electricity spot market prices.

When cash flow hedge accounting is applied the effective portions of the changes in the fair value of hedging instruments



are recognized in shareholders' equity in the hedging reserve. Accumulated changes in fair value are recognized in financial income and expenses 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 hedging relationship is recognized in the income statement under financial income or expenses.

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 of translation differences. These items will be recognized through profit and loss on disposal of the foreign operation.

Accumulated interest expenses or income 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 and currency derivatives that are a part of the Group's risk management policy but are excluded from the hedge accounting. Realized gains or losses from electricity price forwards are recognized in purchases as adjustment items. The fair values of derivative financial instruments are recognized under current assets and liabilities in the balance sheet.

The Group has no embedded derivatives at the balance sheet date.

### **Earnings per share**

The basic earnings per share is 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.

### **Dividend payment**

Dividends proposed by the Board of Directors to the AGM 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. In addition it has to make judgments in the application of the accounting principles. These affect the amounts of assets and liabilities in the balance sheet, the presentation of commitments and any assets in the financial statements, and revenues and expenses for the period. Actual results may differ from these estimates.

The Group's intangible assets are tested annually for impairment and other balance sheet assets are assessed for indications of impairment as presented in the accounting principles. The

recoverable amount from cash flow generating entities is determined using calculations that are based on value in use and require the use of estimates.

### **Application of standards**

The following standards are not applicable due to the nature of the business and the business transactions in the group:

IFRS 4  
IFRS 5  
IAS 11  
IAS 26  
IAS 29  
IAS 30  
IAS 31  
IAS 41

The amended standards concerning IAS 39 published by IASB in 2004 were adopted in 2006. It is estimated that the adoption of the amended standards will not have a significant impact on future financial statements.

The new standard IFRS 7 published by IASB in 2005 will be adopted in 2007. This will mainly affect the notes to the financial statements.

## Notes to the consolidated income statement

### 1. Segment information

Componenta has three business segments: Cast Components, Döktas Cast components and Döktas Aluminium Components. Cast Components consists of all foundries and machine shops in Finland, Sweden and in the Netherlands. Döktas Cast Components consists of the Foundry and Machineshop in Orhanga, Turkey. Döktas Aluminium components -segment is formed of the Aluminium foundry in Manisa Turkey. Associated companies, the Wirsbo forges, real estate companies, Sherbrook sales company and Group administrative functions are included in Other Operations. Componenta's operations are divided into two geographical segments - the Nordic Countries and Other European Countries. Transactions between Cast Components and Other Operations as well as sales between geographical segments are based on market prices.

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.

### Primary reporting format

#### Business segments 2006

MEUR	Cast Components	Döktas Cast Components	Döktas Aluminium Components	Other operations	Eliminations	Group
Net sales	316.7	-	-	48.0	-2.6	362.1
Share of results of associates				1.8		1.8
Segment operating profit	14.0	-	-	0.5		14.5
Unallocated items						0.0
Operating profit						14.5
Unallocated items						-11.0
Net profit						3.5
Segment assets	189.0	124.4	57.9	74.8	-52.4	393.7
Shares in associated companies				7.4		7.4
Unallocated assets						66.8
Total assets						467.9
Segment liabilities	63.7	19.6	9.0	31.7	-22.5	101.4
Unallocated liabilities						279.2
Total liabilities						380.6
Capital expenditure	9.7	-	-	2.4		12.1
Depreciation	-14.6	-	-	-2.8		-17.4

#### Business segments 2005

MEUR	Cast Components	Döktas Cast Components	Döktas Aluminium Components	Other operations	Eliminations	Group
Net sales	295.4	-	-	52.6	-4.7	343.2
Share of results of associates				2.1		2.1
Segment operating profit	4.5	-	-	2.1		6.6
Unallocated items						3.3
Operating profit						9.9
Unallocated items						-7.7
Net profit						2.2
Segment assets	181.8	-	-	76.2	-15.5	242.5
Shares in associated companies				6.9		6.9
Unallocated assets						19.8
Total assets						269.1
Segment liabilities	61.5	-	-	19.5	-10.1	70.9
Unallocated liabilities						149.6
Total liabilities						220.5
Capital expenditure	20.0			5.1		25.1
Depreciation	-14.3			-2.2	4.6	-11.9

### Secondary reporting format

#### Geographical segments 2006

MEUR	Nordic Countries	Other European Countries	Other Countries	Total
Net sales	177.1	162.6	22.5	362.1
Assets	235.2	232.8		467.9
Capital expenditure	10.2	1.9		12.1

#### Geographical segments 2005

MEUR	Nordic Countries	Other European Countries	Other Countries	Total
Net sales	175.9	146.8	20.5	343.2
Assets	194.7	74.4		269.1
Capital expenditure	19.1	6.0		25.1

## 2. Business acquisition

In October 2006 Componenta signed an agreement with Koc Group to acquire 55% of the shares and votes of Döktas Dökmüculük Sanayi ve Ticaret A.S., a Turkish listed iron and aluminium casting component manufacturer. The Acquisition was completed in December, when the conditions for completion were fulfilled. Additional share purchases through Istanbul Stock Exchange increased Componenta's holding in Döktas to 69 % by 31 December. The acquisition cost for all the shares acquired was EUR 111.3 million, which includes consulting fees of EUR 1.1 million. Döktas purchased the rest 75 % of the shares in an British sales company Sherbrook International limited before the closing of the transaction in December. After the transaction Döktas holds 100 % of the shares and votes of Sherbrook. Amount of goodwill recognized to the balance sheet from Componenta's acquisition is EUR 42.7 and it is provisional. Döktas income statement has not been consolidated to Componenta consolidated income statement. Componenta Groups' consolidated pro forma net sales for 2006 including Döktas sub group was EUR 616.9 and operating profit EUR 40.0 million. The following assets and liabilities arising from the acquisition were recognized in 2006.

	Value recognized in consolidation
Tangible assets	55.5
Goodwill	1.6
Intangible assets	0.2
Inventories	35.8
Trade receivables	53.6
Other receivables	1.9
Deferred tax receivables	0.1
Cash and cash equivalents	12.0
<b>Total assets</b>	<b>160.7</b>
Deferred tax liabilities	-1.7
Provisions	-5.3
Interest bearing liabilities	-27.1
Other liabilities	-24.2
<b>Total liabilities</b>	<b>-58.4</b>
Net assets	102.3
68.6% of net assets	70.2
Acquisition cost	111.3
Goodwill (unallocated)	41.1
Acquisition cost	111.3
Unpaid acquisition cost	-1.9
Cash and cash equivalents in subsidiary acquired	12.0
Cashflow on acquisitions	97.4

Goodwill reflects the synergetic effects from the acquisition. Acquisition cost calculation is based on the book values of Döktas at 31 December 2006

In the end of 2006 Componenta acquired the minority interest of Karkkkilan Lääkärikeskus Oy by EUR 0.2 million. After the transaction Componenta holds all the shares and votes in the company. Componenta recorded EUR 0.2 goodwill from this acquisition

## 3. Other operating income

	2006	2005
Rental income	0.4	0.3
Profit from sale of non-current assets	0.0	0.2
Profit from sale of shares in associated companies	-	2.2
Other operating income	0.5	0.8
	0.8	3.5
Rental income from investment property included in net sales	0.1	0.1

## 4. Operating expenses

Change in inventory of finished goods and work in progress	3.8	-3.5
Production for own use	0.2	0.1
Materials, supplies and products	-133.3	-130.0
External services	-42.4	-41.8
Personnel expenses	-101.6	-98.0
Rents	-4.6	-3.4
Maintenance costs of Investment property	-0.1	-0.1
Maintenance	-21.6	-20.8
Freight	-4.2	-4.0
Other operating expenses	-29.1	-25.5
<b>Total operating expenses</b>	<b>-332.8</b>	<b>-327.0</b>

## 5. Employee benefit costs

	2006	2005
Salaries and fees	-80.3	-78.6
Pension costs - defined contribution plans	-11.2	-10.6
Other personnel costs	-10.1	-8.8
	-101.6	-98.0
Number of personnel by segment		
Cast Components	1,943	1,930
Other operations	398	284
	2,341	2,214

## 6. Research and development costs

Following amounts have been recognized to income statement in research and development costs

1.4	1.4
-----	-----

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

Depreciation and amortization		
Tangible assets		
Buildings and structures	-1.8	-1.7
Investment property	0.0	0.0
Machinery and equipment	-14.8	-13.8
Other tangible assets	-0.4	-0.4
	-16.8	-15.9
Intangible assets		
Capitalized development costs	0.0	-0.1
Intangible rights	0.0	0.0
Goodwill	-	0.0
Other capitalized expenditure	-0.5	-0.4
	-0.6	-0.6
Negative goodwill recognized as income	-	4.6
Total depreciation, amortization and write-down of non-current assets	-17.4	-11.9

## 8. Financial income and expenses

Dividend income	0.0	0.0
Interest income	0.6	0.2
Interest expenses	-8.1	-7.6
Foreign exchange gains	2.1	2.9
Foreign exchange losses	-2.5	-2.6
Change in fair value of financial items recognized at fair value	-0.1	0.0
Other financial income	0.0	0.0
Other financial expenses	-2.0	-1.9
	-9.9	-8.9

Operating profit contains foreign exchange gains and losses of EUR 0.0 million (-0.1). Interest income from interest rate swaps is included in the interest expenses. Item Change in fair value of financial items recognized at fair value includes changes in the fair values of commodity and interest rate derivatives used as hedging instruments in the cash flow hedging and transfers from the hedging reserve of equity a total of EUR -0.1 million. The ineffective portion of foreign exchange derivatives designated as hedges of net investments in foreign operations EUR 0.0 million is included in the foreign exchange losses. Interest expenses include finance charges from finance leases of EUR -0.5 (-0.4) million.

## 9. Income taxes

	2006	2005
Income taxes		
Income taxes for financial period	-0.1	0.0
Change in deferred taxes (see note 18)	-1.0	1.3
	-1.1	1.2

Income tax reconciliation between tax expense computed at statutory rates in Finland (26% in 2006 and 2005) and income tax expense provided on earnings

Profit before tax	4.6	1.0
Income tax using Finnish tax rate	-1.2	-0.3
Difference between Finnish tax rate and rates in other countries	-0.2	-0.2
Effect of change in Finnish tax rate	-	0.3
Tax exempt income	0.5	1.1
Non-deductible expenses	-0.1	-1.0
Recognition of negative goodwill as income	-	1.2
	-1.1	1.2

## 10. 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

	2006	2005
Basic earnings per share		
Numerator: Profit for the period attributable to shareholders of the parent company, 1,000 EUR	3,521	2,516
Denominator: Weighted average number of outstanding shares during the financial year, 1,000 shares	9,726	9,622
Basic earnings per share EUR	0.36	0.26

The calculation of the diluted earnings per share takes into account the dilutive effect of converting all potential ordinary shares to shares.

The Group has two dilutive financial instruments that increase the number of ordinary shares: share options and convertible notes.

Stock options have a dilutive effect only when the exercise price of the options is lower than the fair value of the share.

The amount of the dilution is the number of shares that can be considered as issued for no consideration, since the Group could not issue the same number of shares at fair value with the funds received from share subscriptions.

The fair value is based on the average price of the share during the financial year. The convertible notes have been converted to shares and the profit for the period attributable to the parent company has been adjusted by the interest recognized in the period for the convertible notes.

### Diluted earnings per share

	2006	2005
Profit attributable to shareholders of parent company, TEUR	3,521	2,516
After tax interest of the convertible loan	870	644
Numerator: Profit attributable to shareholders of parent company for calculating diluted earnings per share, TEUR	4,391	3,160
Diluted number of shares, 1,000 shares	9,726	9,622
Effect of outstanding options, 1,000 shares	0	153
Dilution effect of convertible note	2,082	1,900
Denominator: Weighted average number of shares for diluted earnings per share, 1,000 shares	11,808	11,675

In 2006 the convertible equity loans did not have dilutive effect.

In 2005 only the stock options have dilutive effect, which the group reports in the value of the dilutive earnings per share -key figure.

## Notes to the consolidated balance sheet

### 11. Tangible assets

	2006	2005
Land and water areas		
Acquisition cost at 1 Jan.	9.4	9.4
Additions	0.3	0.0
Disposals	-	0.0
Book value at 31 Dec.	9.7	9.4
Buildings and constructions		
Acquisition cost at 1 Jan.	72.0	63.1
Additions	28.8	3.0
Disposals	0.0	0.0
Reclassifications	0.8	6.2
Translation differences	0.3	-0.2
Acquisition cost at 31 Dec.	101.8	72.0
Accumulated depreciation at 1 Jan.	-18.7	-17.2
Accumulated depreciation on decreases and reclassifications	0.0	0.0
Accumulated depreciation on increases	-15.5	-
Translation differences	-0.1	0.1
Depreciation during the period	-1.7	-1.6
Accumulated depreciation at 31 Dec.	-36.0	-18.7
Book value at 31 Dec.	65.8	53.2

	2006	2005
Buildings and constructions, finance leasing		
Acquisition cost at 1 Jan.	4.1	4.1
Acquisition cost at 31 Dec.	4.1	4.1
Accumulated depreciation at 1 Jan.	-0.2	-0.1
Depreciation during the period	-0.1	-0.1
Accumulated depreciation at 31 Dec.	-0.3	-0.2
Book value at 31 Dec.	3.8	3.9
Machinery and equipment		
Acquisition cost at 1 Jan.	231.3	223.1
Additions	135.1	10.0
Disposals	-3.0	-4.4
Reclassifications	0.4	4.7
Translation differences	1.9	-2.1
Acquisition cost at 31 Dec.	365.7	231.3
Accumulated depreciation at 1 Jan.	-149.7	-142.8
Accumulated depreciation on increases	-88.9	-
Accumulated depreciation on decreases and reclassifications	2.8	4.3
Translation differences	-1.3	1.3
Depreciation during the period	-13.0	-12.5
Accumulated depreciation at 31 Dec.	-250.1	-149.7
Book value at 31 Dec.	115.6	81.6
Machinery and equipment, finance leasing		
Acquisition cost at 1 Jan.	12.8	5.7
Additions	5.3	7.2
Disposals	-0.4	0.0
Reclassifications	-0.3	-
Translation differences	0.3	-0.1
Acquisition cost at 31 Dec.	17.7	12.8
Accumulated depreciation at 1 Jan.	-1.8	-0.6
Accumulated depreciation on decreases and reclassifications	0.3	0.0
Translation differences	0.1	0.0
Depreciation during the period	-1.8	-1.2
Accumulated depreciation at 31 Dec.	-3.2	1.8
Book value at 31 Dec.	14.5	11.1
Other tangible assets		
Acquisition cost at 1 Jan.	8.1	7.6
Additions	5.1	0.4
Disposals	0.0	-0.1
Reclassifications	0.0	0.1
Acquisition cost at 31 Dec.	13.2	8.1
Accumulated depreciation at 1 Jan.	-6.5	-6.2
Accumulated depreciation on increases	-3.5	-
Accumulated depreciation on decreases and reclassifications	0.0	0.1
Depreciation during the period	-0.4	-0.4
Accumulated depreciation at 31 Dec.	-10.4	-6.5
Book value at 31 Dec.	2.8	1.6
Advance payments and fixed assets under construction		
Acquisition cost at 1 Jan.	1.7	11.7
Additions	0.9	0.9
Disposals	-0.1	-0.1
Reclassifications	-0.9	-10.8
Book value at 31 Dec.	1.6	1.7
Total tangible assets	213.7	162.5
Additions of tangible assets include the tangible assets of Döktas which was acquired in 2006.		
<b>12. Goodwill</b>		
Goodwill		
Acquisition cost at 1 Jan.	2.8	2.8
Additions	42.9	-
Acquisition cost at 31 Dec.	45.7	2.8
Accumulated amortization at 1 Jan.	-2.3	-2.3
Impairment during the period	-	0.0
Accumulated amortization at 31 Dec.	-2.3	-2.3
Book value at 31 Dec.	43.4	0.5

### 13. Intangible assets

	2006	2005
Capitalized development costs		
Acquisition cost at 1 Jan.	0.9	0.9
Additions	-	0.0
Acquisition cost at 31 Dec.	0.9	0.9
Accumulated amortization at 1 Jan.	-0.8	-0.7
Amortization during the period	0.0	-0.1
Accumulated amortization at 31 Dec.	-0.8	-0.8
Book value at 31 Dec.	0.1	0.1
Intangible rights		
Acquisition cost at 1 Jan.	0.3	0.4
Additions	0.8	0.0
Disposals	-	0.0
Acquisition cost at 31 Dec.	1.1	0.3
Accumulated amortization at 1 Jan.	-0.3	-0.3
Accumulated depreciation on increases	-0.6	-
Accumulated amortization on decreases and reclassifications	-	0.0
Amortization during the period	0.0	0.0
Accumulated amortization at 31 Dec.	-0.9	-0.3
Book value at 31 Dec.	0.2	0.1
Other capitalized expenditure		
Acquisition cost at 1 Jan.	6.5	6.3
Additions	0.1	0.2
Disposals	-	0.0
Reclassifications	1.0	0.0
Acquisition cost at 31 Dec.	7.6	6.5
Accumulated amortization at 1 Jan.	-5.3	-4.9
Accumulated amortization on decreases and reclassifications	-	0.0
Amortization during the period	-0.5	-0.4
Accumulated amortization at 31 Dec.	-5.8	-5.3
Book value at 31 Dec.	1.7	1.2
Advance payments of intangible assets		
Acquisition cost at 1 Jan.	0.8	-
Additions	0.1	0.8
Reclassifications	-0.9	-
Book value at 31 Dec.	0.0	0.8
Total intangible assets	2.0	2.1

Additions of intangible assets include the intangible assets of Döktas which was acquired in 2006.

### 14. Investment property

	2006	2005
Investment property		
Acquisition cost at 1 Jan.	2.2	2.2
Additions	0.0	-
Acquisition cost at 31 Dec.	2.2	2.2
Accumulated depreciation at 1 Jan.	-0.3	-0.3
Depreciation during the period	0.0	0.0
Accumulated depreciation at 31 Dec.	-0.4	-0.3
Book value at 31 Dec.	1.9	1.9

The fair values of investment property don't deviate from the book values essentially.

### 15. Shares in associated companies

Acquisition cost at 1 Jan.	6.9	10.5
Additions	-	0.0
Decreases	-1.2	-5.7
Share of results	1.8	2.1
Translation differences	-0.1	0.0
Book value at 31 Dec.	7.4	6.9

#### Associated companies 31 Dec. 2006

	Assets, MEUR	Liabilities, MEUR	Net sales, MEUR	Profit/Loss, MEUR	Group share of holding %
Ulefos NV AS, Ulefoss, Norja	23.3	13.4	35.6	3.1	50.0
Högfors Basket Oy, Karkkila					50.0
Kiinteistö Oy Niliharju, Helsinki					25.0

#### Associated companies 31 Dec. 2005

	Assets, MEUR	Liabilities, MEUR	Net sales, MEUR	Profit/Loss, MEUR	Group share of holding %
Ulefos NV AS, Ulefoss, Norja	24.6	16.0	37.8	2.7	50.0
Högfors Basket Oy, Karkkila					50.0
Kiinteistö Oy Niliharju, Helsinki					25.0

The value of shares in associated companies no longer includes goodwill at 31 Dec. 2006. At the end of 2006 all associated companies are unlisted.

### 16. Available-for-sale investments

	2006	2005
Other shares		
Acquisition cost at 1 Jan.	0.5	1.2
Additions	0.0	-
Disposals	-	-0.7
Book value at 31 Dec.	0.5	0.5

Available-for-sale investments consists of non-listed shares. The fair value of these shares is difficult to determine and therefore the values are recognized at acquisition cost subtracted with possible impairment losses.

In 2006 no gains/losses were recognised on available-for-sale investments. In 2005 Gains of EUR 0.031 million were included in other operating income

### 17. Non-current receivables

	2006	2005
From associates		
Loan receivables	0.1	0.0
	0.1	0.1
Other non-current receivables		
Loan receivables	-	0.5
Other receivables	1.0	0.5
	1.0	1.0
Total non-current receivables	1.0	1.0

All non-current receivables are due within five years from the balance sheet date

## 18. Deferred tax assets and liabilities

Changes in deferred taxes during the financial year 2006

	1.1.2006	Recognized in income statement	Recognized in balance sheet	31.12.2006
<b>Deferred tax assets</b>				
Intercompany gain on sale of fixed assets	0.5			0.5
Intercompany profit in inventory	0.1	0.0	0.1	0.2
Provisions	0.1	0.0		0.1
Tax losses carried forward	13.7	-0.2		13.5
Revaluation of real estate	0.9			0.9
Other temporary differences	0.0	0.0	0.0	0.0
<b>Total</b>	<b>15.3</b>	<b>-0.2</b>		<b>15.2</b>
Offset with deferred tax liabilities	-6.3			-7.0
<b>Total</b>	<b>9.0</b>			<b>8.2</b>
<b>Deferred tax liabilities</b>				
Fair value adjustments of net assets acquired	0.1	0.0		0.1
Accumulated depreciation in excess of plan	0.5	0.7		1.2
Revaluation on investment property	0.1			0.1
Revaluation of other real estate	5.1	0.0	-0.2	4.8
Other	1.2	0.2	2.6	4.0
<b>Total</b>	<b>6.9</b>	<b>0.9</b>	<b>2.4</b>	<b>10.2</b>
Offset with deferred tax assets	-6.3			-7.0
<b>Total</b>	<b>0.7</b>			<b>3.2</b>

Changes in deferred taxes during the financial year 2005

	1.1.2006	Recognized in income statement	Recognized in balance sheet	31.12.2005
<b>Deferred tax assets</b>				
Intercompany gain on sale of fixed assets	0.5	0.0		0.5
Intercompany profit in inventory	0.1	0.0		0.1
Provisions	0.1	0.0		0.1
Tax losses carried forward	12.3	1.4		13.7
Revaluation of real estate	0.9	0.0		0.9
Other temporary differences	0.0	0.0	0.0	0.0
<b>Total</b>	<b>13.9</b>	<b>1.3</b>		<b>15.3</b>
Offset with deferred tax liabilities	-6.6			-6.3
<b>Total</b>	<b>7.3</b>			<b>9.0</b>
<b>Deferred tax liabilities</b>				
Fair value adjustments of net assets acquired	0.2	-0.1		0.1
Accumulated depreciation in excess of plan	0.5	0.0		0.5
Revaluation on investment property	0.1	0.0		0.1
Revaluation of other real estate	5.4	-0.3	0.0	5.1
Other	0.5	0.4	0.3	1.2
<b>Total</b>	<b>6.6</b>	<b>0.0</b>	<b>0.3</b>	<b>6.9</b>
Offset with deferred tax assets	-6.6			-6.3
<b>Total</b>	<b>0.0</b>			<b>0.7</b>

No deferred tax liability has been recognized for the undistributed profit of non-Finnish subsidiaries since these earnings are to be permanently reinvested in these operations.

## 19. Inventories

	2006	2005
Raw materials and consumables	30.3	14.5
Work in progress	13.7	5.4
Finished products and goods	29.0	14.1
Other inventory	3.7	3.8
Advance payments	1.8	-
<b>Total</b>	<b>78.5</b>	<b>37.8</b>

During the financial year an expense of EUR 0.3 million was recognized to reduce the book value of inventories to their net realisable value.

## 20. Trade and other short-term receivables

	2006	2005
Trade receivables from associated companies	0.0	0.1
Trade receivables	86.4	34.7
Loan receivables	0.5	0.2
Other receivables	3.7	1.8
Derivative financial instruments	1.2	1.3
Income tax receivable	0.0	0.1
Prepayments and accrued income	4.2	3.3
<b>Total</b>	<b>95.9</b>	<b>41.5</b>

## 21. Financial assets at fair value through profit and loss

Financial assets held for trading are recognized at fair value through profit and loss. This category includes derivative instruments that are held for operative hedging purposes but are not included in the hedge accounting designated by IAS 39. The fair values and nominal values of these instruments are presented in the note 30

## 22. Cash and cash equivalents

	2006	2005
Cash and cash equivalents included in the balance sheet		
Cash at bank and in hand	15.3	5.3
Cash and cash equivalents included in the cash flow statement		
Cash at bank and in hand	15.3	5.3

## 23. Share capital, share premium reserve and other reserves

	Number of shares, (1000)	Share capital MEUR	Share Premium MEUR	Total MEUR
At 1 Jan. 2005	9,615	19.2	11.5	30.8
Exercise of share options	14	0.0	0.0	0.1
At 31 Dec. 2005	9,629	19.3	11.6	31.0
Exercise of share options	394	0.8	0.8	1.6
At 31 Dec. 2006	10,022	20.0	12.4	32.6

The maximum number of shares is 20 million (20 million in 2005). Each share has a nominal value of EUR 2.0 and the maximum share capital is EUR 40 million (EUR 40 million in 2005). All outstanding shares are fully paid.

The translation reserve comprises the foreign exchange differences arising from the translation of the financial statements of foreign companies and from gains and losses from hedging the net investment in foreign companies where this meets the conditions for hedge accounting

The revaluation reserve comprises changes in the fair value of the derivative financial instruments used in hedging available-for-sale investments and the cash flow and the equity component of the convertible loan

The share premium fund comprises the amount paid in a subscription issue above the nominal value of the share.

After the balance sheet date the Board of Directors has proposed to the Annual General Meeting that a dividend of 0.25 per share be paid for 2006.

## 24. Share-based payment

The share subscription period for Componenta 2001 option right programme ended on 31 October 2006. During the financial year 2006, the following share subscriptions were made:

	2006 Exercise price, weighted aver. EUR / share	2006 Number of option rights	2005 Exercise price, weighted aver. EUR / share	2005 Number of option rights
At 1 Jan. 2006		432,322		445,722
Exercised option rights	4.10	393,589	4.10	13,400
Expired option rights		38,733		
At 31 Dec. 2006		-		432,322

A subscription for shares entitles the shareholder to a dividend in the accounting period in which the subscription is registered in the Trade Register.

During the accounting period Componenta's equity increased by EUR 0.8 million and the share premium account by EUR 0.8 million due to share subscriptions. The average subscription price was 4.10 euros.

There were no outstanding option right schemes at the end of year 2006.

## Repayment schedule for non-current interest-bearing liabilities

	2007	2008	2009	2010	2011	2012+
Loans from financial institutions	6.2	4.1	51.6	20.6	0.3	-
Convertible capital notes	-	-	-	17.4	16.2	-
Capital notes	2.9	5.2	9.5	-	13.3	-
Finance lease liabilities	2.2	2.1	1.8	1.4	1.0	5.6
Pension loans	2.2	2.0	1.3	1.2	1.2	-
	13.4	13.4	64.1	40.6	32.1	5.6

## 25. Pension obligations

Most of the Group's pension plans are defined contribution plans. In Sweden Componenta has a pension scheme, Alecta ITP, defined as a defined benefit plan. However, since Alecta has not been able to supply the required actuarial valuations, the Swedish pension plan has been treated as a defined contribution plan. The effect of this should not be significant, since the Alecta ITP plan only affects a small part of the office staff in Sweden. In the Netherlands Componenta participates in a joint pension plan (Metalektro) with several other Dutch employers. Since the required information is not available to book this pension plan as a defined benefit plan, it has been treated as a defined contribution plan

## 26. Provisions

	Current Other provisions	Pension provisions	Reorganisation provision	Non-current Other provisions	Total
1 Jan. 2006	0.4	0.0	0.5	0.2	1.1
Additions to provisions	0.1	0.0		0.0	0.1
Increase through acquisition	-	4.5		0.9	5.3
Utilized during the period	0.0	0.0	-0.3	0.0	-0.3
Unused amounts reversed	0.0	0.0			0.0
31 Dec. 2006	0.5	4.5	0.2	1.1	6.2

The reorganisation provision was created for the merger of the foundries in Netherlands.

	2006	2005
Change in provisions recognized as operating expenses in income statement	-0.2	0.9

## 27. Interest-bearing liabilities

Non-current interest-bearing liabilities		
Loans from financial institutions	76.2	40.3
Finance lease liabilities	12.0	9.5
Pension loans	5.8	7.9
Other liabilities	0.4	0.0
	94.4	57.8
Current interest-bearing liabilities		
Loans from financial institutions	33.3	4.4
Finance lease liabilities	2.5	2.1
Pension loans	2.2	2.2
Other liabilities *)	69.8	45.6
	107.8	54.3
Capital notes**)		
Current	2.9	2.9
Non-current	27.9	17.6
Subordinated convertible notes		
Non-current	33.6	17.3
	64.5	37.8
Total interest-bearing liabilities	266.7	149.8

\*) Other non-current liabilities includes EUR 69.7million in issued commercial papers.

\*\*\*) The conversion option of the convertible note is included in equity's other reserves.

	2006	2005
Currency breakdown of non-current interest-bearing liabilities, %		
EUR	94.9	94.5
SEK	5.1	5.5
Currency breakdown of current interest-bearing liabilities, %		
EUR	98.8	98.6
SEK	1.2	1.4

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

## Finance lease liabilities

	2006	2005
Minimum lease payments		
Not later than one year	3.0	2.5
Later than one year and not later than five years	10.3	8.3
Later than five years	3.0	2.3
	16.4	13.1
Future finance charges	-1.9	-1.5
	14.5	11.6
Present value of minimum lease payments		
Not later than one year	2.5	2.1
Later than one year and not later than five years	9.2	7.3
Later than five years	2.9	2.2
	14.5	11.6

The most significant individual new finance lease investment in 2006 was Componenta Främmestad AB's new painting line EUR 3.8 million.

## Fair values of interest-bearing liabilities

	2006 Carrying value	2006 Fair value	2005 Carrying value	2005 Fair value
Loans from				
financial institutions	110.1	109.9	44.7	45.2
Commercial papers	69.7	69.7	45.6	45.6
Convertible capital notes	33.6	33.0	17.3	17.5
Capital notes	30.9	30.7	20.5	21.2
Finance lease liabilities	14.5	14.5	11.6	11.6
Pension loans	7.9	7.5	10.1	10.1
	266.7	265.3	149.8	151.2

The fair values of interest-bearing liabilities have been calculated by discounting the future cash flows at the market rates prevailing at 31 December 2006.

## Range of nominal and effective interest rates of interest-bearing liabilities

	2006 Nominal interest rates %	2006 Effective interest rates %	2005 Nominal interest rates %	2005 Effective interest rates %
Loans from				
financial institutions	1.0 - 6.6	1.0 - 6.7	1.0 - 5.0	1.0 - 9.7
Commercial papers	3.5 - 4.1	3.5 - 4.1	2.4 - 2.7	2.4 - 2.7
Convertible				
capital notes	5.8 - 5.8	9.4 - 10.4	5.8 - 5.8	9.3 - 9.3
Capital notes	2.0 - 7.1	2.0 - 8.8	2.0 - 6.3	2.0 - 8.5
Finance lease				
liabilities	0.0 - 7.7	0.0 - 7.7	0.0 - 12.5	0.0 - 12.5
Pension loans	3.3 - 5.4	3.3 - 5.4	3.0 - 5.4	3.0 - 5.4

## Capital notes

Debtor: Componenta Corporation

### Capital Notes 2002

On 31 December 2006 outstanding nominal amount of Componenta Corporation's Capital Notes 2002 is EUR 15.9 million. The loan is dated 15 February 2002 and the final repayment is due on 19 March 2009. The nominal value of the issue made during 2001-2002 was EUR 31.1 million. On 19 March 2006 EUR 3.2 million of the loan was repaid. Repayments will be EUR 3.2 million on year 2007 and 2008 and EUR 9.5 million on year 2009, if Componenta Corporation and Componenta Group have full cover for the restricted equity and other non-distributable items in the confirmed balance sheet for the preceding fiscal year. Should the conditions for repayment not be met, that part of the capital shall be repaid as is possible under the conditions mentioned above. Remaining outstanding amount will be extended by one year. Componenta has the right to repay the loan and accumulated interest partly or in full at the annual redemption date on 19 March if the above mentioned conditions for repayment exist.

The interest is fixed annually at 4 percentage points above the 12 months Euribor rate. The interest rate until 19 March 2007 is 7.095 percent p.a. The annually paid interest may not exceed the distributable unrestricted shareholders' equity as stated in the Componenta Corporation and consolidated balance sheets. Any unpaid interest shall remain a liability of Componenta and will earn annual interest of 2 percent in excess of the interest rate payable on the notes. The loan is a subordinated debenture. The loan is not secured. On 31 December 2006 the outstanding balance sheet value of capital notes

valued at amortized cost was EUR 15.5 million. The accrued interest on the loan on from 19 March 2006 to 31 December 2006 has been recorded as an expense in the income statement and as a liability in accrued expenses

### Convertible Capital Notes 2005

Componenta Corporation issued on 15 March 2005 convertible capital notes on the nominal value of EUR 19.0 million. Notes are due for repayment in full at maturity on 15 March 2010, provided that the restricted shareholders' equity and other non-distributable retained profits for the preceding fiscal year as stated in the Componenta and consolidated balance sheets are fully covered. Should the conditions for repayment not be met on the repayment date, that part of the capital shall be repaid as is possible under the conditions mentioned above. Repayment of the remaining outstanding amount will be deferred to the corresponding date in the following year until the loan has been fully repaid. Componenta has the right to repay the loan, with interest accumulated up until the payment date, before the maturity date if the conditions stated in the terms of the loan are met.

The annual fixed interest to be paid is 5.75 percent. The annually paid interest may not exceed the distributable unrestricted shareholders' equity as stated in the Componenta Corporation and consolidated balance sheets. Any unpaid interest shall remain a liability of Componenta and will earn annual interest of 2 percent in excess of the interest rate payable on the notes. The loan is a subordinated debenture. The loan is not secured. The convertible notes have been classified on as a liability of EUR 17.4 million and equity of EUR 1.5 million (balance sheet values 31 December 2006). Liability is valued at amortized cost. The accrued interest on the loan from 15 March to 31 December 2006 has been recorded as an expense in the income statement and as a liability in the accrued expenses.

Each note of EUR 2,000 entitles its holder to subscribe for 200 Componenta Corporation shares at a conversion price of EUR 10.00 per share. The nominal value of a share is EUR 2.00. Converting the notes can increase the number of shares by a maximum of 1.9 million new shares and the shareholders' equity by a maximum of EUR 3.8 million. The subscription period started on 1 May 2005 and ends on 1 March 2010. Subscribed shares entitle the shareholder to a dividend in the accounting period in which the notes are converted. By 31 December 2006 no notes had been converted into shares.

### Capital Notes 2006

Under the authorization of the Extraordinary General Meeting, the Board of Componenta Corporation decided to issue capital notes on year 2006. The notes were issued on 17 November 2006 on the nominal value of EUR 14,166,000. The rate of issue was 95 %. Notes are due for repayment in full at maturity on 17 November 2011. The annual fixed interest to be paid is 6.75 percent p.a. The loan is a subordinated debenture. The loan is not secured. 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 exceeds the amount of loss in accordance with the balance sheet approved for the preceding 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 remaining part is deferred to be paid on the basis of such financial statements, on the basis of which it can be paid.

Any unpaid interest shall remain a liability of Componenta and will earn annual interest of 2 percent in excess of the interest rate payable on the notes. Beginning of 17 November 2009 Componenta has right to repay the loan on interest payments dates (each 17 November), with interest accumulated up until the payment date, before the maturity date if the conditions stated in the terms of the loan are met. On 31 December 2006 the outstanding balance sheet value of capital notes valued at amortized cost was EUR 13.3 million. The accrued interest on the loan on from 17 November 2006 to 31 December 2006 has been recorded as an expense in the income statement and as a liability in accrued expenses.

### Convertible Capital Notes 2006

Under the authorization of the Extraordinary General Meeting, the Board of Componenta Corporation decided to issue convertible capital notes on year 2006. The notes were issued on 4 December 2006 on the nominal value of EUR 19,695,600. The rate of issue was 95 %. Notes are due for repayment in full at maturity on 4 December 2011. The annual fixed interest to be paid is 5.75 percent p.a. The loan is a subordinated debenture. The loan is not secured. 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 exceeds the amount of loss in accordance with the balance sheet approved for the preceding 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 remaining part is deferred to be paid on the basis of such financial statements, on the basis of which it can be paid. Any unpaid interest shall remain a liability of Componenta and will earn annual interest of 2 percent in excess of the interest rate payable on the notes. Componenta has the right to repay the loan, with interest accumulated up until the payment date, before the maturity date if the conditions stated in the terms of the loan are met. The loan is not secured. The convertible notes have been classified on as a liability of EUR 16.2 million and equity of EUR 2.2 million on (balance sheet values 31 December 2006). The liability is valued at amortized cost. The accrued interest on the loan from 4 December to 31 December 2006 has been recorded as an expense in the income statement and as a liability in the accrued expenses. Each note of EUR 1,800 entitles its holder to convert into 200 Componenta Corporation shares at a conversion price of EUR 9.00 per share. The nominal value of a share is EUR 2.00. Conversion of the notes can increase the number of shares by a maximum of 2,188,400 new shares and the shareholders' equity by a maximum of EUR 4,376,800. The conversion period starts on 2 January 2007 and ends on 15 November 2011. The annual conversion period is from 2 January to 30 November. The dividend rights of the new shares commence from the date on which the new shares are entered into the Trade Register.

Debtor: Componenta B.V

Componenta B.V. has on 31 December 2006 outstanding external capital notes from its former shareholder EUR 2.1 million (on 26 March 2004 received EUR 2 million capital notes and on 30 June 2005 capitalized accrued interest EUR 0.1 million). The loan and the accrued interest at 2.0 percent p.a. are to be repaid in full at the maturity on 30 June 2008. The loan is not secured and the loan amount including accrued interest can only be repaid if all of the obligations of Componenta B.V.'s bank commitment can be fully carried out. Accrued interest on the loan from 1 July 2005 to 31 December 2006 has been recorded as an expense in the income statement and as a liability in the accrued expenses.

## 28. Current non-interest bearing liabilities

	2006	2005
Trade payables to associated companies	-	0.2
Trade payables to others	60.7	44.1
Accrued expenses and deferred income	33.6	21.6
Derivative financial instruments	0.0	0.1
Advances received	2.7	-
Other current liabilities	5.5	2.7
	102.4	68.7

The main items included in accrued expenses are personnel costs and interest accruals

## 29. Financial risk management

The financial risks relating to Componenta Group's business operations are managed in accordance with the 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 takes place in the Group Treasury

### Re-financing and liquidity risks

The Group aims to ensure the availability of financing by spreading the repayment schedules, sources of funding and financial instruments in its loan portfolio. The maturing dates for loans are presented in the notes to the consolidated balance sheet, item 27. The proportion of one source of funding may not exceed a limit set on the Group treasury policy. The most important financing instruments used in the Group are syndicated credit facilities, capital notes, bilateral loans, commercial paper program, sale of receivables without recourse and leasing.

Componenta financed the Döktas acquisition with EUR 14.2 million capital notes (issued on 17 November 2006) and EUR 19.7 million convertible capital notes (issued on 4 December 2006) as well as with EUR 130 million short-term credit facility (signed on December 2006). In year 2007 Componenta will negotiate on a sufficient compensating long-term facility for the short-term credit facility

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 that amounted to EUR 137 million at the end of the fiscal year. Unused committed facilities will be used also to finance Döktas shares, which may be purchased during mandatory tender offer. Surplus cash reserves are invested with institutions that are considered to carry low credit risk. The list of feasible counterparties is approved by the Board of Directors

### Foreign exchange risk

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 operational cash flow position, which includes the Group's commercial foreign currency flows for a 6 month period. The translation position is calculated from the shareholders' equity and accumulated profit of foreign subsidiaries and associated companies in the consolidated balance sheet. In accordance with the treasury policy, the translation position and transaction position are both hedged at least 50 % and at most 100 %.

After the Döktas acquisition Group's foreign exchange risk consists mainly of Turkish lira, U.S. Dollar, British pound and Swedish crown. For hedging, the Group uses foreign currency loans, deposits, and hedging instruments that are reliably priced on the market. The maturity of the derivatives is less than one year. Döktas became the subsidiary of the Componenta Group in December. The Componenta Board of Directors has approved that the hedging levels can be temporarily deviated because of Döktas.

### Interest rate risk

The interest rate risk to which fair values and the cash flow are exposed arise mainly from the Group's loan portfolio, accounts receivable that have been sold, 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 one year but no more than two years. On 31 December 2006 the interest rates of net liabilities fell due for renewal on average in 16 months. To manage the interest rate risk, the loan portfolio is spread between fixed and floating interest rate loans and investments. The interest rate risk is also spread among several interest rate renewal periods, so that changes 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

### Credit risk

The Group do not have any significant credit risks on receivables. The Group recognized no significant credit losses during the year 2006

## 30. Derivative instruments

Nominal values of derivative instruments	2006 Nominal value	2005 Nominal value
Currency derivatives *)		
Foreign exchange forwards	7.6	4.3
Currency swaps	35.5	34.5
Interest rate derivatives		
Interest rate options	6.0	6.0
Forward rate agreements	-	13.0
Interest rate swaps		
Maturity in less than a year	15.0	10.0
Maturity after one year and less than five years	28.0	43.9
Commodity derivatives		
Electricity price forwards		
Maturity in less than a year	3.7	2.3
Maturity after one year and less than five years	3.4	1.7

\*) Currency derivatives mature in less than a year

### Fair values of derivative instruments

	2006 Fair value, positive	2006 Fair value, negative	2006 Fair value, net	2005 Fair value, net
Currency derivatives				
Foreign exchange forwards	0.1	-0.1	0.0	0.0
Currency swaps	0.2	-0.5	-0.3	0.0
Interest rate derivatives				
Interest rate options	-	0.0	0.0	0.0
Forward rate agreements	-	-	-	0.0
Interest rate swaps	0.7	0.0	0.7	-0.1
Commodity derivatives				
Electricity price forwards	0.5	-0.3	0.3	1.2
	1.4	-0.9	0.6	1.2

## Derivative instruments included in cash flow hedge accounting

	2006 Nominal value	2006 Fair value, effective portion of hedge	2005 Nominal value	2005 Fair value, effective portion of hedge
Interest rate derivatives				
Interest rate swaps	38.0	0.6	51.0	0.0
Commodity derivatives				
Electricity price forwards	7.1	0.3	4.0	1.2

## Derivative instruments included in hedging of a net investment in a foreign entity

	2006 Nominal value	2006 Fair value, effective portion of hedge	2005 Nominal value	2005 Fair value, effective portion of hedge
Currency derivatives				
Foreign exchange forwards	0.7	0.0	0.8	0.0
Currency swaps	7.9	0.1	4.1	0.1

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

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 forward rate agreements, 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.

The difference in the spot prices of currency derivatives is recognized in foreign exchange differences and the accrued interest rate differences and their fair value in interest income and expenses. The fair values of interest rate derivatives that are not included in cash flow hedge accounting are recognized in finance income and expenses, as is the ineffective portion of hedges identified in retrospective assessment. Unrealized valuation gains and losses are recognized in current receivables and liabilities.

The realized and fair values of foreign exchange differences of currency derivatives designated as effective hedges of net investments in foreign operations (EUR 0.0 million) have been recognized in equity as a correction item of translation differences. These items will be recognized through profit and loss on disposal of the foreign operation. The effective portion of the fair values of interest rate and commodity derivatives designated as cash flow hedges against changes in market prices (EUR 0.9 million) 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 occurrence is no longer likely.

## 31. Other leases

### Group as lessee

Minimum lease payment schedule for other non-cancellable leases	2006	2005
No later than one year	1.7	2.0
Later than one year but no later than five years	3.4	4.6
Later than five years	0.5	1.5
	5.5	8.1

Other non-cancellable leases mainly comprises 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 2006 income statement includes lease payments of EUR 1.8 (1.0) million for other non-cancellable leases

### Group as lessor

The minimum lease receivable schedule for other non-cancellable leases	2006	2005
No later than one year	0.5	0.5
Later than one year but no later than five years	1.0	1.0
	1.5	1.5

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 a provision to extend the lease period after the lease expires. Some of the property is classified, in accordance with IFRS, as investment property.

## 32. Contingent liabilities

	2006	2005
Real-estate mortgages		
For own debts	34.5	34.5
Business mortgages		
For own debts	15.3	15.2
Pledges *)		
For own debts	126.5	37.2
Other commitments **)	8.4	5.2

\*) Includes EUR 89.6 Million shares given as pledge for unused credit limit.

\*\*\*) Includes the costs of the decision of the Helsinki District Court on 31 December 2003, according to which Componenta Karkkila Oy was sentenced to compensate VR Ltd (Finnish Railways) for train wheels supplied and indirect costs, accumulated interest as well as VR's legal costs (total of EUR 1.3 million on 31 December 2006). Componenta Karkkila Oy has filed an appeal with the Helsinki Court of Appeal on 29 December 2005 regarding the Helsinki District Court's decision.

\*\*\*\*) Includes the European Commission's decision of 20 October 2005 where the Commission announced that it had decided to obligate Componenta Corporation to repay to the City of Karkkila alleged state aid that infringes the provisions on state aid in the EC Treaty totalling EUR 2.4 million with interest from the date when the aid was made available to Componenta Corporation (contingent liability was EUR 2.7 million on 31 December 2006). The alleged aid to be recovered under the Commission's decision comprises

1. EUR 0.7 million paid by the City of Karkkila to Componenta Corporation for shares in the real estate company Karkkilan Keskustakiinteistöt Oy and
2. a non-interest bearing shareholder loan receivable of EUR 1.7 million repaid by Karkkilan Keskustakiinteistöt Oy to Componenta Corporation.

Componenta Corporation has appealed to the Court of First Instance of the European Communities against the decision of the European Commission in an application for annulment filed on 29 December 2005.

## Secured liabilities

	2006	2005
Liabilities secured with real estate or business mortgages		
Loans from financial institutions	24.2	25.2
Pension loans	6.6	8.5
	30.8	33.7
Liabilities secured with pledges		
Loans from financial institutions	15.3	16.7
Pension loans	1.3	1.6
	16.7	18.4

### 33. Related party disclosures

#### Group companies

Company	Domicile	Group share of holding, %	Parent company share of holding, %
Componenta Albin AB	Kristinehamn, Sweden	100.0	-
Componenta Främmestad AB	Essunga, Sweden	100.0	-
Componenta Industri AB	Kristinehamn, Sweden	100.0	-
Componenta Karkkila Oy	Karkkila	100.0	100.0
Componenta Nisamo Oy	Lempäälä	100.0	-
Componenta Pietarsaari Oy	Pietarsaari	100.0	-
Componenta Pietarsaari MS Oy	Pietarsaari	100.0	-
Componenta Pistons Oy	Pietarsaari	100.0	-
Componenta Pori Oy	Pori	100.0	-
Componenta Suomivalimo Oy	Iisalmi	100.0	-
Componenta Sweden AB	Kristinehamn, Sweden	100.0	-
Componenta Wirsbo AB	Surahammar, Sweden	100.0	-
Componenta Åmål AB	Åmål, Sweden	100.0	-
Componenta B.V.	Belfeld, The Netherlands	100.0	100.0
Döktas Dökümcülük Sanayi ve Ticaret A.S.	Orhangazi, Turkey	68.6	68.6
De Globe N.V.	Sint-Lambrechts-Woluwe, Belgium	100.0	-
De Globe-Guss GmbH	Korshenbroich, Germany	100.0	-
De Globe Foundries Limited	Derbys, United Kingdom	100.0	-
De Globe Componenta USA, LCC	USA	100.0	-
Högfors-Finance Oy	Karkkila	100.0	-
Karkkilan Koskikiinteistö Oy	Karkkila	81.0	66.9
Karkkilan Lääkärikeskus Oy	Karkkila	100.0	100.0
Karkkilan Valimokiinteistö Oy	Karkkila	100.0	-
Kiinteistö Oy Ala-Emali	Karkkila	100.0	100.0
Kiinteistö Oy Uusporila	Karkkila	100.0	31.8
Kiinteistö Oy Ylä-Emali	Karkkila	100.0	100.0
Luoteis-Uudenmaan Kiinteistöt Oy	Karkkila	100.0	100.0
Pietarsaaren Vanha Valimo Oy	Pietarsaari	100.0	-
Sherbrook International Limited	Staffordshire, UK	68.6	-
Uudenmaan Rakennustiimi Oy	Karkkila	100.0	100.0
Vanhan Ruukin Kiinteistöpalvelu Oy	Karkkila	100.0	100.0
Verkoopmaatschappij De Globe B.V.	Tegelen, The Netherlands	100.0	-

#### Transactions with related parties

	2006	2005
Sale of goods to associated companies	0.4	0.7
Sale of services to associated companies	0.0	0.0
	0.4	0.7
Purchase of goods from associated companies	-	-0.8
Purchase of services from associated companies	-0.2	-0.2
	-0.2	-1.1

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

Remuneration of the Chairman and other members of the Board of Directors, Managing Directors and Deputy Managing Directors.

	2006	2005
Remuneration and fees, MEUR	-1.3	-1.2
Chief executive officer, 1,000 EUR	-229	-189
Members of the Board		
Heikki Bergholm	-50	-40
Heikki Lehtonen	-20	-20
Juhani Mäkinen	-32	-20
Marjo Raitavuori	-20	-20
Matti Tikkaoski	-23	-20

The share subscription period for 2001 option rights ended on 31 October 2006. The above mentioned remuneration and fees include income from exercising 2001 option rights.

Componenta has no special pension obligations for management. Componenta has not issued loans to the managing directors of companies belonging to the Group or to the directors of Group companies.

Receivables from and payables to associated companies are listed in notes 17, 20 and 28.

In 2005 Componenta Corporation gave a loan guarantee relating to the business on behalf of an individual who is a related party. The maximum liability is EUR 0.3 million and is outstanding until the liability including accrued interest has been repaid in full. At the signing date the last repayment date was on 20 June 2010. The person receiving the loan guarantee has given a counter-guarantee and real-estate mortgages as security. The outstanding amount of the guarantee was EUR 0.3 million on 31 December 2006.

# Group development

## GROUP DEVELOPMENT 2002 - 2006

MEUR	FAS	FAS	FAS	IFRS	IFRS	IFRS
	2002	2003	2004	2004	2005	2006
Net sales	180.8	177.8	316.1	316.0	343.2	362.1
Operating profit	7.0	0.1	23.1	25.7	9.9	14.5
Financial income and expenses	-9.1	-7.6	-7.6	-7.9	-8.9	-9.9
Profit/loss after financial items	-2.1	-7.5	15.6	17.9	1.0	4.6
Profit for the financial period	1.0	-4.5	20.6	15.6	2.2	3.5
Order book at period end	24.9	25.1	59.2	59.2	60.4	101.1
Change in net sales, %	-6.7	-1.7	77.8	77.7	8.6	5.5
Share of export and foreign activities in net sales, %	72.0	71.0	81.4	81.4	81.9	82.4

## GROUP DEVELOPMENT EXCLUDING ONE-TIME ITEMS 2002 - 2006

MEUR	FAS	FAS	FAS	IFRS	IFRS	IFRS
	2002	2003	2004	2004	2005	2006
Net sales	180.8	177.8	316.0	316.0	343.2	362.1
Operating profit	2.8	8.1	11.4	12.5	6.6	14.9
Financial income and expenses	-9.1	-7.6	-7.6	-7.9	-8.9	-9.9
Profit/loss after financial items	-6.3	0.5	3.9	4.6	-2.4	5.0

	FAS	FAS	FAS	IFRS	IFRS	IFRS
	31.12.2002	31.12.2003	31.12.2004	31.12.2004	31.12.2005	31.12.2006
Balance sheet total	218	191	273	272	269	468
Net interest bearing debt	145	125	136	142	145	251
Invested capital	188	159	201	200	198	354
Return on investment, %	4.4	0.8	13.1	14.2	5.0	6.6
Return on equity, %	2.5	-11.8	35.5	28.1	4.2	6.0
Equity ratio, %	18.2	17.8	23.3	20.6	18.1	18.7
Net gearing, %	365.0	368.3	214.2	253.8	297.5	287.8
Investments in non-current assets	9.8	1.6	35.1	37.0	25.1	123.6
Number of personnel at period end	1,616	1,565	2,213	2,213	2,185	4 316
Average number of personnel	1,705	1,595	2,168	2,168	2,214	2 196

## NET SALES BY MARKET AREA

MEUR	1-12/2005	1-12/2006
Nordic countries	175.9	177.1
Other European countries	146.8	162.6
Other countries	20.5	22.5
Total	343.2	362.1

## QUARTERLY DEVELOPMENT BY MARKET AREA

MEUR	Q1/05	Q2/05	Q3/05	Q4/05	Q1/06	Q2/06	Q3/06	Q4/06
Nordic countries	47.5	49.4	34.7	44.3	45.6	47.3	35.4	48.8
Other European countries	40.4	39.7	32.2	34.6	42.1	42.2	37.1	41.2
Other countries	5.3	6.3	5.5	3.5	5.9	5.1	5.9	5.5
Total	93.2	95.3	72.4	82.3	93.6	94.6	78.4	95.5

## GROUP DEVELOPMENT

MEUR	1-12/2005	1-12/2006
Net sales	343.2	362.1
Operating profit	9.9	14.5
Net financial items	-8.9	-9.9
Profit/loss after financial items	1.0	4.6

## GROUP DEVELOPMENT BY BUSINESS GROUP

Net sales, MEUR	1-12/2005	1-12/2006
Foundries	167.5	179.7
Machine shops	136.2	155.7
Heavy components	47.3	55.4
Internal sales	-55.6	-74.2
Cast Components total	295.4	316.7
Other business	47.8	45.4
Componenta total	343.2	362.1
Operating profit, MEUR	1-12/2005	1-12/2006
Foundries	2.4	7.1
Machine shops	5.4	7.6
Heavy components	-2.8	0.6
Other items	-0.5	-1.3
Cast Components total	4.5	14.0
Other business	5.4	0.5
Componenta total	9.9	14.5

<b>Order book, MEUR</b>	<b>12/05</b>	<b>12/06</b>
Cast Components total	54.1	58.5
Other business	6.3	7.8
Componenta total	60.4	66.3

#### GROUP DEVELOPMENT BY QUARTER

<b>MEUR</b>	<b>Q1/05</b>	<b>Q2/05</b>	<b>Q3/05</b>	<b>Q4/05</b>	<b>Q1/06</b>	<b>Q2/06</b>	<b>Q3/06</b>	<b>Q4/06</b>
Net sales	93.2	95.3	72.4	82.3	93.6	94.6	78.4	95.5
Operating profit	3.9	8.6	-1.9	-0.7	5.3	6.6	-1.2	3.8
Net financial items	-2.1	-2.2	-2.3	-2.3	-2.2	-2.5	-2.3	-3.0
Profit/loss after financial items	1.8	6.4	-4.2	-3.0	3.1	4.1	-3.4	0.9

#### QUARTERLY DEVELOPMENT BY BUSINESS GROUP

<b>Net sales, MEUR</b>	<b>Q1/05</b>	<b>Q2/05</b>	<b>Q3/05</b>	<b>Q4/05</b>	<b>Q1/06</b>	<b>Q2/06</b>	<b>Q3/06</b>	<b>Q4/06</b>
Foundries	45.0	47.0	36.1	39.2	45.9	48.9	39.7	45.2
Machine shops	36.8	37.5	28.6	33.3	40.3	39.2	34.0	42.2
Heavy components	10.5	13.6	11.2	12.1	13.9	15.0	12.1	14.5
Internal sales	-13.7	-16.4	-12.4	-13.2	-19.1	-19.9	-15.7	-19.4
Cast Components total	78.6	81.7	63.5	71.5	81.0	83.2	70.0	82.5
Other business	14.6	13.6	8.9	10.8	12.6	11.4	8.4	13.0
Componenta total	93.2	95.3	72.4	82.3	93.6	94.6	78.4	95.5

<b>Operating profit, MEUR</b>	<b>Q1/05</b>	<b>Q2/05</b>	<b>Q3/05</b>	<b>Q4/05</b>	<b>Q1/06</b>	<b>Q2/06</b>	<b>Q3/06</b>	<b>Q4/06</b>
Foundries	1.5	2.0	-0.9	-0.2	3.3	3.8	-1.6	1.6
Machine shops	1.8	1.6	0.4	1.5	2.6	2.0	0.9	2.1
Heavy components	-0.9	0.1	-1.1	-0.9	-0.1	0.6	-0.2	0.4
Other items	-0.1	0.2	0.0	-0.6	-0.8	0.0	-0.1	-0.3
Cast Components total	2.3	4.0	-1.5	-0.2	5.0	6.4	-1.0	3.7
Other business	1.6	4.6	-0.4	-0.5	0.3	0.2	-0.2	0.1
Componenta total	3.9	8.6	-1.9	-0.7	5.3	6.6	-1.2	3.8

<b>Order book at period end MEUR</b>	<b>Q1/05</b>	<b>Q2/05</b>	<b>Q3/05</b>	<b>Q4/05</b>	<b>Q1/06</b>	<b>Q2/06</b>	<b>Q3/06</b>	<b>Q4/06</b>
Cast Components total	55.2	55.1	49.2	54.1	58.7	55.1	57.2	58.5
Other business	8.6	7.4	6.4	6.3	6.8	6.5	7.7	7.8
Componenta total	63.8	62.4	55.6	60.4	65.5	61.6	64.9	66.3

#### GROUP DEVELOPMENT EXCLUDING ONE-TIME ITEMS

<b>MEUR</b>	<b>1-12/2005</b>	<b>1-12/2006</b>
Net sales	343.2	362.1
Operating profit	6.6	14.9
Net financial items	-8.9	-9.9
Profit/loss after financial items	-2.4	5.0

#### GROUP DEVELOPMENT BY BUSINESS GROUP EXCLUDING ONE-TIME ITEMS

<b>Operating profit, MEUR</b>	<b>1-12/2005</b>	<b>1-12/2006</b>
Foundries	2.4	7.1
Machine shops	5.4	7.6
Heavy components	-2.8	0.6
Other items	-0.5	-1.3
Cast Components total	4.5	14.0
Other business	2.1	0.9
Componenta total	6.6	14.9

#### GROUP DEVELOPMENT BY QUARTER EXCLUDING ONE-TIME ITEMS

<b>MEUR</b>	<b>Q1/05</b>	<b>Q2/05</b>	<b>Q3/05</b>	<b>Q4/05</b>	<b>Q1/06</b>	<b>Q2/06</b>	<b>Q3/06</b>	<b>Q4/06</b>
Net sales	93.2	95.3	72.4	82.3	93.6	94.6	78.4	95.5
Operating profit	3.8	4.7	-1.6	-0.3	5.3	6.6	-1.2	4.2
Net financial items	-2.1	-2.2	-2.3	-2.3	-2.2	-2.5	-2.3	-3.0
Profit/loss after financial items	1.7	2.5	-4.0	-2.6	3.1	4.1	-3.4	1.2

#### QUARTERLY DEVELOPMENT BY BUSINESS GROUP EXCLUDING ONE-TIME ITEMS

<b>Operating profit, MEUR</b>	<b>Q1/05</b>	<b>Q2/05</b>	<b>Q3/05</b>	<b>Q4/05</b>	<b>Q1/06</b>	<b>Q2/06</b>	<b>Q3/06</b>	<b>Q4/06</b>
Foundries	1.5	2.0	-0.9	-0.2	3.3	3.8	-1.6	1.6
Machine shops	1.8	1.6	0.4	1.5	2.6	2.0	0.9	2.1
Heavy components	-0.9	0.1	-1.1	-0.9	-0.1	0.6	-0.2	0.4
Other items	-0.1	0.2	0.0	-0.6	-0.8	0.0	-0.1	-0.3
Cast Components total	2.3	4.0	-1.5	-0.2	5.0	6.4	-1.0	3.7
Other business	1.5	0.7	-0.1	-0.1	0.3	0.2	-0.2	0.4
Componenta total	3.8	4.7	-1.6	-0.3	5.3	6.6	-1.2	4.2

# Shares and shareholders

## LARGEST REGISTERED SHAREHOLDERS ON 31 DECEMBER 2006

Shareholder		Shares	Share of total voting rights, %
1 Lehtonen Heikki		3,854,007	38.45
Cabana Trade S.A.	3,676,731		
Oy Högfors-Trading Ab	177,276		
2 Etra-Invest Oy Ab		2,224,750	22.20
3 Inkinen Simo-Pekka		658,034	6.57
Inkinen Simo-Pekka	613,544		
Nahkionkosken Voimalaitos Ky	41,490		
Väli-Gunnarla Avoin Yhtiö	3,000		
4 Ilmarinen Mutual Pension Insurance Company		257,600	2.57
5 Nordea Life Assurance Finland Ltd		219,050	2.19
6 Lehtonen Anna-Maria		178,823	1.78
7 Mandatum Finnish Small Cap Fund		159,500	1.59
8 OP-Finland Small Firm Fund		124,049	1.24
9 Bergholm Heikki		109,550	1.09
10 Fondita Nordic Micro Cap Investment Fund		100,000	1.00
11 Lehtonen Yrjö M.		96,040	0.96
12 Laakkonen Mikko		70,000	0.70
13 Lehtonen Antti		63,000	0.63
14 Lehtonen Leena		41,875	0.42
15 Nelimarkka Esa		35,000	0.35
Nominee-registered shares		168,514	1.68
Other shareholders		1,662,506	16.59
<b>Total</b>		<b>10,022,298</b>	<b>100.00</b>

The members of the Board of Directors own 39.6% of the shares. All shares have equal voting rights.

If all the warrants were converted to shares, the holding of shares by the members of the Board of Directors would decrease to 30.1 %.

## BREAKDOWN OF SHARE OWNERSHIP ON 31 DECEMBER 2006

Number of shares	Shareholders	%	Shares	%
1 - 100	195	12.89	12,751	0.13
101 - 500	665	43.95	200,408	2.00
501 - 1,000	338	22.34	280,960	2.80
1,001 - 5,000	242	15.99	544,860	5.44
5,001 - 10,000	32	2.12	244,316	2.44
10,001 - 50,000	26	1.72	520,464	5.19
50,001 - 100,000	4	0.26	329,040	3.28
100,001 - 500,000	8	0.53	1,374,474	13.71
500,001 -	3	0.20	6,515,025	65.01
<b>Total = total issued</b>	<b>1,513</b>	<b>100.00</b>	<b>10,022,298</b>	<b>100.00</b>

## SHAREHOLDERS BY SECTOR ON 31 DECEMBER 2006

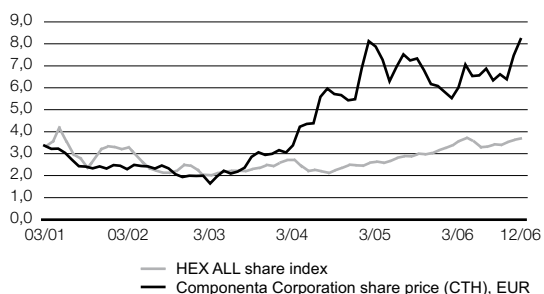
	%
Finnish companies	26.25
Financial institutions and insurance companies	6.12
General government bodies	2.68
Non-profit institutions	0.63
Households	25.5
Nominee-registered shares and other foreign shareholders	38.82
<b>Total</b>	<b>100.00</b>

**Per Share Data**

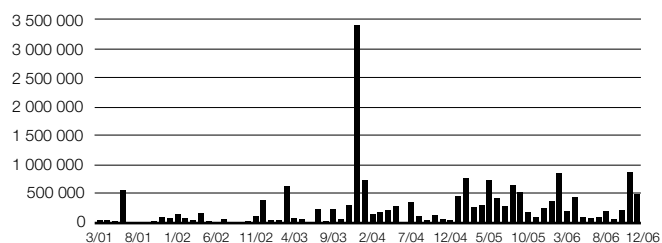
	31.12.2006	31.12.2005
Earnings per share (EPS), EUR	0.36	0.26
Earnings per share (EPS), with dilution EUR	0.36	0.26
Equity per share, EUR	5.50	5.04
Dividend per share, EUR *)	0.25	0.00
Payout ratio, %	69.05	0.00
Effective dividend yield, %	2.91	0.00
P/E multiple	23.72	22.76
Share price at year end, EUR	8.59	5.95
Average trading price, EUR	6.56	7.11
Lowest trading price, EUR	5.29	5.32
Highest trading price, EUR	8.80	9.44
Market capitalization at year end, MEUR	86.1	57.3
Trading volume, 1,000 shares	5,708	4,938
Trading volume, %	56.9	51.3
Weighted average of the number of shares, 1,000 shares	9,726	9,622
Number of shares at year end, 1,000 shares	10,022	9,629

\*) For the year 2006 a proposal of the Board of Directors.

**Componenta Corporation (CTH) share price development in 2001 - 2006, EUR**



**Componenta Corporation (CTH) monthly share trading volume in 2001 - 2006, pcs**



## Calculation of key financial ratios

Return on equity, % (ROE)	=	$\frac{\text{Profit/loss after financial items} - \text{income taxes}}{\text{Shareholders' equity without preferred capital notes} + \text{minority interest}} \times 100$ (quarterly average)
Return on investments, % (ROI)	=	$\frac{\text{Profit/loss after financial items} + \text{interest and other financial expenses}}{\text{Balance sheet total} - \text{interest free liabilities}} \times 100$ (quarterly average)
Equity ratio, %	=	$\frac{\text{Shareholders' equity, preferred capital notes excluded} + \text{minority interest}}{\text{Balance sheet total} - \text{advances received}} \times 100$
Earnings per share, EUR (EPS)	=	$\frac{\text{Profit/loss after financial items} - \text{income taxes} +/- \text{minority interest}}{\text{Average number of shares during the financial period}}$
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.
Average trading price, EUR	=	$\frac{\text{Trading volume}}{\text{Number of shares traded during the financial period}}$
Equity per share, EUR	=	$\frac{\text{Shareholders' equity, preferred capital notes excluded}}{\text{Number of shares at period end}}$
Dividend per share, EUR	=	$\frac{\text{Dividend}}{\text{Number of shares at period end}}$
Payout ratio, %	=	$\frac{\text{Dividend}}{\text{Earnings (as in Earnings per share)}} \times 100$
Effective dividend yield, %	=	$\frac{\text{Dividend per share}}{\text{Market share price at period end}} \times 100$
Market capitalization	=	Number of shares x market share price at period end
P/E multiple	=	$\frac{\text{Market share price at period end}}{\text{Earnings per share}}$
Net interest bearing debt	=	Interest bearing liabilities + preferred capital notes - cash and bank accounts
Net gearing, %	=	$\frac{\text{Net interest bearing debt}}{\text{Shareholders' equity, preferred capital notes excluded} + \text{minority interest}} \times 100$



# The proposal of the Board of Directors for the distribution of profits

The distributable equity according to the parent company balance sheet is EUR 18,108,829.87.

The Board of Directors proposes to the Annual General Meeting of Shareholders that a dividend of EUR 0.25 per share be paid for 2006 of the distributable equity, altogether EUR 2,505,574.50, and EUR 15,603,255.37 be retained in the shareholders' capital.

Helsinki 5 February 2007

Heikki Bergholm  
Chairman

Juhani Mäkinen

Marjo Raitavuo

Matti Tikkakoski

Heikki Lehtonen  
President & CEO

## Auditors' report

To the shareholders of Componenta Corporation

I have audited the accounting records, the financial statements and the administration of Componenta Corporation for the period 1.1. – 31.12.2006. The Board of Directors and the President and CEO have prepared the report of the Board of Directors and the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU and the parent company's financial statements prepared in accordance with prevailing regulations in Finland, that include the parent company's balance sheet, income statement, cash flow statement and the notes to the financial statements. Based on my audit, I express an opinion on the consolidated financial statements, the parent company's financial statements and on the administration of the parent company.

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

Consolidated financial statements

In my opinion the consolidated financial statements give a true and fair view, as referred to in the International Financial Reporting Standards as adopted by the EU and defined in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position. The consolidated financial statements can be adopted.

Parent company's financial statements and administration

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

Helsinki 5 February 2007

Kari Miettinen  
APA

COMPONENTA

[www.componenta.com](http://www.componenta.com)