COMPONENTA

Casting Future Solutions

FINANCIAL STATEMENTS 2016

Contents

Report by the Board of Directors 2016

Summary of main events in 2016

The year 2016 was extremely challenging for Componenta. The order book of continued operations at the beginning of January 2017 was 2.0% down on the previous year. The turnover of the continued operations dropped 12.6% during the financial year and was EUR 183.6 million (EUR 210.1 million). Also EBITDA and operating profit were lower than in the previous year.

Componenta Group's liquidity situation remained tight during the first half of the year and become critical in August due to the weak turnover and profitability developing more negatively than estimated. The company was unable to negotiate the financing required to rectify the situation and could not keep its production plants operational because of lack of materials.

Due to the lack of additional financing, Componenta filed for restructuring of the parent company and its subsidiaries Componenta Finland Oy in Finland and Componenta Främmestad AB, Componenta Wirsbo AB and Componenta Arvika AB in Sweden. As part of the arrangement Componenta's Dutch subsidiary Componenta B.V. was filed for bankruptcy. Componenta Dökümcülük Ticaret ve Sanayi A.S. in Turkey (Turkish subsidiary/Turkey sub-group) continued its operations without any official proceedings.

The filings of the Swedish subsidiaries were approved and the restructuring proceedings started on 1 September 2016 (Componenta Främmestad AB and Componenta Wirsbo AB) and 2 September 2016 (Componenta Arvika AB). The Dutch subsidiary was declared bankrupt on 2 September 2016. In Finland, the district court of Helsinki took its decision regarding the commencement of the restructuring process in respect of Componenta Corporation and Componenta Finland Oy on 30 September 2016.

After filing for corporate restructuring Componenta agreed with its main customers in Finland and Sweden on financing based on pre payments program to cover its working capital requirements.

During 2016, Componenta has implemented a strategic review of the business structure, which has included the closures or sales of production plants and other measures aiming to improve profitability.

As part of the strategic review, Componenta's management system was reorganised at the beginning of March. In the new system the previous division structure has been removed and business operations have been divided into five business areas: Finland business area, Sweden business area, Netherlands business area, Turkey Iron business area and Turkey Aluminium business area. The business areas consist of the business units i.e. local foundries, machine shops and forges.

Before the bankruptcy of the Dutch subsidiary, Componenta planned to transfer production where applicable from the Heerlen foundry to the Weert foundry. It was also planned to concentrate all of Componenta's operations in the Netherlands at the Weert business unit, and the Heerlen production plant was to be closed by the end of 2017.

In August Componenta's Sweden business area has been divided into two separate businesses, the Främmestad machine shop business and the Wirsbo forge business.

The renewal implemented in March aimed at significant cost savings and fixed costs was reduced by several measures. Group level sales, engineering, quality and customer service operations became part of the business units. This change aimed to develop the core competences of the business units and to significantly improve customer service and quality. In Finland, personnel involvement in management has been promoted by appointing an employee representative to each business unit management team.

Production facilities were sold in order to focus on the Group's core business. In February, Karkkilan Lääkärikeskus Oy, a subsidiary of Componenta Corporation, sold its medical centre and occupational health business, which were not part of the Group's core business, to Mehiläinen Oy. Ownership of the medical centre transferred to Mehiläinen as of 1 March 2016. The foundry operations of Iisalmi-based Suomivalimo were sold in June to a company set up by Antti Lehtonen, Olli Karhunen and the operational management of Suomivalimo. The foundry real estate property in Iisalmi was sold to Iisalmen Teollisuuskylä Oy. Componenta's pistons business was sold in August 2016 to Koncentra Pistons Oy.

In addition to selling non-core parts of its business, in October Componenta Corporation announced its plans to sell its shareholding in Componenta Dökümcülük Ticaret ve Sanayi A.S. and its forge operations located in Sweden i.e. Componenta Wirsbo AB and Componenta Arvika AB. The sale of the Swedish forging operations did not end to acceptable industrial solution – instead, due to Wirsbo's restructuring decision and the strong commitment of the customers, efforts will be made to keep them part of the Componenta Group.

Negotiations for financial solutions to improve financing and strengthen the balance sheet began in early December 2015 and continued in early 2016. In May 2016 Componenta Corporation issued a EUR 40 million convertible capital loan and paid off the company's secured bank loans and secured bond totalling around EUR 72 million.

Negotiations then continued with Turkish banks regarding additional financing for the Turkish subsidiary and to make existing financing longer term. In July Componenta Dökümcülük Ticaret ve Sanayi A.S. signed a new four year credit facility agreement worth EUR 15 million.

Corporate restructuring proceedings

The Swedish forge businesses Componenta Wirsbo AB and its subsidiary Componenta Arvika AB received decisions on their applications for corporate restructuring from their local district courts on 30.12.2016 (Componenta Wirsbo AB) and 23.12.2016 (Componenta Arvika AB). The decisions stepped into force on 14.1.2017 and 21.1.2017.

Componenta Wirsbo AB has a restructuring debt of MSEK 84 and Componenta Arvika AB of MSEK 87, of which MSEK 36 is to other Group companies consolidated in the Group's financial statement and MSEK 135 to other creditors. According to the court decisions, unsecured creditors shall receive full payment up to a total amount of SEK 10,000 and 25% on the excess claim to be paid. Componenta Wirsbo has a prioritised restructuring debt of MSEK 1.0 and respectively Componenta Arvika MSEK 8.3 which must be paid in full.

On 9 December 2016 the local district court granted an extension for restructuring proceeding regarding Componenta Främmestad AB by three months until 28.2.2016, and by three more months on 3 March 2017 until 1 June 2017. According to the restructuring proposal, a longer repayment time has been proposed to repay debts to Componenta Dökümcülük Ticaret ve Sanayi A.S. Reaching an agreement between Componenta Främmestad AB and Componenta Dökümcülük Ticaret ve Sanayi A.S. relating to extended payment terms of receivable of Componenta Dökümcülük Ticaret ve Sanayi A.S, is seen as a prerequisite for a viable composition proposal. The Turkish subsidiary is the most significant creditor and casting supplier for Componenta Främmestad AB.

Componenta Främmestad AB has restructuring debt of approximately MSEK 182 in total of which the restructuring debt to the Turkish subsidiary is approximately MSEK 95.

The court of Helsinki decided that the administrator shall submit a draft restructuring programme to the district court of Helsinki by 31 January 2017 at the latest. The district court of Helsinki decided on 26 January 2017 at the request of the administrator to postpone the deadline for submitting the draft restructuring program till 31 March 2017. The administrator has submitted draft restructuring programmes on behalf of Componenta Corporation and Componenta Finland Oy to the district court on 30.3.2017.

The total amount of Componenta Corporation's restructuring debt that is entered in the balance sheet and must be taken into account in the restructuring proceedings is some EUR 124 million, and this is at the same time unsecured restructuring debt. Some EUR 95 million of Componenta Corporation's restructuring debt is to the Turkey sub-group, EUR 11 million to group companies consolidated in the consolidated financial statements, and EUR 18 million to other parties. The Turkish subsidiary is the largest creditor of Componenta Corporation. The unsecured debts are proposed to be cut by 96 percent. According to the draft restructuring programme, should the guarantee liability to the Turkish club loan banks not realize, would the materialized debt cut approximately two percentage points lower. According to the payment programme for unsecured restructuring debts, the company's restructuring debts will be paid every six months over five years so that the first instalment will fall due for payment in 2019 and the last in 2023. The company also has EUR 4 million in lowest-priority debt. The amount of lowest-priority debt will be cut in its entirety.

The total amount of Componenta Finland Ltd's restructuring debt that is entered in the balance sheet and must be taken into account in the restructuring proceedings is some EUR 38 million, of which approximately EUR 1 million is secured debt and approximately EUR 37 million is unsecured restructuring debt. Some EUR 17 million of Componenta Finland Ltd's unsecured restructuring debt is to group companies consolidated in the consolidated financial statements, EUR 6 million is to the Turkey sub-group, and EUR 14 million to other parties. According to the draft restructuring programme, the amount of unsecured debts will be cut by 75%. The secured debt of approximately EUR 1 million is to other parties. The amount of secured debt will not be cut. According to the payment programme for restructuring debts, the company's restructuring debts would be paid every six months over five years so that the first instalment will fall due for payment in 2019 and the last in 2023.

Componenta Corporation owns 100% of Componenta Finland Oy, which owns 100% of Componenta Främmestad AB, which owns 100% of Componenta Wirsbo AB, which owns 100% of Componenta Arvika AB. Each of the above-mentioned companies is undergoing separate restructuring proceedings.

The Group companies consolidated in the Group's financial statements had restructuring debts outside the Group that were recorded in the consolidated balance sheet totalling EUR 163 million, and the Turkish sub-group accounted for some EUR 110 million of this. The Company considers that the restructuring proceedings in Finland and Sweden will make it possible to put operations back on a healthy footing and to develop them, but considerable uncertainty still surrounds the company's ability to continue as a going concern.

Discontinued operations

The Dutch subsidiary Componenta B.V. was declared bankrupt on 1 September 2016. As a result, Componenta Group no longer has iron business operations in the Netherlands. The operations of the Dutch subgroup have been classified as discontinued operations in accordance with the IFRS 5 standard "Non-current Assets Held for Sale and Discontinued Operations", and consolidation of Componenta B.V. in the Group financial statements ended in the third quarter of 2016.

Because of the restructuring proceedings at Componenta Corporation and the share pledge given by Componenta Corporation, the Company considers that it has lost control over the Turkish sub-group, and for this reason consolidation of the sub-group in the Group's financial statements ended on 31 December 2016 and its operations have been classified as discontinued operations in Componenta's consolidated financial statements of 31 December 2016 in accordance with IFRS 5. Componenta announced on 7 October 2016 that Componenta Corporation was planning to sell the Componenta Dökümcülük Ticaret ve Sanayi A.S. shares that it owns. Since the end of 2016 the club loan banks in Turkey have taken a more active role in the process of selling the Componenta Dökümcülük Ticaret ve Sanayi A.S. shares owned by Componenta, and in practice the negotiations are being conducted under the leadership of the Turkish club loan banks. In addition, any involvement of Componenta representatives in the management of the Turkish subsidiary has become increasingly restricted.

The current continued operations

The Group's current continued operations are the foundry operations in Pori and Karkkila, Finland, and in Sweden the machine shop in Främmestad and the forging operations in Wirsbo and Arvika.

Order book

Componenta's order book of continued operations at the beginning of 2017 was 2.0% smaller than in the previous year, standing at EUR 30.8 (31.4) million. The order book comprises confirmed orders for the next two months. Comparable order book that corresponds current continued operations, was EUR 29 million and comparable order book increased by 6%.

Net sales

Componenta's net sales of continued operations in the January-December period fell 12.6% to EUR 183.6 (210.1) million.

By customer sector, Componenta's net sales of continued iron business operations in the financial period were as follows: heavy trucks 69% (67%), construction and mining 5% (5%), machine building 21% (22%) and agricultural machinery 5% (5%).

Result

The adjusted EBITDA for the financial year for the Group's continued operations weakened from the previous year to EUR 3.1 (8.3) million. The adjusted EBITDA was weakened by lower production volumes than in the previous year, by changes in currency exchange rates and by production stoppages caused by the tight liquidity and by filing for restructuring. Exchange rate differences for operations had a significant impact on EBITDA compared to the previous year, EUR -2.3 (0.8) million. The main factor affecting operational exchange rate differences for continuing operations was changes in the exchange rate for the Swedish crown.

The consolidated adjusted operating profit of continued operations in the review period declined from the previous year to EUR -5.8 (0.4) million. The operating profit including items affecting comparability, was EUR -46.0 (-18.5) million.

The Group's continued operations adjusted net financial costs in the review period totalled EUR -11.3 (-16.6) million. Adjusted net financial costs were EUR 5.3 million lower than in the previous year mainly due to lower interest expenses. Net financial costs, including items affecting comparability, were EUR 29.5 (-16.6) million.

The Group's adjusted result of continued operations for the period after financial items was EUR -17.0 (-16.2) million, and result after financial items, including items affecting comparability, was EUR -16.5 (-35.1) million.

Items affecting comparability included in the operating profit for the review period totalled EUR -40.2 (-18.9) million. Items affecting comparability in the operating profit of continued operations are mainly related to costs for loss on the sale of the Suomivalimo business of EUR -6.1 million, the Pistons unit's sales profit of EUR 1.0 million, the impairments and write-downs of long-term production machinery, intangibles and stocks in the Swedish iron business were EUR -19.5 million. The impairments were mainly due to a rise in weighted average cost of capital used in impairment tests and growth of funds tight in working capital. The changes in value and impairments of investment real estates and production facilities in Finland were EUR -10.0 million. Due to the restructuring proceedings certain real estates will be sold and the company does not have resources to develop premises for long-term rental business. In addition the yield estimates for the company's own use of production plant properties in Finland were reduced e.g. due to the restructuring proceedings. Redundancy and other costs relating to the restructuring totalled EUR -3.3 million and other items affecting comparability were in total EUR -2.3 million.

Items affecting comparability included in the net financial items totalled EUR 40.7 (-0.1) million and relate mainly to financing arrangements that aim to strengthen the balance sheet. On 16 May 2016 Componenta Corporation issued a convertible capital loan of EUR 40 million and discharged secured bank loans and a secured bond. As a result of the arrangement the amount of the company's secured debt has decreased by some EUR 72 million. The secured debt was discharged at an amount lower than the balance sheet value, and the company recorded the difference between the balance sheet value and the discharged value after arrangement fees, EUR 43.3 million net, in other financial income.

Taxes for the period for continued operations totalled EUR -7.2 (-27.1) million. Taxes for the period include impairment of EUR -5.8 million on deferred tax assets related to confirmed losses in Finland and Sweden and other impairment totalling EUR -1.4 million was recorded in Finland and Sweden for net deferred taxes. The impairments were recorded because of the considerable uncertainty surrounding the company's viability as a going concern and due to the uncertainty related to utilization of the deferred tax assets in question.

The result in the year for discontinued operations, including impairment on the net assets of the Dutch and Turkish sub-groups as the result of derecognition, and the impairment recorded by Group companies under continued operations concerning receivables from and shareholdings in the Dutch and Turkish sub-groups, as well as guarantee liability claims made by third parties based on guarantee liabilities given on behalf of Componenta B.V., totalled EUR -191.8 (-20.4) million. Items affecting comparability of the discontinued operations in the Netherlands and Turkey totalled EUR 152.7 million in the third and fourth quarters in relation to deconsolidation. The items affecting comparability included impairments on the net assets of the sub-groups and impairments recorded for the companies within the group with continuing operations relating to receivables from the Dutch and Turkish companies and shares owned in them, and claims from third parties relating to guarantees given on behalf of Componenta B.V. In addition, during the year EUR 2.9 million and EUR 25.5 million of costs affecting comparability were recorded in the Netherlands and Turkey respectively. The result for discontinued operations in the year excluding items affecting comparability was EUR -10.8 (-2.9) million and the estimated operating profit excluding items affecting comparability was EUR 5.3 (6.7) million.

The Group's profit for the review period was EUR -215.5 million (EUR -82.7 million). Basic earnings per share were EUR -1.64 (EUR -0.86) for the review period and the basic earnings per share for continued operations were EUR -0.18 (EUR -0.65).

The adjusted return on investment was -0.2% (2.3%) and the return on investment including items affecting comparability for the review period was -61.7% (-7.2%). There is no point in calculating the return on equity percentage since equity is negative.

Balance sheet, financing and cash flow

During 2015 Componenta failed to meet certain conditions for its syndicated loan agreement. For this reason at the end of December 2015 the company signed a standstill agreement with the Nordic partners in the syndicated loan agreement, whereby the lenders released Componenta from having to comply with certain terms of the loan for a fixed period until the end of April 2016.

At the beginning of December 2015 Componenta started negotiations towards a financing solution that would support the new strategic alignments and ensure the strengthening of the company's financial position and balance sheet. On 1 April 2016 the company announced that it had reached preliminary agreement on repaying the parent company's secured loans. On 16 May 2016 Componenta Corporation issued a EUR 40 million convertible capital loan and discharged the company's secured bank loans and a secured bond to a total of some EUR 72 million. The convertible capital loan was offered to a limited group of selected investors. EUR 25.4 million of the subscription price for the loan was paid in cash and EUR 14.6 million by setting off the subscription price against a loan receivable from the company.

The convertible capital loan is a bullet loan and has a maturity of four years. The company may not repay the loan before its maturity date. The issuing price for the loan is 100 per cent and the annual interest is 2 per cent. The loan can be converted into Componenta Corporation shares during the term of the loan. The share subscription price is EUR 0.50. The subscription price is considered to be fair to all shareholders, taking into account on the one hand the company's share price when issuing the loan and, on the other hand, the need to ensure the success of the loan issue. As the result of share subscriptions based on shares in the loan, the company will issue a maximum of 80 million new shares. By the end of the year shares of the loan have been used to issue 78 868 000 new shares, and the EUR 39.4 million share of the loan used to pay the issue price (net, including loan issuing costs) is presented as the addition of unrestricted equity reserve. The remaining convertible capital loan on 31 December 2016 has a nominal value of EUR 0.6 million.

Overall, as the result of the above financing arrangements the company's secured debt declined by some EUR 72 million. The secured debt was discharged at an amount lower than the balance sheet value, and the company recorded the difference after arrangement fees, EUR 43.3 million net, in other financial income.

The negotiations with Turkish banks were continuing concerning additional finance for the Turkish subsidiary and extending the maturity dates for the financing. Componenta Dökümcülük A.S. has on 28 July 2016 signed a new 4-year credit facility agreement of EUR 15 million. The counterparties of the financing agreement are Türkiye Vakıflar Bankası T.A.O. Orhangazi/Bursa Branch, Türkiye Halk Bankası A.Ş. Organised Industry Commercial/Bursa Branch and Türkiye İş Bankası A.Ş. Bursa Corporate Branch. The new loan is a separate tranche under the EUR 120 million club loan agreement signed in 2014.

In addition to financing solutions, it was planned to safeguard the company's working capital by divesting non-core business operations and property. The divestment of Suomivalimo's foundry business located in Iisalmi to Antti Lehtonen, Olli Karhunen and the management on behalf of a new company to be established was completed on 30 June 2016. The foundry real estate property was sold to Iisalmen Teollisuuskylä Oy. The debt free selling price for the Suomivalimo business, property, tangible and intangible assets and inventories, was EUR 4.3 million and the sale had an impact of EUR 4.1 million on the cash flow. The Group recorded a sales loss of EUR 6.1 million on the transaction.

The foundry property in Manisa, Turkey, which is to be taken out of use, was sold on 1 July 2016. The sale price was EUR 2.5 million. No significant sales profit or loss was recorded from the sale.

Componenta's pistons business unit in Pietarsaari was sold on 17 August 2016 to Koncentra Pistons Oy. The Group recorded a sales profit of EUR 1.0 million from the deal, which has been presented in items affecting comparability.

Despite the above-mentioned financial arrangements and divestments of businesses Componenta's liquidity situation became critical in August due to weak turnover and profitability developing more negatively than estimated. The company was unable to negotiate the financing required to rectify the situation. It therefore became impossible to continue operations without corporate restructuring, as the company could not keep its production plants operational because of lack of materials. Obtaining further financing in Turkey has been challenging and the liquidity situation remains tight.

The company believes that in Finland and Sweden the restructuring proceedings will enable the company's operations to return to profitability and be developed in the longer term but there is still a significant degree of uncertainty regarding the going concern of the Group's operations. The companies in Finland and in Sweden have agreed a prepayment arrangement with their main customers which will cover the working capital needs. Actions to reduce fixed costs have continued and will actively continue further in order to enable successful corporate restructuring proceedings. For example, services and costs of the parent company have been cut significantly and a cost structure of the parent company will be decreased further.

Componenta Corporation plans to sell its shareholding in Componenta Dökümcülük Ticaret ve Sanayi A.S. Componenta is aiming at a total solution in which the Turkish subsidiary would accept the draft restructuring programmes relating to Componenta Corporation, Componenta Finland Oy and Componenta Främmestad AB and that additionally the club loan banks would release Componenta Corporation and Componenta Främmestad AB from all liabilities and obligations, including being released from the loan guarantee of EUR 80 million.

On 13 October 2016 Componenta announced its plan to sell its forge operations located in Sweden i.e. Componenta Wirsbo AB and Componenta Arvika AB. The sale of the Swedish forging operations did not end to acceptable industrial solution – instead, due to Wirsbo's restructuring decision and the strong commitment of the customers, efforts will be made to keep them part of the Componenta Group.

The Group has, under the terms of the loans, long- and short-term interest bearing loans totalling EUR 37.9 million from the Turkey sub-group, banks and other financial institutions falling due for payment during the next 12 months, and most of this is debt subject to the restructuring proceedings. In November 2016 the Turkish subsidiary converted EUR 27 million of its restructuring loan receivables from Componenta Främmestad AB to capital loan receivables. The capital loan shall be repaid before the owners can be paid any dividend, and the capital can be repaid only if the distributable assets of Främmestad AB are sufficient as laid down in the local company act.

The liquidity of the company's continued operations was tight during the year, which had a negative impact on the company's production operations especially during the first three quarters of the year. At the end of the year the Group's cash and bank receivables totalled EUR 4.4 (6.1) million. The company had no committed credit facilities at the end of the year. The

Group's interest bearing net debt was EUR 90 (237) million at the end of the year. Net gearing at the end of 2016 cannot be calculated because equity was negative (1,273%).

The Group's equity ratio at the end of December was -165.3% (4.6%).

The net cash flow from operations in the financial year for continued operations was EUR -9.9 (+12.4) million. The weaker cash flow for continued operations is due to the poorer profitability of operations. Changes in working capital totalled EUR 10.0 (18.0) million in the period. Funds tied up in working capital declined in both years mainly due to the increase in accounts payable.

According to current estimates, the external restructuring debt of the Finnish and Swedish companies, including the overdue external purchasing debt subject to the restructuring proceedings and the restructuring debt to Turkey, is in total some EUR 163 million and it is recorded in balance sheet. The Turkey sub-group is the largest creditor of the Finnish and Swedish companies concerning the restructuring debt, with receivables of some EUR 110 million. The figure EUR 163 million includes debts of EUR 10 million related to guarantees given to third parties as security for external liabilities of Group companies and as security for the liabilities of Componenta BV, which has been declared bankrupt. A more precise picture of the amount of external debt subject to the restructuring proceedings and of the payment schedule will be obtained during the restructuring proceedings. The key content of the draft restructuring programmes is described in the Corporate restructuring proceedings section.

Componenta has made efforts to improve the use of capital by employing programmes of selling its trade receivables, through which part of the receivables are sold without recourse. At the end of 2016 the sold receivables of continued operations totalled EUR 5.1 (41.5) million. The credit facilities for the sale of trade receivables in Sweden and Finland were mainly lost when the restructuring proceedings started, which for its part explains the decline in the sale of trade receivables. In addition, as stated previously, the operations in the Netherlands and Turkey are no longer consolidated in the Group balance sheet.

At the end of 2016, the invested capital of the company was EUR -35.2 (261.7) million.

Investments

Investments in production facilities in the January - December period totalled EUR 19.9 (31.5) million of which financial lease investments accounted for EUR 6.4 (5.3) million of these. Production investments for continued operations totalled EUR 1.3 (5.7) million and for discontinued operations EUR 18.5 (25.7) million. Discontinued operations include investments of EUR 16.1 million in the period in the aluminium business operations in Manisa, Turkey, mainly to increase capacity. The net cash flow from investments was EUR -0.9 (-26.8) million, which includes the cash flow from the Group's investments in tangible and intangible assets, and the cash flow from shares sold and purchased and from the sale of fixed assets and businesses. The net cash flow from investments includes income from sales and divestments during the review period totalling EUR 12.0 million received from the sale of the Suomivalimo business, the divestment of the old Manisa foundry building property and the sale of Pistons, the piston manufacturing business. The investment net cash flow of continuing operations was EUR 7.4 (-2.1) million.

Research and development activity

In 2016 the research and development expenses of Componenta's continued operations totalled EUR -0.2 million (EUR -0.9 million), which is equivalent to 0% (0%) of the Group's turnover of continued operations.

Environment

The aim of Componenta's quality, environment, occupational health and safety policies is to fulfil the demands of customers and adhere to all legal requirements with regard to environmental, occupational health and safety issues. Componenta ensures that all its facilities are equipped with sufficient know-how and information required for success, and continually strives to improve its own production processes in order to guarantee the best possible results. The aim of continuing development programmes is to achieve a zero level both in quality deficiencies and in work-related accidents or illnesses, and to reach agreed upon environmental goals.

Componenta is committed to continually improving and lessening the environmental impact of its production processes. Energy consumption and lessening the production of waste have been identified as the most significant environmental issues to concentrate on, along with reutilising waste materials as opposed to simply dumping them in landfills.

The production facilities of the Group's continued operations used 131 GWh (128 GWh) of energy in 2016. Most of the energy used, 81% (83%) was electricity. The foundries use 59% of all energy, primarily because the melting processes require so much energy. In 2016 the energy consumption (in proportion to production) in Componenta's iron foundries dropped by 5%.

Componenta uses recycled material as raw material and similarly conveys some of the waste produced to be recycled. In 2016 52% (60%) of the primary raw material used in the Group's iron foundries was recycled steel. Of the waste that was produced, 91% (91%) was conveyed onwards to be reutilised. Of the total investments made in 2016, EUR 0.04 million were investments which will also lessen the impact of production on the environment.

Personnel

The Group had on average 3,614 (3,982) employees during the review period, 3,893 (4,281) including leased employees. The number of Group personnel including Componenta Turkey at the end of the period was 3,154 (3,979), including leased employees 3,350 (4,269). The Group's continued operations had on average 893 (997) employees during the review period, 992 (1,093) including leased employees. The total number of employees in the Group's continued operations at the end of 2016 was 791 (991), 878 (1,080) including leased employees.

At the end of review period the personnel were geographically divided so that 53% (55%) of personnel in continued operations (including leased employees) were in Finland and 47% (45%) in Sweden.

Shares and shareholders

The shares of Componenta Corporation are quoted on Nasdaq Helsinki. At the end of the period the company had a total of 176,137,224 (97,269,224) shares. The average share price during the review period was EUR 0.17, the lowest price was EUR 0.10, and the highest EUR 0.71. The quoted price at the end of 2016 stood at EUR 0.18 (EUR 0.69) and the share capital had a market capitalisation of EUR 31.7 (66.6) million. The volume of shares traded during the period was equivalent to 118.6% (12.3%) of the share stock.

Componenta Corporation's share capital stood at EUR 21.9 (21.9) million at the end of the period. At the end of the period the company had a total of 176,137,224 (97,269,224) shares. The increase in the number of shares results from the conversion of the principal of the convertible loan into shares. On 16 May 2016 Componenta Corporation issued a EUR 40 million convertible capital loan. By the end of 2016 altogether EUR 39,434,000 of the convertible loan had been converted into shares and the company had issued 78,868,000 new shares. The company had 5,423 (2,670) shareholders at the end of the review period.

Flagging notices

In consequence of the conversion of the convertible loan into shares, Componenta received several flagging notices as required by the Finnish Securities Market Act in the period 26 May – 29 November 2016. A separate stock exchange release has been published for each flagging notice.

According to these flagging notices, the holding of Sampo plc in Componenta Corporation's shares and voting rights has first exceeded 10% (26.5.2016), and fallen below 10% (6.9.2016) and then fallen below 5% (16.9.2016).

The holding of Sampo Group in Componenta Corporation shares and voting rights has first exceeded 15% (26.5.2016), fallen below 15% (7.9.2016) and then fallen below 10% (16.9.2016).

The holding of Elo Mutual Pension Insurance Company in Componenta Corporation shares and voting rights has fallen below 5% (26.5.2016) and then exceeded 5% (29.11.2016).

The combined holding of Heikki Lehtonen and of Oy Högfors-Trading Ab and Cabana Trade S.A., companies in which he exercises control, in Componenta Corporation shares and voting rights has fallen below 10% (30.5.2016) and then fallen below 5% (14.10.2016).

The holding of Sp-Fund Management Company in Componenta Corporation shares and voting rights has fallen below 5% (30.5.2016).

The holding of Finnish Industry Investment Ltd in Componenta Corporation shares and voting rights has exceeded 10% (20.9.2016), has fallen below 10% (1.11.2016) and then fallen below 5% (16.11.2016).

The holding of Tiiviste-Group Oy in which Erkki Etola exercises control in Componenta Corporation shares and voting rights has fallen below 5% (31.10.2016).

Decisions of the Annual General Meeting

The Annual General Meeting of Componenta Corporation, held on 1 April 2016, adopted the annual accounts and the consolidated annual accounts for the financial period from 1 January to 31 December 2015 and discharged the members of the Board of Directors and the CEO from liability. In accordance with the proposal of the Board of Directors, the AGM resolved that no dividend be paid for the financial year ended 31 December 2015.

The AGM decided that the Board of Directors should have six members and re-elected Olavi Huhtala, Olli Isotalo, Perttu Louhiluoto, Riitta Palomäki, Matti Ruotsala and Tommi Salunen to the Board.

The AGM decided that the chairman of the Board be paid an annual fee of EUR 60,000 and Board members EUR 30,000. It also decided that Board committee members be paid EUR 5,000. The travel expenses of Board members in the financial year 1 January - 31 December 2016 are paid in accordance with the company's travel regulations.

The AGM elected authorised public accountants PricewaterhouseCoopers Oy as auditor.

Decisions of the Extraordinary General Meeting held on 15 April 2016

Componenta's Extraordinary General Meeting on 15 April 2016 resolved to authorise the Board of Directors to decide on a share issue and an issue of special rights entitling to shares.

The aggregate amount of shares to be issued based on the authorisation, including shares received based on special rights entitling to shares, shall not exceed 100,000,000 shares. By virtue of the authorisation the Board of the Directors may resolve to issue, for example, special rights that entitle their holder to receive new shares or the company's own shares for consideration in such a manner that the subscription price of the shares is to be set off against a receivable of the subscriber ("Convertible Bond"). The Board of the Directors may resolve to issue new shares or to transfer treasury shares that may be held by the company. The authorisation entitles the Board of Directors to resolve on all conditions for the issuance of shares and the issuance of special rights entitling to shares, including the right to derogate from the pre-emptive right of the shareholders. The authorisation shall be used, for example, to strengthen the balance sheet and financial position of the company.

Componenta Corporation has made announcements on 24 March 2016 and 1 April 2016 about financial arrangements being prepared that will significantly strengthen the company's balance sheet. For this to take place, it is necessary for the Extraordinary General Meeting held on 15 April 2016 to resolve to authorise the Board of Directors to decide on a share issue and the issue of special rights entitling to shares. On 16 May 2016 Componenta Corporation issued a EUR 40 million convertible capital loan and discharged the company's secured bank loans and a secured bond to a total of EUR 72 million. The loan can be converted into Componenta Corporation shares during the term of the loan. The share subscription price is EUR 0.50. The subscription price is considered to be fair to all shareholders, taking into account on the one hand the company's share price when issuing the loan and, on the other hand, the need to ensure the success of the loan issue. As the result of share subscriptions based on shares in the loan, the company will issue a maximum of 80 million new shares.

Decisions of the Extraordinary General Meeting held on 23 September 2016

The Extraordinary General Meeting of Componenta Corporation resolved on 23 September, in accordance with the proposal of the Board of Directors, that the handling of the Componenta's restructuring application will be continued and restructuring proceedings commenced.

Componenta Corporation has, in accordance with the Finnish Restructuring Act, filed on 1 September 2016 a restructuring application to the District Court of Helsinki, petitioning the commencement of restructuring proceedings.

Decisions of the Extraordinary General Meeting held on 7 December 2016

Due to asset value write offs made in the interim accounts on 30 June 2016 the equity of Componenta Corporation (as a separate company) has become negative by approximately EUR 9 million. These write offs relate to receivables from subsidiaries, value of the subsidiary investments and certain other assets. No write offs have been made to the debts of the company.

If the equity of the company according to its balance sheet is less than one half of the share capital, the Board of Directors shall, according to the Companies Act, convene a General Meeting to consider possible measures to remedy the financial position of the company. The Board of Directors considers that there is reason to believe that the equity will increase to positive as a result of the debt cuts to be implemented in the restructuring proceedings.

The Extraordinary General Meeting of Componenta Corporation resolved, in accordance with the proposal of the Board of Directors that the company shall carry on with the measures already taken to remedy the company's equity and to ensure sufficient financing and liquidity.

Share-based incentive scheme

The Extraordinary General Meeting of Componenta Corporation held on 15 April 2016 resolved, in accordance with the proposals of the Board of Directors, on the issuance of stock options.

The stock options are intended to form part of the incentive and commitment program for key employees, so the Company has a weighty financial reason for issuing the options. The stock options will be issued gratuitously and will entitle their owners to subscribe for a maximum total of 10,000,000 new shares in the Company or existing shares held by the Company. The Board of Directors will resolve on the distribution of stock options and may additionally resolve on particular additional provisions concerning the receipt of stock options.

Due to the ongoing restructuring processes and the bankruptcy of the Dutch subsidiary the Board of Directors has not issued stock options.

Board of Directors and management

At its meeting held after the Annual General Meeting, the Board of Directors elected Matti Ruotsala as Chairman of the Board and Olavi Huhtala as Vice Chairman.

Componenta has an Audit Committee of the Board of Directors, and the Board elected Riitta Palomäki to be chairman of this committee and Olavi Huhtala and Tommi Salunen to be ordinary members.

Componenta also has a Nomination Committee comprising shareholders or shareholder representatives, to which the three largest shareholders in Componenta, according to the shareholder list updated by Euroclear Finland Oy on 31 August 2016, each appoint one representative. The task of the Nomination Committee is each year to prepare and present the proposals for members of the Board of Directors and their remuneration to be made to the following Annual General Meeting. The members of the nomination committee are Erkki Etola, shareholder Etra Capital Oy and Tiiviste Group Oy, Mikko Mursula, shareholder Ilmarinen Mutual Pension Insurance Company and Timo Sallinen, shareholder Varma Mutual Pension Insurance Company. In addition, the Chairman of the Board of Directors, Matti Ruotsala acts as an expert member of the Nomination Board. The Nomination Board elected Timo Sallinen as its chairman.

Componenta Group's Corporate Executive Team in the period 1 January - 3 March 2016 comprised President and CEO Harri Suutari, Olli Karhunen, Senior Vice President, Foundry Division, Juha Alhonoja, Senior Vice President, Machine Shop Division, Sabri Özdogan, Senior Vice President, Aluminium Division, CFO Markku Honkasalo, Pauliina Rannikko, Senior Vice President, HR and Legal, and Furio Scolario, Senior Vice President, Sales, Global Accounts.

In connection with the renewal of the management structure, the composition of Componenta's Corporate Executive Team also changed. As from 3 March 2016 the members of the Corporate Executive Team were: President and CEO Harri Suutari, Juha Alhonoja, Senior Vice President, Sweden business area, Seppo Erkkilä, Senior Vice President, Finland business area, Mika Hassinen, Senior Vice President, Netherlands business area, Pasi Mäkinen, Senior Vice President, Turkey, Iron business area and Sabri Özdogan, Senior Vice President, Turkey, Aluminium business area as well as

CFO Markku Honkasalo, Pauliina Rannikko, Senior Vice President, Human Resources and Legal and Sami Sivuranta, Senior Vice President, Development.

On 8 June 2016 Eddy Kremers was appointed to the Group's Corporate Executive Team with responsibility for the Netherlands business area. Mika Hassinen, who was previously responsible for the Netherlands business area, decided to pursue other opportunities outside Componenta Group.

Sami Sivuranta, Senior Vice President, Development, left to take up other duties outside Componenta Group on 30 June 2016. No one has been appointed to replace him on the Corporate Executive Team.

On 22 August Componenta's Sweden business area was divided into two separate businesses, the Främmestad machine shop business and the Wirsbo forge business. As part of the change, the following appointments were made: Fredric Lindahl was appointed Managing Director of Componenta Främmestad AB and a member of the Corporate Executive Team. Mikael Schill was appointed Managing Director of Componenta Wirsbo AB and Componenta Arvika AB and a member of the Corporate Executive Team. Juha Alhonoja, the previous SVP, Sweden business area moved to another position outside Componenta Group on 30 September 2016.

Due to the bankruptcy of the Dutch subsidiary Eddy Kremers has not been a member of the Corporate Executive Team as of 1 September 2016.

On 30 September 2016 Marko Karppinen was appointed Senior Vice President, Development of Componenta Corporation and a member of the Corporate Executive Team.

On 20 October Marko Karppinen was appointed CFO. Markku Honkasalo moved to another position outside Componenta Group.

Componenta Group's Corporate Executive Team as of 31 December 2016 comprised President and CEO Harri Suutari, CFO Marko Karppinen, Pauliina Rannikko, Senior Vice President, HR and Legal, Sabri Özdogan, Senior Vice President, Turkey, Aluminium Business Area, Seppo Erkkilä, Senior Vice President, Finland Business Area, Pasi Mäkinen, Senior Vice President, Turkey, Iron Business Area, Fredric Lindahl, Senior Vice President, Främmestad machine shop, Mikael Schill, Senior Vice President, Forging.

Risks and factors causing uncertainty to business

The most significant risks to Componenta's business are risks relating to the business environment (competition risk, situation and pricing risk, commodities risks and risks relating to the environment), risks relating to business operations (customer, supplier, productivity, production and process risks, upsets in the employment market, contract and product responsibility risks, personnel and data security risks) and financing risks (risks relating to arranging financing and liquidity; currency, interest and credit risks).

For the Group's business operations it is imperative that it can source certain raw materials, such as recycled steel, iron blocks and energy, at competitive prices. The cost risk associated with raw materials is primarily managed using pricing agreements, with which the prices of products are adjusted according to the prices of their raw materials. A rise in the price of raw materials can tie up more funds than estimated into the working capital.

Componenta's corporate restructuring proceedings and possible future liquidity issues may adversely affect the volumes of future new sales and lessen the size of orders placed by customers for products to replace discontinued products. Due to the financial situation, at the moment the company cannot obtain the credit facilities it would need for signing hedging derivatives.

Refinancing and liquidity risks, and the restructuring processes

During the first, second and third quarters of 2016 Componenta prepared and implemented a programme of action that aimed to safeguard the continuity of operations and strengthen the financial position. The arrangement it aimed at was meant to form a total package that would create the possibility of starting to implement the company's new strategy, complying with the going concern principle.

Syndicated loan negotiations with Nordic banks and other investment bodies continued during the first and second quarters. The company has reported on the progress of financing negotiations on 11.3.2016, 1.4.2016, 29.4.2016, 11.5.2016 and 17.5.2016. As part of the new financial arrangements Componenta Corporation issued a convertible capital loan of EUR 40 million and paid off the company's secured bank loans and secured bonds, totalling around EUR 72 million on 16.5.2016.

Despite the above-mentioned financing arrangements and the divestment of non-core businesses, the Componenta Group's liquidity situation became critical in August due to weak turnover and profitability growth being more negative than expected. The company was not able to negotiate the extra financing that the situation would have demanded. It therefore became impossible to continue business without commencing the corporate restructuring proceedings, because the factories could not be keep active without the necessary production resources.

The company believes that the restructuring process in Finland and Sweden will make it possible to restore operations to profitability and develop them in the future, but there still remains much uncertainty over the continuity of business operations. In the short-term, financing from major clients has been agreed in Finland and Sweden, which will cover working capital needs. In order to ensure the success of the restructuring process fixed costs will continue to be reduced. For example, services produced by the parent company for its subsidiaries, and the costs related to them, have been significantly cut and work to lighten the parent company's cost structure is continuing. Continuity in business cannot be secured without the success of the restructuring process and other arrangements underway.

The company's liquidity was extremely tight before filing for corporate restructuring, and this had a negative impact on the company's production operations. During the final quarter, however, after filing for restructuring, payments have been made on time.

In the near future, the operational and financial risks of Componenta Group are related to the corporate restructuring proceedings currently underway. The Group's ability to continue as a going concern depends on whether a feasible restructuring programme is drawn up and approved for the Group companies in Finland and Sweden. In addition the ability to continue as a going concern assumes that the companies, already received an approved restructuring programme, can pay their restructuring liabilities in accordance with a payment plan defined under the restructuring programme. The biggest risk to carrying out the restructuring programme is if the largest creditor, the Turkey sub-group, does not support the restructuring of the Finnish and Swedish companies. The tougher attitude taken by suppliers to payment deadlines forms a risk to working capital. Liquidity problems present a real risk to the implementation of the restructuring program.

Restructuring and business continuity are subject to uncertainties, which are described in more detail in the accounting principles.

Currency risk

The company uses currency loans and deposits and other natural hedge relationships to hedge against changes in currency exchange rates. Due to the financial situation, at the moment the company cannot obtain the credit facilities it would need for signing hedging derivatives.

More detailed information on Componenta's risks and risk management can be found in the accounting principles of the 2016 financial statements and in the notes to the financial statements.

Changes in equity and capital loans

Componenta Corporations's equity was negative and amounted to EUR -101,931,357. The company's management has taken measures to remedy the situation. The corrective measures include, for instance, restructuring procedures, as well as measures to improve the profitability of operations.

During the financial year, Componenta Corporation issued a EUR 40 million convertible capital loan, which was offered to a limited group of selected investors. As a result of share subscriptions based on shares in the loan, the company will issue a maximum of 80 million new shares. By the end of the year, shares in the loan had been used to issue 78,868,000 new shares, and the EUR 39.4 million share in the loan used to pay the issue price (net, including loan issuing costs) is presented as an addition to the unrestricted equity reserve.

Componenta Corporations's remaining convertible capital loan on 31 December 2016 had a nominal value of EUR 0.6 million. In addition, in November 2016 Componenta Turkey converted EUR 27 million of its restructuring loan receivables from Componenta Främmestad AB to capital loan receivables. The capital loan shall be repaid before the owners can be paid any dividend, and the capital can be repaid only if the distributable assets of Främmestad AB are sufficient as laid down in the local companies law.

Events after the end of the period

On 20 January 2017 Componenta announced that from the convertible capital loan of EUR 40 million issued on 16 May 2017 200 shares of the loan have been used for the subscription of 400,000 new shares in Componenta Corporation. Following the registration of the new shares, the total number of the Company´s shares is 176,537,224.

On 26 January 2017 Componenta announced that the district court of Helsinki has decided at the request of the administrator to postpone the deadline for submitting the draft restructuring program of Componenta Corporation and Componenta Finland Oy till 31 March 2017.

On 7 February 2017 Componenta announced that it will postpone the publishing of the Financial Statements Release and the Financial Statements for 2016 and the planned time of the Annual General Meeting, because the review relating to the impacts of the restructuring proceedings to the Financial Statements is still pending. In the same context the company announced that the Financial Statements Release for the year 2016 will be published on 30 March 2017 and the Annual Report for the year 2016 including the Financial Statements and the Report of the Board of Directors will be published on 7 April 2017 and Componenta's Annual General Meeting is planned to be held on Friday, 5 May 2017. In addition Componenta announced on 30 March 2017 that it will postpone the publishing of the Financial Statements, because additional time is required for the finalization of Notes to the Financial Statements related to corporate restructuring. According to the release, the company will publish the Financial Statements for the year 2016 including the Report of the Board of Directors, the Corporate Governance Statement including the Remuneration Statement and the Annual Report 2016 on 12 April 2017.

On 15 February 2017 Componenta announced that balance sheet consolidation of its Turkish subsidiary ended in the Group's financial statements on 31 December 2016.

On 3 March 2017 Componenta announced that Skaraborg district court has granted extension for restructuring proceeding of Componenta Corporation's subsidiary Componenta Främmestad AB until 1 June 2017. Reaching an agreement relating to the internal debt between Componenta Främmestad AB and Componenta Dökümcülük Ticaret ve Sanayi A.S., which is still pending, is seen as a prerequisite for a viable composition proposal.

On 14 march 2017 Componenta announced that Pauliina Rannikko, SVP Legal and HR of Componenta Group and member of the executive team has resigned from her position in Componenta and she will as from 18 April 2017 move to new position outside Componenta.

On 30 March 2017 Componenta announced as part of the Notice to the Annual General Meeting that the Board of Directors proposes that out of the loss of EUR 336,419,172.22 related to the financial periods ended on or before 31 December 2016 (the loss of the financial period ended on 31 December 2016 being EUR 236,496,663.78), as shown in the financial statements of the company as per 31 December 2016, a total amount of EUR 233,487,815.06 will be covered as follows: by reducing the unrestricted equity reserve by EUR 197,476,971.36, by reducing the share premium reserve by EUR 15,114,467.70, by reducing the reserve fund by EUR 4,980 and by reducing the company's share capital of EUR 21,891,396 by EUR 20,891,396. The covering of the losses will be primarily directed to the losses of financial periods ended before 31 December 2016 and secondarily to the losses of the financial period that ended on 31 December 2016. After the suggested actions the sum of the unrestricted equity reserve, the share premium reserve and the reserve fund would be EUR 0.00 and the share capital of the company would be EUR 1,000,000.

On 4 April 2017 Componenta announced that The District Court of Helsinki has given interim decisions relating to the draft restructuring programmes of Componenta Corporation and Componenta Finland Ltd. The District Court has decided to continue processing the draft restructuring programmes filed by the administrator on 30 March 2017.

Componenta's prospects for 2017

Because of the Company's financial situation and the restructuring proceedings and structural reorganisation in progress, giving earnings guidance has been exceptionally difficult. Because of this Componenta has not given forecasts for its financial performance when commenting on prospects during 2016. As the result of progress in the restructuring proceedings and more stable liquidity in the business operations that are continuing, Componenta is starting once again to make forecasts for its result.

The majority of the net sales comprises manufacturing of components to heavy trucks and machine building industries. In these segments European market looks stable for the current year. Componenta has remarkably decreased comparable fixed costs and improved productivity in continued operations.

Componenta believes that the corporate restructuring proceedings will proceed favourable and expects the net sales of continued operations to be EUR 150-170 million in 2017. The EBITDA without items affecting comparability is expected to be EUR 5-10 million. In 2016 Componenta's comparable net sales that correspond to continued operations in 2017 was around EUR 167 million.

Dividend proposal

On 31 December 2016 the distributable equity of the parent company was negative EUR -138.9 (58.1) million, so it is not possible to pay a dividend. Furthermore, the Restructuring of Enterprises Act forbids the payment of dividend to shareholders during restructuring proceedings.

Annual General Meeting

Componenta Corporation's Annual General Meeting of Shareholders will be held at on 5 May 2017 in Helsinki. Notice of the annual general meeting will be published in a separate stock exchange release.

Corporate Governance Statement

Componenta Corporation will publish its Corporate Governance Statement for 2016 as a separate report. Once published, the statement can be read on the company's website at www.componenta.com.

Consolidated income statement 1.1.–31.12.

MEUR	Note	1.1.– 31.12.2016	%	Changed *) 1.1.– 31.12.2015	%
Continued Operations:					
NET SALES	1	183.6	100.0	210.1	100.0
Other operating income	4	1.9		5.1	
Operating expenses	5.6.7	–201.6		–211.3	
Depreciation, amortization and write-down of non-current assets	8	–29.9		–22.4	
OPERATING RESULT	1	–46.0	–25.1	–18.5	–8.8
Financial income	9	48.7		14.3	
Financial expense	9	–19.2		–30.9	
Financial income and expenses in total		29.5		–16.6	
PROFIT/LOSS AFTER FINANCIAL ITEMS		–16.5	–9.0	–35.1	–16.7
Income taxes	10	–7.2		–27.1	
PROFIT/LOSS FOR THE FINANCIAL PERIOD, Continued Operations		–23.7		–62.2	
Discontinued Operations:					
Profit/loss for the financial period, Discontinued Operations		–191.8		–20.4	
PROFIT/LOSS FOR THE FINANCIAL PERIOD		–215.5		–82.7	
Allocation of net profit for the period					
To equity holders of the parent		–206.4		–83.1	
To non-controlling interest		–9.1		0.4	
		–215.5		–82.7	
Earnings per share calculated on the profit attributable to the shareholders of the parent company					
Earnings per share, Group, EUR	11	–1.64		–0.86	
Earnings per share, Continued operations, EUR		–0.18		–0.65	
Earnings per share, Discontinued operations, EUR		–1.46		–0.21	
Earnings per share with dilution, Group, EUR	11	–1.64		–0.86	

Consolidated statement of comprehensive income 1.1.–31.12.

MEUR	1.1.–31.12.2016	Changed *) 1.1.–31.12.2015
Net profit	**–215.5**	–82.7
Continued Operations:		
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Revaluation of land and property	**0.0**	–2.7
Items that may be reclassified subsequently to profit or loss		
Translation differences	**1.3**	–0.5
Actuarial gains and losses	**0.0**	0.0
Cash flow hedges	**0.4**	0.0
Other items	**0.0**	0.0
Total items that may be reclassified to profit or loss subsequently	**1.6**	–0.5
Income tax on other comprehensive income	**–0.1**	0.6
Other comprehensive income, net of tax, Continued operations	**1.6**	–2.6
Discontinued Operations:		
Revaluation of land and property, net of tax	**–16.3**	–5.0
Translation differences	**38.7**	–0.1
Actuarial gains and losses, net of tax	**4.0**	–1.7
Other comprehensive income, net of tax, Discontinued operations	**26.4**	–6.9
Total comprehensive income	**–187.6**	–92.2
Allocation of total comprehensive income		
To equity holders of the parent	**–180.0**	–92.1
To non-controlling interest	**–7.6**	–0.1
	–187.6	–92.2

The notes are an integral part of these financial statements.

*) The comparative figures from 2015 on income statement and cash flow statement have been adjusted because the Dutch and Turkey sub-groups' operations have been classified as discontinued operations according to the IFRS 5 standard

Consolidated statement of financial position 31.12.

MEUR	Note	31.12.2016	31.12.2015
ASSETS			
NON-CURRENT ASSETS			
Tangible assets	12	**35.8**	234.3
Goodwill	13	**0.0**	29.2
Intangible assets	14	**0.9**	7.1
Investment properties	15	**3.6**	8.1
Shares in associated companies	16	**0.0**	1.2
Financial assets	17	**0.0**	0.9
Receivables	18	**0.3**	7.8
Deferred tax assets	19	**0.0**	5.5
		40.6	294.1
CURRENT ASSETS			
Inventories	20	**17.7**	68.9
Receivables	21	**21.4**	31.7
Tax receivables	21	**0.1**	1.4
Cash and cash equivalents	23	**4.4**	6.1
		43.5	108.2
TOTAL ASSETS		**84.2**	402.2

MEUR	Note	31.12.2016	31.12.2015
LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY			
Share capital		**21.9**	21.9
Share premium reserve		**15.0**	15.0
Unrestricted equity reserve		**191.1**	152.3
Other reserves		**5.6**	20.2
Cash flow hedges		**–0.1**	–0.4
Translation differences		**0.6**	–37.0
Retained earnings		**–157.2**	–77.9
Profit/loss for the financial period		**–206.4**	–83.1
Equity attributable to equity holders of the parent company	24	**–129.7**	11.1
Non-controlling interest		**0.0**	7.6
Shareholders' equity		**–129.7**	18.6
LIABILITIES			
Non-current liabilities			
Capital loans	28	**0.4**	0.0
Interest bearing	28	**56.2**	87.3
Other non-interest bearing	33	**27.0**	0.3
Provisions	27	**0.0**	10.4
Deferred taxes	19	**2.4**	10.8
Current liabilities			
Other interest bearing	28	**37.9**	155.7
Other non-interest bearing	29	**89.1**	110.0
Tax liability		**0.0**	2.0
Provisions	27	**0.8**	7.0
		213.8	383.6
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**84.2**	402.2

The notes are an integral part of these financial statements.

Cash flow statement 1.1.–31.12.

MEUR	1.1.–31.12.2016	Changed *) 1.1.–31.12.2015
Cash flow from operations		
Continued Operations		
Result after financial items	-16.5	-35.1
Depreciation, amortization and write-down	29.9	22.4
Net financial income and expenses	-29.5	16.6
Other income and expenses, adjustments to cash flow	-1.0	-2.6
Change in net working capital		
Inventories	4.4	2.7
Current non-interest bearing receivables	-9.4	0.7
Current non-interest bearing liabilities	14.1	14.4
Other working capital items	1.0	0.1
Interest received	0.1	0.2
Interest paid	-2.3	-5.0
Other financial income and expenses	-0.7	-1.5
Dividends received	0.0	0.0
Taxes paid	0.0	-0.5
Cash flow from Continued operations	-9.9	12.4
Cash flow from Discontinued operations	9.7	-2.1
Net cash flow from operations	-0.2	10.3
Cash flow from investing activities		
Continued Operations		
Capital expenditure in tangible and intangible assets	-2.6	-3.6
Business divestments and proceeds from tangible and intangible assets	9.7	0.1
Other investments and loans granted	0.0	0.0
Proceeds from other investments and repayments of loan receivables	0.3	1.4
Net cash flow from investing activities, Continued operations	7.4	-2.1
Net cash flow from investing activities, Discontinued operations	-8.3	-24.7
Net cash flow from investing activities	-0.9	-26.8
Cash flow from financing activities		
Continued Operations		
Dividends paid	-	-
Expences of convertible bond	25.4	0.0
Repayment of finance lease liabilities	-3.0	-2.3
Draw-down (+)/ repayment (-) of current loans	-0.5	1.6
Draw-down of non-current loans	0.1	0.1
Repayment of non-current loans and other changes	-15.7	-10.0
Net cash flow from financing activities, Continued operations	6.3	-10.6
Net cash flow from financing activities, Discontinued operations**)	-6.9	21.1
Net cash flow from financing activities	-0.6	10.5
Change in liquid assets	-1.6	-6.0
Cash and bank accounts at the beginning of the period	6.1	12.1
Effects of exchange rate changes on cash	0.0	0.0
Cash and bank accounts at period end	4.4	6.1

The notes are an integral part of these financial statements.

*) The comparative figures from 2015 on income statement and cash flow statement have been adjusted because the Dutch and Turkey sub-groups' operations have been classified as discontinued operations according to the IFRS 5 standard.

**) Includes the derecognition of cash funds of the discontinued operations from the Group's statement of financial position.

Statement of changes in consolidated shareholders' equity

MEUR	Share capital	Share premium account	Un-restricted equity reserve	Revaluation reserve of land and buildings	Other reserves	Cash flow hedges	Retained earnings: Trans-lation diffe-rences	Retained earnings: Retained earnings	Total	Non-con-trolling interest	Share holders' equity total
Shareholders' equity 1.1.2015	**21.9**	**15.0**	**152.3**	**22.2**	**4.9**	**-0.4**	**-36.3**	**-76.5**	**103.1**	**8.0**	**111.2**
Net profit								-83.1	-83.1	0.4	-82.7
Translation differences							-0.5		-0.5	0.0	-0.5
Cash flow hedges						0.0			0.0		0.0
Revaluation of buildings, land areas and investment properties				-1.6	-0.5		0.0	0.0	-2.1	0.0	-2.1
Other comprehensive income units				0.0	0.0				0.0		0.0
Comprehensive income units, Discontinued operations				-4.9	0.0		-0.1	-1.4	-1.5	-0.4	-1.9
Total comprehensive income				-6.5	-0.5	0.0	-0.6	-84.4	-92.1	-0.1	-92.2
Dividend									0.0	-0.4	-0.4
Shareholders' equity 31.12.2015	**21.9**	**15.0**	**152.3**	**15.8**	**4.4**	**-0.4**	**-37.0**	**-160.9**	**11.1**	**7.6**	**18.6**

MEUR	Share capital	Share premium account	Un-restricted equity reserve	Revaluation reserve of land and buildings	Other reserves	Cash flow hedges	Retained earnings: Trans-lation diffe-rences	Retained earnings: Retained earnings	Total	Non-con-trolling interest	Share holders' equity total
Shareholders' equity 1.1.2016	**21.9**	**15.0**	**152.3**	**15.8**	**4.4**	**-0.4**	**-37.0**	**-160.9**	**11.1**	**7.6**	**18.6**
Net profit								-206.4	-206.4	-9.1	-215.5
Translation differences							1.3		1.3	0.0	1.3
Cash flow hedges						0.3			0.3		0.3
Revaluation of buildings, land areas and investment properties				-0.6	0.6			0.0	0.0		0.0
Other comprehensive income units					0.0				0.0		0.0
Comprehensive income units, Discontinued operations				-15.2	0.0		36.3	3.7	24.8	1.5	26.4
Total comprehensive income				-15.8	0.6	0.3	37.6	-202.7	-180.1	-7.6	-187.7
Issue of convertible bond					0.6				0.6		0.6
Convertible bond, conversion to shares			38.8						38.8		38.8
Shareholders' equity 31.12.2016	**21.9**	**15.0**	**191.1**	**0.0**	**5.6**	**-0.1**	**0.6**	**-363.6**	**-129.7**	**0.0**	**-129.7**

Notes to the consolidated financial statements

Accounting Principles for the Consolidated Financial Statements

General information

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

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

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

The financial year for all group companies is the calendar year and it ended on 31 December 2016.

The Board of Directors of Componenta Corporation has approved these financial statements on 12 April 2017 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.

General information

Componenta Group's liquidity situation become critical in August due to the weak turnover and profitability developing more negatively than estimated. The Company could not negotiate the additional financing necessary and due to this situation continuation of the business without restructuring proceedings was impossible because lack of production materials meant that the factories could not be kept in operation. At 1 September 2016 Componenta filed for restructuring of the parent acompany i.e. Componenta Corporation and its subsidiaries Componenta Finland Oy in Finland and Componenta Främmestad AB, Componenta Wirsbo AB and Componenta Arvika AB in Sweden. As part of the arrangement Componenta's Dutch subsidiary Componenta B.V. was filed for bankruptcy at 2 September 2016. The restructuring decisions of Componenta Arvika AB and Componenta Wirsbo AB gained legal force in January 2017. The draft restructuring programmes of Componenta Corporation and Componenta Finland Oy were submitted to the Helsinki district court on 30.3.2017. With regards to Componenta Främmestad AB the company was granted an extension until 1 June 2017 to prepare the drat restructuring program. Componenta lost the control over Componenta Dökümcülük Ticaret ve Sanayi A.S ("Componenta Dökümcülük") during the last quarter of 2016 and therefore the Componenta Dökümcülük group was not consolidated into the Componenta's financial statements for the year ended 31 December 2016. All debts and receivables between Componenta Group and Componenta Dökümcülük have been presented as external debts and receivables in the consolidated financial statements. More information on the loss of control is described below under Loss of control over Componenta Dökümcülük.

At the date of the financial statements all assets and liabilities consolidated by Componenta were under various restructuring proceedings in Finland or in Sweden. The status of restructuring proceedings, loss of control over Componenta Dökümcülük, the Dutch bankruptcy and the effect of these events to the Componenta Group's ability to continue as a going concern has been described below.

Corporate restructuring proceedings

The Group companies consolidated in the Group's financial statements had Group external restructuring debt that were recorded in the consolidated balance sheet totalling approximately EUR 163 million, of which the Componenta Dökümcülük group accounted for some EUR 110 million.

The corporate restructuring programmes that can be authorised by the District Courts in Finland and in Sweden could materially change the carrying amounts reported in the Group's financial statements. Restructuring debts may be restructured as part of the approved and authorised corporate restructuring programmes, but the restructuring debts in the financial statements do not reflect any adjustments proposed or potentially authorised as part of such restructuring programmes. The Group's financial statements also do not reflect any adjustments based on restructuring programmes that gained legal force after 31 December 2016 as they are subsequent events after the end of period to the financial statements. Therefore all such restructuring debts in the consolidated financial statements are subject to material change and can only be finalised once the restructuring programmes are legally authorised. Based on court decisions received and the draft restructuring programmes issued by the administrators it can be assumed that for each company the restructuring debt cuts would be settled between 75% and 96% depending on the company. At the date of approval of these financial statements the restructuring programmes were not authorised for Componenta Corporation, Componenta Finland Oy and Componenta Främmestad AB. However, in view of the inherent uncertainty brought about by the corporate restructuring proceedings and continuing operational challenges, the Group has made significant impairment charges related to its tangible assets used in its operations, investment properties and net assets of non-core subsidiaries to be realised in accordance with the draft restructuring programmes, goodwill and deferred tax assets. Consolidated financial statements do not aim to reflect or provide for (i) the realisable value of the Group's assets on a liquidation basis, the profit impact of realisations required by the restructuring programmes or their sufficiency to satisfy liabilities, (ii) the amounts of loans and debts subject to restructuring programme after authorization and priority thereof, (iii) or the effect on the Group's consolidated income statement of any changes potentially made to its business as a result of the final corporate restructuring programmes.

As a result of the restructuring proceedings the companies will either be able to continue their operations or, if the restructuring is unsuccessful, file for bankruptcy.

The restructuring proceedings of Componenta Corporation and Componenta Finland Oy in Finland

Componenta Corporation and Componenta Finland Oy filed for restructuring to the district court of Helsinki on 1 September 2016. The district court of Helsinki took its decision regarding the commencement of the restructuring proceedings in respect of Componenta Corporation and Componenta Finland Oy on 30 September 2016. The district court of Helsinki appointed Mr. Mika Ilveskero, Attorney-at-Law, from Castrèn & Snellman Attorneys to act as an administrator (the "Administrator") in respect of the corporate restructurings of Componenta Corporation and Componenta Finland Oy. Furthermore, in connection with both corporate restructurings, the district court of Helsinki has appointed creditor committees, which act as the joint representatives of the creditors in the restructuring proceedings. Various creditor groups, including secured creditors, trade creditors, creditors with supplier guarantees and other unsecured creditors, are represented in the creditor committees appointed by the court. The creditor committees of Componenta Corporation and Componenta Finland Oy have different composition due to different creditors.

The district court of Helsinki decided that the Administrator shall submit a draft restructuring programme to the district court of Helsinki by 31 January 2017 at the latest. The district court of Helsinki decided on 26 January 2017 at the request of the administrator to postpone the deadline for submitting the draft restructuring programme until 31 March 2017. The administrator has submitted Componenta Oyj's and Componenta Finland Oy's proposals concerning the debtors' restructuring programmes to the district court on 30 March 2017.

The key content of the draft restructuring program of Componenta Corporation

The total amount of Componenta Corporation's restructuring debt that is recorded in the balance sheet and must be taken into account in the restructuring proceedings is some EUR 124 million, and this is at the same time unsecured restructuring debt. Some EUR 95 million of Componenta Corporation's restructuring debt is to the Componenta Dökümcülük group, EUR 11 million to group companies consolidated in the consolidated financial statements, and EUR 18 million to other parties. The restructuring debt recorded in the balance sheet includes EUR 7.9 million guarantee liability claims made to the Administrator by third parties based on guarantee liabilities given on behalf of Componenta B.V. Componenta Dökümcülük group is the most significant creditor of Componenta Corporation. The unsecured debts are proposed to be cut by 96 percent. The company also has EUR 4 million in lowest-priority debt. The amount of lowest-priority debt would be cut in its entirety. According to the payment programme for unsecured restructuring debts, the company's restructuring debts would be paid every six months over five years so that the first instalment will fall due for payment in 2019 and the last in 2023. Restructuring programme would be financed with the operating cash flow.

Componenta Corporation gave a guarantee of a maximum of EUR 80 million as security for the club loan of its Turkish subsidiary in 2014. This liability has not been recorded in the Group's balance sheet, as under the Company's current understanding it would only realise in a situation where the club loan banks would demand realization of the guarantee after the end of the restructuring programme and the termination of the guarantee would not have been agreed before the end of the restructuring programme.

Based on the draft restructuring programme, Componenta Corporation has an obligation to continue to improve the efficiency of its operations and administration. Componenta Corporation must seek to reduce its fixed costs in such a way that it will enable the continuation of its business operations with lower annual accrual of management fees.

In accordance with draft restructuring programme Componenta Corporation must dissolve its non-operational subsidiaries through liquidation or merger within 18 months of the confirmation of the restructuring programme. During the restructuring programme, Componenta Corporation must also sell its real estate companies that are not related to the group's core business. During the restructuring proceedings, Componenta Corporation has given the sales mandate concerning said real estate properties and real estate companies. In addition during the restructuring programme, Componenta Corporation is obligated to sell its fixed assets that are not related to the business operations, including the artworks owned by Componenta Corporation. Such assets have been valued in the consolidated financial statements to the lower of probable realizable value or book value.

The Company's general meeting must make a decision on the reduction of Componenta Corporations share capital as referred to in Chapter 14 of the Limited Liability Companies Act (624/2006) so that the amount of the share capital is EUR 1,000,000. The reduction of the share capital is not subject to creditor protection by virtue of Chapter 14, section 2(1) of the Limited Liability Companies Act due to the fact that the amount of reduction is used for loss coverage.

Draft restructuring programme given by the Administrator includes requirement for supplementary payments relating to the repayment of cut unsecured restructuring debts. If Componenta Corporation's realised cash flow from operating activities in any of the five periods defined in the restructuring programme exceeds the cash flow from operating activities projected for that period, Componenta Corporation will incur an obligation to make supplementary payment to creditors with unsecured restructuring debt. In such circumstances, Componenta Corporation has an obligation to make a supplementary payment that is 50% of the amount by which the realised cash flow from operating activities in the period in question exceeded the projected cash flow from operating activities for said period. However, there is no obligation to make supplementary payments if the realised cash flow from operating activities has exceeded the predicted cash flow from operating activities in accordance with the programme by no more than 10%.

The key content of the draft restructuring programme of Componenta Finland Oy

The total amount of Componenta Finland Oy's restructuring debt that is recorded in the balance sheet and must be taken into account in the restructuring proceedings is some EUR 38 million, of which approximately EUR 1 million is secured debt and approximately EUR 37 million is unsecured restructuring debt. Some EUR 17 million of Componenta Finland Oy's unsecured restructuring debt is to group companies consolidated in the consolidated financial statements, EUR 6 million is to the Componenta Dökümcülük group, and EUR 14 million to other parties. According to the draft restructuring programme, the amount of unsecured debts would be cut by 75%. According to the payment programme for unsecured restructuring debts, the company's unsecured restructuring debts would be paid every six months over five years so that the first instalment will fall due for payment in 2019 and the last in 2023. The secured debt of approximately EUR 1 million is to other parties. The amount of secured debt would not be cut. The administrator is of the opinion that the restructuring programme can be financed using the cash flow from Componenta Finland's operations and sales of assets.

Componenta Finland is obligated to sell or dissolve by means of liquidation proceedings or a merger within 18 months of the confirmation of the restructuring programme such subsidiaries in its ownership that have no business operations or that are not substantially related to Componenta Finland's business operations and real estate holdings not related to its business operations as well as other non-core business assets. These assets have no material book value in the consolidated balance sheet other than real estates, which are valued in accordance with the valuation principles of the consolidated financial statements.

Draft restructuring programme given by the Administrator includes requirement for supplementary payments relating to the repayment of cut unsecured restructuring debts. If Componenta Finland's realised cash flow from operating activities in any of the five periods defined in the restructuring programme exceeds the cash flow from operating activities projected for that period, Componenta Finland will incur an obligation to make supplementary payment to creditors with unsecured restructuring debt. In such circumstances, Componenta Finland has an obligation to make a supplementary payment that is 50% of the amount by which the realised cash flow from operating activities in the period in question exceeded the projected cash flow from operating activities for said period. However, there is no obligation to make supplementary payments if the realised cash flow from operating activities has exceeded the predicted cash flow from operating activities in accordance with the programme by no more than 10%.

Approval of the restructuring programmes

The approval of the restructuring programmes requires that all creditors including those parties controlling Componenta Dökümcülük group are supporting the restructuring program and that there are no barriers to the approval of the programmes referred to in sections 53 or 55 or other sections of the Restructuring of Enterprises Act. The District Court of Helsinki will decide on the approval of the final restructuring programmes.

If the programmes would not be approved, in Componenta's and administrator's view, this would entail the initiation of the bankruptcy proceedings. In bankruptcy proceedings Componenta Corporation and Componenta Finland Oy, with their assets and liabilities, would be replaced by their respective bankruptcy estates, whose decisions would thereafter be controlled by the creditors.

The restructuring programmes are valid during the period of their implementation. The implementation of the programmes will end when:

- all payments specified in the payment programmes of the restructuring programmes have been paid, or their payment has been agreed upon;
- final decisions have been issued in any trials or authority procedures regarding the conditional and maximum amount restructuring debts, and restructuring debts defined in such proceedings have been paid;
- any disputes regarding contested restructuring debts have been settled, either by a final decision of a court or by a settlement confirmed by the supervisor, and restructuring debts thus defined have been paid in accordance with the restructuring programmes; and
- the supervisor has submitted final reports in accordance with section 62 of the Restructuring of Enterprises Act.

Componenta Corporation and Componenta Finland Oy are entitled to have the restructuring programmes end prematurely. The requirements for ending the restructuring programmes prematurely is that the companies pay the remaining payments under the payment programmes as a lump sum to each unsecured creditor using the appropriate multiple for the end date as defined in the draft restructuring programmes.

At the request of a creditor or the supervisor, the court may order that a debt arrangement in the restructuring programme pertaining to this creditor is to lapse if either of the companies have materially neglected their obligations under the programmes to the creditor and has not fulfilled these obligations within a reasonable additional period set by the creditor. A request for the lapsing of the debt arrangement may be filed by the supervisor or by a creditor in respect of his or her claim.

Restructuring programmes of Componenta Främmestad AB, Componenta Wirsbo AB and Componenta Arvika AB in Sweden

The filings of the Swedish subsidiaries were approved and the restructuring proceedings started on 1 September 2016 (Componenta Främmestad AB and Componenta Wirsbo AB) and 2 September 2016 (Componenta Arvika AB). Hans Renman from Hamilton attorneys was appointed to act as an administrator (the "Administrator") in respect of the corporate restructurings for all companies in Sweden.

The Swedish forge businesses Componenta Wirsbo AB and its subsidiary Componenta Arvika AB received decisions on their applications for corporate restructuring from their local district courts on 30 December 2016 (Componenta Wirsbo AB) and 23 December 2016 (Componenta Arvika AB). The decisions gained legal force on January 2017. On 9 December 2016 the local district court granted an extension for restructuring proceeding regarding Componenta Främmestad AB by three months until 28 February 2016, and by three more months on 3 March 2017 until 1 June 2017. The restructuring proposal was sent to the creditors on 2 March 2017.

Restructuring programmes of Componenta Wirsbo AB and Componenta Arvika AB, which gained legal force in January 2017

Componenta Wirsbo AB has a restructuring debt of MSEK 84 and Componenta Arvika AB of MSEK 87, of which MSEK 36 is to other Group companies consolidated in the Group's financial statement and MSEK 135 to other creditors. According to the court decisions, unsecured creditors shall receive full payment up to a total amount of SEK 10,000 and 25% on the excess claim to be paid. Componenta Wirsbo AB has a prioritised restructuring debt of MSEK 1.0 and respectively Componenta Arvika MSEK 8.3 which must be paid in full. In accordance with the final restructuring programmes these debts must be paid in July 2017. The court may grant extension to the payment programmes until 12 months from the date of the approval of the payment programmes. If debts have not been paid after 12 months from the approval of the payment programmes, restructuring programme lapses and the companies must either finance and re-negotiate the payments themselves or they are filed for bankruptcy. In the consolidated financial statements there have been no adjustments to the liabilities based on the final restructuring programmes which gained legal force on January 2017, but they are included in full in the consolidated balance sheet at the date of the financial statements.

The restructuring proceedings and key content of the draft restructuring programme of Componenta Främmestad AB

Componenta Corporation's subsidiary Componenta Främmestad AB was granted an extension on 3 March 2017 for restructuring proceedings until 1 June 2017 by Skaraborg district court. Reaching an agreement relating to the debt between Componenta Främmestad AB and Componenta Dökümcülük group, which is still pending, is seen as a prerequisite for a viable composition proposal. Componenta Dökümcülük group is the most significant creditor and casting supplier for Componenta Främmestad AB. Componenta Främmestad AB has restructuring debt of approximately MSEK 182 in total of which the restructuring debt to Componenta Dökümcülük group is approximately MSEK 95 and MSEK 87 to other creditors. In November 2016 Componenta Dökümcülük converted EUR 27 million of its restructuring loan receivables from Componenta Främmestad AB to capital loan receivables. The capital loan shall be repaid before the owners can be paid any dividend, and the capital can be repaid only if the distributable assets of Främmestad AB are sufficient in accordance with the local company act. EUR 27 million has been presented in the consolidated balance sheet as external capital loan.

The restructuring proposal was sent to the creditors on 2 March 2017. The proposal is currently being considered by the creditors. According to the restructuring proposal, a longer repayment time has been proposed to repay debts to Componenta Dökümcülük group. Reaching an agreement between Componenta Främmestad AB and Componenta Dökümcülük group relating to extended payment terms of receivable of Componenta Dökümcülük group, is seen as a prerequisite for a viable composition proposal. According to the proposal other unsecured creditors shall receive full payment up to a total amount of SEK 10,000 and 25% on the excess claim to be paid.

Basis of preparation of the 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 2016 and SIC and IFRIC interpretations taken into consideration restructuring proceedings described above under Corporate restructuring proceedings. IFRS standards refers to standards and interpretations as adopted by the EU in accordance with the procedure established in EU regulation (EY) 1606/2002 as required by Finnish Accounting Act and related provisions. The notes to the consolidated financial statements also conform to Finnish accounting and corporate legislation.

Under the restructuring proceedings, in accordance with the management's view the Company remains in control of the normal operations of Componenta Finland Oy, Componenta Främmestad AB, Componenta Wirsbo AB and Componenta Arvika AB. However, in certain special situations, as detailed in the Reorganisation Acts of the countries in question, an administrator's consent for an action by a company under reorganisation has to be obtained. The administrator also has access to all operational and financial information of the companies to the extent he so deems necessary. Despite the limitations imposed to the ability to control as defined under

IFRS 10, the Company believes that the inclusion of Componenta Finland Oy, Componenta Främmestad AB, Componenta Wirsbo AB and Componenta Arvika AB in the consolidated financial statements of Componenta is justified and gives a true and fair view of the Group's results and financial position. The purpose of the restructuring proceedings is to reorganise the Groups operations through debt restructuring so that after the restructuring proceedings the Group could continue its operations profitably and at the end of restructuring proceedings the limitations set during the restructuring proceedings are removed.

In the management's opinion, the preparation of a consolidated financial statement is justified because the functions of the Company and its consolidated subsidiaries are closely related to each other and are interdependent and because the companies submitted the restructuring applications to the district courts simultaneously. Accordingly, Componenta's financial information from the financial year ending on 31 December 2016 is given in consolidated financial statements, which cover the Company and its subsidiaries under corporate restructurings and financial information of the other entities controlled by the parent. In addition, the financial statements have been prepared on a parent company stand-alone basis including a condensed balance sheet and income statement information and selected notes in accordance with IAS 27 (see note 37 related to parent company stand-alone financial information).

Going concern

The financial statements for the 2016 financial year have been prepared on the going concern basis which assumes that the Componenta will be able to realise its assets and discharge its liabilities in the normal course of business for the foreseeable future considering the corporate restructuring programmes. When assessing the going concern principle, Componenta management has taken into account the uncertainties and risks related to the various approved and draft restructuring programmes, available funding sources and the cash flow estimates for the next 18 months of the companies under restructuring proceedings. Due to limitations caused by the restructuring programmes the Companenta estimates that it has only limited ability to influence how it can transfer liquid assets between group companies (such as dividends by subsidiaries and group contributions or lending between group companies) and what kind of additional financing it can raise. As part of assessing its ability to continue as going concern management has analysed the impact of draft restructuring programmes and approved restructuring programmes on the financial positions and cash flows of the Group, the companies under restructuring and the parent.

The Group's liquidity and its effect on the Group's financial performance as well as the success of the restructuring programmes and financing transactions are affected by factors with significant uncertainty, which the Group management has taken into account when assessing the Company's ability to continue as a going concern. If the ongoing restructuring proceedings are not successful the Group will not have sufficient working capital required for the next 18 months. It is possible that the restructuring proceedings are unsuccessful and the Group companies will file for bankruptcy. Restructuring programmes may turn unsuccessful for example due to draft restructuring programmes not being approved or that the companies under restructuring programmes are not able to make the payments under restructuring programmes approved by the courts and the restructuring creditors would not be willing under such circumstance to re-negotiate the debt repayment terms that the companies could manage.

The Company's and its management's significant estimates and assumptions as well as uncertainties related to the restructuring procedures from the going concern point of view are as follows:

- The restructuring programme proposals drawn up for Componenta Oyj, Componenta Finland Oy and Componenta Främmestad AB are adopted as proposed and the creditors, including the parties controlling Componenta Dökümcülük, will support the restructuring programmes.
- Componenta Wirsbo AB and Componenta Arvika AB will be able to pay their restructuring debt in accordance with approved payment schedules in the summer of 2017. This requires that Componenta will be able to provide external funding for the companies to secure adequate liquidity. The companies are to pay, in accordance with local court decisions, a total of SEK 40 million, approximately, of the Group's external restructuring debt by July 2017. The Company estimates that if funds cannot be provided, the primary aim is to sell the operations of the companies.
- Failure of any individual restructuring programme of the group companies under restructuring proceedings could impair the ability of other group companies to continue their operations in current scale.
- Componenta Corporation has given a guarantee of a maximum of EUR 80 million as security for the club loan of Componenta Dökümcülük in 2014. The management view is that the termination of guarantee will be agreed on and if this would not take place the guarantee would be considered as part of the restructuring proceedings and it would be subject to be cut in accordance with the approved restructuring programme.

The cash flow forecasts and financing for the companies under restructuring programmes include management's significant estimates and assumptions as well as uncertainties. When preparing cash flow forecasts for the companies, the management has estimated the companies' future sales volumes, net sales, EBITDA margins, capital expenditure and working capital needs. These estimates are subject to significant uncertainty as there is no certainty that forecasted sales volumes, sales prices and EBITDA margins will be achieved or capital expenditures can be completed as estimated.

Discontinued Operations, Bankruptcy of Componenta B.V. and loss of control over Componenta Turkey

Loss of control over Componenta Turkey

Componenta Oyj's filing for corporate restructuring on 1 September 2016 gave the Turkish club banks the right to exercise in the meeting of shareholders of Componenta Dökümcülük the voting rights held by the Componenta Dökümcülük shares owned by the Company and given in August 2016 as collateral to the Turkish club banks and the right to begin the process of selling the shares on the basis of a club loan agreement and separate guarantee agreement signed by Componenta Oyj. The club banks did not, however at that time announce any plans to use these rights and Componenta was actively involved in the management of the company and participated in the process of selling the shares. In addition, the ongoing corporate restructuring proceedings were considered to protect Componenta's ownership and its ability to control the significant activities of Componenta Dökümcülük.

During the end of the last quarter of 2016, the facts and circumstances regarding Componenta Dökümcülük changed and the club loan banks in Turkey assuming a more active role in the process of selling the Componenta Dökümcülük shares owned by Componenta, and the negotiations in Turkey were being conducted under the lead of the Turkish club loan banks without Componenta being able to influence the process. Although Componenta Oyj retained legal ownership of the shares, Componenta cannot control any relevant operations of the company in Turkey and, accordingly, Componenta is no longer entitled to the returns from operations of Componenta Dökümcülük. It is Componenta's understanding that any potential sales income from the sale of Componenta Dökümcülük will not benefit Componenta, and if the club loan banks or a potential new owner of Componenta Dökümcülük will be in favour of the corporate restructuring program proposals, Componenta Group's debts to Componenta Dökümcülük will be reduced to the amounts proposed in the program proposals.

The Company considers that it lost control over the Turkish subgroup towards the end of 2016, and for this reason consolidation of the sub-group in the Group's financial statements ended on 31 December of 2016 and its operations have been classified as discontinued operations in Componenta's consolidated financial statements of 31 December 2016. There was no exact date and it is difficult to define precisely when control was lost at the end of 2016 according to the Company's view, so to simplify reporting, derecognition was made on 31 December 2016. This is considered not to have a material effect on the result of the discontinued operations. As a result of losing control, Componenta Group no longer has iron business operations or aluminium business operations in Turkey.

The 2016 figures and 2015 figures for comparison have been adjusted for the income statement, including other comprehensive income items, and for the cash flow statement and certain key figures. In the segment information, the figures for the Componenta Turkey sub-group are presented as discontinued operations, and so is the impairment on all the net asset items of the Componenta Turkey sub-group in connection with derecognition. The derecognition of goodwill allocated to the Turkey sub-group and of the cumulative translation difference is also presented in the result for discontinued operations. In addition, impairment recorded by Group companies with continuing operations on net receivables from the Componenta Turkey sub-group and on shareholdings is presented under discontinued operations. Net sales of continued operations also includes sales revenues from discontinued operations and correspondingly the net sales of discontinued operations, presented in the notes, includes sales revenues from discontinued operations.

The consolidated balance sheet on 31 December 2016 had debt to Componenta Dökümcülük Group of altogether some EUR 137 million, and some EUR 110 million of this was debt subject to the restructuring proceedings and EUR 27 million was debt outside the restructuring proceedings. The consolidated balance sheet contained receivables of EUR 0.1 million from the Turkey subgroup. Componenta Corporation gave a guarantee of a maximum of EUR 80 million as security for the club loan of its Turkish subsidiary in 2014. Unless the termination of the guarantee is not agreed, the possible claim would be handled under the restructuring proceedings and the claim would be subject to be reduced in accordance with the restructuring program. The loan guarantee given by Componenta Oyj has been been presented under contingent liabilities.

Bankruptcy of Componenta B.V. in the Netherlands

The Dutch subsidiary Componenta B.V. filed for bankruptcy on 1 September 2016 and the corporation lost control over this subgroup. As a result of this loss of control Componenta no longer has Iron business operations in Holland. The Dutch sub-group's operations have been classified as discontinued operations and the consolidation of Componenta B.V. into the corporate financial statement has been discontinued from the third quarter of 2016. The 2016 figures and 2015 figures for comparison have been adjusted in the income statement (including other comprehensive income), cash flow statement and some key financial ratios. In the segment reporting Componenta B.V.'s figures have been presented as discontinued operations, and all Componenta B.V.'s impairment of net assets due to derecognition has also been presented as discontinued operations. Additionally, all impairment of net receivables from Componenta B.V. registered by the remaining active companies within the group has been presented under discontinued operations. The restructuring debt recorded in the balance sheet includes EUR 7.9 million in guarantee liability claims made to the administrator by third parties based on guarantee liabilities given on behalf of Componenta B.V. The recording of these debts is presented in the result for discontinued operations.

The consolidation of Componenta B.V.'s local income statement has already discontinued on 1 July 2016 onwards because the Group has not received financial reports from Componenta B.V. regarding the Q3 figures. This does not materially affect the Group's consolidated result for the period. Net sales of continued operations also includes sales revenues from discontinued operations and correspondingly the net sales of discontinued operations, presented in the notes, includes sales revenues from discontinued operations.

Subsidiaries

Componenta's consolidated financial statements contain the financial statements of Componenta Corporation and its subsidiaries. Companies are considered to be subsidiaries if the Group controls the company. The Group controls its subsidiary when the Group is exposed, or has rights, to variable returns of the subsidiary and has the ability to affect those returns through its power over the subsidiary.

Intra-group holdings are eliminated using the purchase method. The acquisition cost includes the fair value of the funds paid or the shares issued. Direct costs arising from the acquisition are recognized as expenses. The consideration does not include transactions accounted separately from the acquisition. These are recognised in profit or loss at the date of transaction. Any contingent consideration is measured at fair value at the date of acquisition and is classified as liability or equity. Contingent consideration classified as a liability is measured at fair value on the last day of each reporting period, and the resulting loss or gain is recognised in other operating income or other operating expenses. The unwinding of the contingent consideration is recognized as finance cost. Contingent liability classified as equity is not re-measured. Subsidiaries acquired during the year are consolidated from the date when the Group's control commences and divested subsidiaries until the date on which control ceases. The accounting principles for the financial statements of subsidiaries have where necessary been amended to correspond to the accounting principles for the consolidated financial statements.

All intra-group transactions are eliminated as part of the consolidation process. Unrealized losses are not eliminated if the loss results from impairment.

Associated companies and joint arrangements

Associated companies are entities in which the Group has significant influence but not control. A significant influence is generally exerted through a 20–50% share of the votes.

A joint arrangement is an arrangement under which two or more parties have joint control.

Associated companies and joint ventures are consolidated using the equity method of accounting. The Group's share of the profit for the financial period of an associated company or joint venture is shown in the statement of comprehensive income before the Group's operating profit or loss. The Group's share of changes in equity that have not been recognized through profit or loss at the invested entity is recorded in other items in the statement of comprehensive income.

The Group's share of the net assets of an associated company or joint venture, together with goodwill arising from the acquisition (less any accumulated impairment), less impairment made on individual investments, is shown in the statement of financial position. The accounting principles for the financial statements of associated companies and joint ventures have where necessary been amended to correspond to the accounting principles for the consolidated financial statements.

On 31 December 2016 the Group had no associated companies since the associated companies previously presented in the consolidated financial statements, Kumsan AS. in Turkey and Componenta-Ferromatrix NV. in Belgium, were owned by Componenta Turkey and Componenta BV.

Non-controlling interest

Distribution of the profit for the financial period to parent company owners and non-controlling interests is presented in the statement of comprehensive income, and the non-controlling interest's share of equity is presented as a separate item under equity in the statement of financial position. Any non-controlling interest in an acquired entity is valued, on a case by case basis, either at fair value or at an amount corresponding to the non-controlling interest's proportionate share of the identifiable net assets of the acquired entity. Total comprehensive income is allocated to the owners of the parent company and to the non-controlling interest, even if this results in the non-controlling interest having a deficit balance. Changes in the holdings of non-controlling interests in the Group's subsidiaries that do not result in loss of control are accounted for as equity transactions.

The non-controlling interest in the Group's equity on 31 December 2016 was EUR 0.0 (7.6) million. The biggest non-controlling interest in the Group was related in previous fiscal periods to the 6.4 % minority holding in Componenta Turkey.

Translation of foreign currency items

Functional and presentation currency

The result and financial position of each of the Group's business units are measured in the currency of the main operating environment for that unit. The functional currency in the Componenta Dökümcülük is the euro, because a considerable part of the sales of Componenta Dökümcülük are denominated in euros and the euro is also widely used as the trading currency in purchases. Since this is the case, management has affirmed that as the functional currency of the Componenta Dökümcülük the euro gives the most accurate picture of the financial impact of its business transactions, events and circumstances. The operational and presentation currency for the Group's parent company is the euro. The consolidated financial statements are presented in millions of euros unless otherwise stated.

Transactions and balances

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

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

Group companies

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

The difference in the result for the period between the average exchange rate for the accounting period and the exchange rate on the balance sheet date is recorded in shareholders' equity in translation differences. The shareholders' equity of subsidiaries is translated into euros in consolidation. Translation differences caused by changes in exchange rates between the date of acquisition and the balance sheet date have been recorded in shareholders' equity.

The functional currency of Componenta Dökümcülük changed to euro from the beginning of March 2012 onwards. After that the Group has not recorded any translation differences in equity related to exchange rate changes of Turkish lira. The taxable earnings or tax deductible loss of the Turkish subsidiary are defined in Turkish lira. Non-monetary deferred tax assets and tax liabilities are also defined in Turkish lira, and changes in the exchange rate with the euro give rise to temporary differences that result in the recognition of deferred tax assets or tax liabilities. The amount corresponding to the resulting deferred tax liability or assets is recognised in profit or loss. Also monetary deferred tax liabilities and assets are translated into euros at the exchange rate on the closing date.

Tangible and intangible assets

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

On 31 December 2012 Componenta started to use the revaluation model permitted by IAS 16, according to which land areas, buildings and constructions are recorded at fair value, which is based on assessments made by independent valuers, and for buildings is the fair value less depreciation after the revaluation. Land and water areas are not depreciated. Measurements of value are made sufficiently regularly so that the fair value of a revalued asset does not differ materially from its carrying amount. Valuations of assets subject to revaluation are carried out at a maximum of three year intervals. However, valuations are carried out more frequently if substantial changes are about to take place that may affect the valuation of the assets.

Valuations are carried out by independent, competent, external valuers in Finland, Sweden, Turkey and the Netherlands, following each valuer's own process and the method considered most appropriate for the asset being valued, starting with a review of macroeconomic factors and available market information and ending with the use of an appropriate model and a fair value calculated with this. The valuation is based on what is probably the most productive use of the asset and on valuation models where the input used portrays the facts and conditions of each economic environment (such as level of employment, general economic situation, recent transactions). In the revaluation of fixed assets, the income approach is used for property, a market-based model for land areas, and a model based on the historical cost for property in markets that do not have an effective rental market. During the financial year ended 31 December 2016 valuations have been made in Finland for all the Company's asset items being revalued, and entries based on these have been made to the values of the assets. The values based on income approach do not necessarily reflect sale prices received, should the property be realised on the short term.

Accumulated depreciation is eliminated when an item is revalued against the gross carrying amount of the asset, and the net amount is adjusted so that it corresponds to the value based on the revaluation of the asset.

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

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

Maintenance and repair costs are usually recognized in the income statement as an expense has incurred. Major refurbishment costs are capitalized and depreciated over their estimated useful life if these costs are likely to increase the future economic benefits embodied in the specific asset to which they relate. Spare parts for production machinery, stand-by equipment and servicing equipment are presented as tangible assets when they comply with the definition of property, plant and equipment. Otherwise these assets are classified as inventory. The depreciation period after installation is 3 years.

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

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

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

Goodwill equals the part of the acquisition cost that exceeds the net fair value on the date of acquisition of the identifiable assets, liabilities and contingent liabilities of a company acquired.

Goodwill is not amortized but is tested annually for impairment.

Impairment

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

Land areas, buildings and constructions included in property, plant and equipment and investment properties are valued in the statement of financial position at fair value on the closing date. The fair values are defined each year for investment properties and at least in every third year for the other properties under revaluation practice, so impairment testing is not carried out on land areas, buildings and constructions included in property, plant and equipment and investment properties.

Investment property

Property that is owned by the Group and leased to an external party, and that is not mainly owner-occupied, and which is held by the Group to earn rentals or capital appreciation rather than for a use in the production of goods is classified as investment property and is valued in the balance sheet at fair value. Gains and losses arising on revaluation to fair value are recognised in profit or loss for the period in which they arise and are presented in other operating income in the income statement. Rental income from investment property is recorded in the Group's net sales. The fair values of investment properties are determined by an independent and qualified real estate evaluator annually and the fair values are principally measured by using the income approach method. In previous years, long-term ownership or significant development of a property were taken into account in assessing the yield estimates for certain properties, and the changes in value of these properties is classified as impairment.

Research and development costs

Research costs are charged to the income statement as incurred. Expenditure on development activities relating to new products is capitalized and recognized as an expense under depreciation over their useful economic lives. The planned depreciation period for these costs is 5 years. In other respects, the Group's minor research and development costs are recorded as expenses as incurred.

Inventories

Inventories are stated at the lower of acquisition cost and net realizable value. The acquisition cost is based on the FIFO principle. The acquisition cost of manufactured products and work in progress includes the cost of raw materials, direct labour costs, other direct costs as well as a proportion of variable and fixed production overheads. Also those spare-parts, which are not recorded by definition under tangible assets, are recorded under inventories.

Leases

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

The lower of the fair value of the asset and the present value of the minimum lease payments is recognized as a finance lease liability. Lease payments are divided into financing charges and reduction of the outstanding liability, using the effective interest rate method so that the liability is repaid over the lease term as an annuity.

The financing charge calculated with the effective interest rate is recognized as a financial expense. The difference between the floating interest rate of the agreement and the effective interest rate is recorded as a rental expense.

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

Employee benefits/Pensions and other employee benefits

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

Pension coverage for employees of Group companies in Finland is provided in line with statutory arrangements under the TyEL insurance scheme with an insurance company. Under an agreement made with the pension insurance company, the Group, as a major employer, is responsible in Finland for unemployment payments and work disability payments included in pension insurance payments in their entirety at the moment when the pension starts.

Under Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). The amount payable consists of one month's salary for each employment year.

The estimated present value of the future probable obligation of the Group arising from the termination benefits to be paid to the employees has been presented in non-current provisions.

The liability has not been funded. This Turkish employee benefit is interpreted as a post-employment benefit scheme and in accordance with the IAS 19 standard all actuarial gains and losses are recognized immediately in other items in the statement of comprehensive income. By using actuarial calculations the Group calculates the amount that actuarial gains and losses account for in the change in the current value for the scheme, and this is recognised in items in the statement of comprehensive income. On 31 December 2016 the Group had no long-term pension provisions or actuarial gains or losses in its balance sheet since consolidation of the Turkey sub-group in the Group financial statements ended at the end of 2016.

Employee benefits/Share-based payments

During 2016 no share-based incentive schemes was set up for senior management.

A share-based incentive scheme has been set up for senior management for the year 2015. Earnings criteria were not met and therefore no bonuses were paid. Possible bonuses from the earnings period 2015 would have been paid partly in shares and partly in cash.

The Group applies the IFRS 2 –standard to the share-based incentive schemes. The benefits given in the scheme are valued at fair value at the time when they are granted and are recognized as an expense in the income statement on a straight-line basis over the earnings period. A liability is recognized for the part to be paid in cash and the change in its fair value is correspondingly recognized as an expense for the period in which it occurs. The fair value of the part to be paid in shares is recognized as an expense and an increase in shareholders' equity. The impact of the scheme on the result is presented in the income statement under personnel expenses.

During year 2015 no bonuses were paid in relation to the previous share-based incentive scheme for the year 2014.

Operating segments and change in segment reporting in 2016

The clarification of the management system carried out by Componenta in March 2016 also changed the business segments reported by the Group, and reporting in accordance with the new segments began during the first quarter of 2016. In accordance with the new structure, Componenta's operations were divided into two reporting segments, namely the Iron Business and the Aluminium Business. The Iron Business comprised Componenta's iron foundries and machine shops in Finland, Sweden, the Netherlands and Turkey. In addition it included pistons manufacturer Pistons in Finland, the Wirsbo forges in Sweden and the associated company Componenta-Ferromatrix NV. The Aluminium Business comprised the aluminium foundry in Turkey and the wheels production unit. Outside these segments belonging to the core business remained Other Business, which comprises service companies and property companies in Finland, the Group's administrative functions, the sales and logistics company Componenta UK Ltd and the associated company Kumsan A.S. During the third quarter of 2016 Componenta's iron foundries and machining operations in the Netherlands and associated company Componenta Ferromatrix NV. were removed from the Iron Business and transferred to discontinued operations. Similarly certain Group administrative functions that were located in the Netherlands were transferred from Other Business to discontinued operations. Componenta Suomivalimo in Iisalmi was sold on 30 June 2016 and pistons manufacturer Pistons on 17 August 2016. These units that were sold were classified under continuing operations up until the date on which they were sold. At the end of the fourth quarter of 2016 the Turkish iron and aluminium operations were classified as discontinued operations, and as a result the iron foundry and machine shop at Orhangazi in Turkey were removed from the Iron Business and the Aluminium Business segment, comprising the aluminium foundry in Manisa and the wheels production unit in Turkey, was classified in total as discontinued operations. The sales and logistics company Componenta UK Ltd. and associated company Kumsan A.S. that were part of Other Business were also classified as discontinued operations. At the end of 2016 Iron Business operations that were continuing comprised the Pori and Högfors iron foundries in Finland and the Främmestad machine shop and the Wirsbo forges in Sweden. Other Business at the end of 2016 included the service and property companies in Finland and the Group's administrative functions.

The highest operational decision making body at Componenta Group is the Company's President and CEO. The Group's Corporate Executive Team assist the President and CEO in this task . Operations at the country level are led by the business area directors with the support provided by their local management teams. Revenues and transfers between Componenta's operating business segments are recorded at fair market prices. Segment assets and liabilities are items which the segment can utilize in its business operations and which can be reasonably allocated to the segment. Net financial items, taxes and one-time items are not allocated to the operating business segments.

Information on geographical areas

Componenta monitors non-current assets and capital expenditure in production facilities in its geographical areas which are Finland, Sweden and other countries. In addition the net sales by market area is monitored in more detail. During 2015 and during the first half of 2016 also the Netherlands was monitored as a geographical area. During 2015 and the first half of 2016 the Netherlands was also monitored as a geographical area. In 2015 and up until the end of 2016 Turkey was also monitored as a geographical area.

Alternative performance measures in financial reporting

In addition to IFRS key figures Componenta discloses alternative performance measures to describe the underlying operational business performance and to enhance comparability between financial periods.

Alternative performance measures released by the company contain key figures measuring operational performance and profitability. These key figures exclude items that are not related to normal business operations and therefore affect comparability. The most common items affecting comparability are capital gains and losses, inefficiencies in production related to plant closures, additional write-downs, or reversals of write-downs, expenses due to accidents and natural disasters, provisions for planned restructuring, environmental matters and penalties. In addition, all other items resulting from deconsolidation and presented under discontinued operations are classified as affecting comparability. In connection with the restructuring proceedings the company's debt can be cut and on the basis of the cuts in debts composition income will probably be created in future. This income will also be classified as items affecting comparability in future financial statements. Group management exercises its judgment when making decisions about classifying items as affecting comparability.

Componenta has changed its reporting terminology in accordance with the guidelines issued by the European Securities and Markets Authority (ESMA) concerning Alternative Performance Measures. Componenta has replaced the term "Operating profit excluding one-time items" used previously with the term "Adjusted operating profit". Similarly, the term "EBITDA excluding one-time items" used previously has been replaced by "Adjusted EBITDA" and the term "Result after financial items excluding one-time items" by "Adjusted result after financial items".

The other alternative performance measures used by Componenta are EBITDA, equity ratio, return on investment, adjusted return on investment, return on equity, adjusted return on equity, net gearing, adjusted earnings per share and net interest bearing debt.

Classifications to items affecting comparability are unaudited.

Exchange rate differences of operative balance sheet items

The Group has also previously reported the profitability of normal business operations and the operating profit excluding operative exchange rate differences. The Group is no longer reporting these figures, so the reported figures are either actual IFRS figures or the alternative performance measures as described above. Operative exchange rate differences arise, for example, from foreign currency trade payables and trade receivables and also from foreign currency denominated other operative receivables and payables. The impact on the result of derivatives that are hedging operative foreign currency position has also been also included by definition in the operative exchange rate differences.

Provisions

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

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

Income taxes

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

Deferred tax assets for confirmed losses or for losses for the financial period have only been recognized to the extent to which it is probable that future profits will be generated that can be offset with the temporary differences. If a Group company has in the recent past made a loss, a deferred tax asset is only recorded to the extent that the company has sufficient taxable temporary differences or some other convincing proof of its ability to make use of the tax loss. A deferred tax liability is recognized for the retained earnings of subsidiary companies only if it can be considered that the tax payment will take place in the foreseeable future. Deferred tax liabilities have been calculated for Finnish companies by using a tax rate of 20.0%, for Swedish companies using a rate of 22.0%, for the Turkish company using a rate of 20.0% and for Dutch companies using a rate of 25.0%. Tax rates in Turkey and the Netherlands are no longer of great significance in relation to preparing the Company's 2016 consolidated financial statements and on 31 December 2016 the Group had no deferred tax assets or debts on its balance sheet relating to Turkey or the Netherlands.

Deferred tax debt and assets are offset in the balance sheet in so far as they have the same recipient of the tax and when they can be allocated to each other. Because of the considerable uncertainty concerning the continuity of operations, no net deferred tax assets have been recognized in Finland and Sweden in the 2016 financial statements.

Revenue recognition

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

Other income from operations

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

Financial assets

The Group's financial assets are initially classified in the following categories: financial assets at fair value through profit and loss, loans and other receivables, held-to-maturity investments and available-for-sale financial assets. At the balance sheet date of the financial statements Componenta does not have any financial assets classified as held-to-maturity date. The Group makes more efficient use of capital with a program to sell its trade receivables. Under this arrangement some of the trade receivables are sold without any right to recourse. These trade receivables have been transferred to the other party and have been derecognized from the Group's balance sheet. Trade receivables that have been sold for continuing operations stood at EUR 5.1 (41.5) million at the end of the year. The credit facilities for selling trade receivables in Sweden and Finland were mainly lost when the restructuring proceedings began, which for its part explains the decline in the sale of trade receivables.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss include derivative instruments acquired for hedging purposes to which hedge accounting is not applied. These financial assets held for trading 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 financial income and expenses for the period in which they are incurred.

Loans and other receivables

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

Available-for-sale financial assets

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

Cash and cash equivalents

Cash and cash equivalents include cash in hand and cash in bank accounts as well as short-term bank deposits. Most of Componenta Främmestad AB's year end liquid funds, EUR 3.1 million is presented under current receivables, since because of the restructuring proceedings the administrator controls outgoing funds at Componenta Främmestad and the company cannot make payments without their being checked and approved by the administrator. These funds are in a bank account opened in the name of the administrator. In Finnish restructuring proceedings the administrator does not have similar control and for the Componenta Wirsbo group companies the corresponding control method mainly ended before the end of 2016 following the court rulings on the restructuring proceedings.

Impairment losses on financial assets

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

Financial liabilities

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

Financial liabilities at fair value through profit and loss

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

Financial liabilities at amortized cost

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

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

Convertible capital loan

In May 2016 Componenta issued a convertible capital loan with a nominal value of EUR 40.0 million. The liability is valued at amortized cost in the balance sheet. The equity portion is recorded in other equity reserves less the costs relating to the transaction. The liability portion is valued using market interest rates. By the end of the year altogether EUR 39,434,000 of the convertible capital loan had been converted into shares and the Company has issued 78,868,000 new shares. On 31 December 2016 the remaining convertible capital loan had a nominal value of EUR 0.6 million. The conversion of shares in the loan into shares is presented in the unrestricted equity reserve.

Hybrid Bond

During 2012 and 2013 Componenta issued two equity loans (hybrid bonds), combined nominal value summing up to EUR 38.2 million. In the share issue executed in September 2014, the hybrid bond holders had a right to use the loan receivables from the Company to pay the share subscription price and as a consequence the nominal value of the hybrid bonds decreased to EUR 2.6 million. After September 2014 there has been no change in the amount of hybrid bonds. The hybrid bonds are presented under shareholders' equity and are ranked lower than the Company's other borrowings. They are ranked higher however than other items classified as equity. Equity loans do not have a maturity date but the Group has the right, not obligation, to redeem the loans four years after issue that is in 2016 and 2017. The Group has not redeemed any hybrid bonds. The restructuring proceedings of Componenta Corporation do not change the classification of the hybrid bonds and they are still classified in Componenta Corporation's shareholders' equity as under the terms of hybrid bonds restructuring proceedings cause no obligation to pay back hybrid bonds. As a result of the approved restructuring programme the Group could cut the hybrid bond by 100%. In such case the Group records possible effect of the cut in the hybrid bond to consolidated income statement. The interest on hybrid bonds is paid if the Board of Directors decides to pay the interest. Unpaid interest accumulates, but it is not presented in Financial Statements until after the Board of Directors' interest payment decision. However the unpaid yearly accumulated interest is taken into account when earnings per share are calculated. Holders of hybrid bonds exercise no authority or voting rights at the Company's general meeting of shareholders.

Derivative instruments and hedge accounting

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

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

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

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

Accumulated interest income or expenses from interest rate swaps and currency swaps that have taken place during the financial period are recognized in the income statement under financial items, as are changes, in accordance with IAS 39, in the fair value of interest rate derivatives that are a part of the Group's risk management policy but are excluded from hedge accounting. Exchange differences rising from currency derivatives designated as hedges of accounts receivables and payables are recognized in other operating income and from currency derivatives used to hedge against exchange differences for borrowings, deposits and other monetary items recognized in financial income and expenses. Realized gains or losses from electricity price forwards are recognized under purchases as adjustment items. The fair values of derivative instruments are recognized under current assets and liabilities in the balance sheet.

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

On the closing date of 31 December 2016 the Group has no open derivative contracts. The Group also does not have the necessary credit facilities on the closing date to sign derivative contracts.

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 and the calculated interest of the hybrid bonds.

Dividend payment

Dividends proposed by the Board of Directors to the Annual General Meeting are not recorded in the financial statements until they have been approved by the shareholders at the Annual General Meeting. The Restructuring of Enterprises Act forbids the payment of dividends to shareholders during restructuring proceedings.

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

In preparing the consolidated financial statemenets in accordance with IFRS the management has to make estimates and assumptions about the future. The following estimates and assumptions include significant risk of material changes in the recorded value of assets and liabilities during the next financial year.

The Group's management exercises its discretion when taking decisions about the choice of accounting principles for the financial statements and their application. The management has exercised significant discretion and made estimates when preparing Componenta's financial statements with the going concern principle taking into consideration the effects of restructuring proceedings. The management estimates relating to the going concern assumption are described in more detail above under Going concern. The management has used discretion when deciding to consolidate the assets, liabilities and results of the Componenta subsidiaries under restructuring proceedings and deciding to not consolidate the Componenta Dökümcülük group as part of Componenta Group due to loss of control. The assumptions, estimates and discretion is described in more detail under Basis of preparation of the consolidated financial statements and Discontinued Operations.

The Group's management has made significant estimates and assumptions when determining the valuation of assets such as investment property, tangible and intangible assets and inventory, the realisability of deferred tax assets and contingent liabilities. The estimates, assumptions and discretion related to these items are described below:

Revaluation of buildings and land areas

Valuations of investment property recorded at fair value as well as property and land areas used in the groups own operations are carried out by independent, competent, external valuers, following each valuer's own process and the method considered most appropriate for the asset being valued, starting with a review of macroeconomic factors and available market information and ending with the use of an appropriate model and a fair value calculated with this. In the revaluation of fixed assets, the income approach is used for property, a market-based model for land areas, and a model based on the historical cost for property in markets that do not have an effective rental market. Comparable transactions that have taken place and the prices paid for these may be used to help in the valuation, if these are available and they are in other respects appropriate for use as a basis for the valuation. The rental prices used in the income approach are mainly based on market rents at the time of the valuation. The reliability of valuations is classified at level 2 and level 3, where those at level 3 are mainly industrial property for which there is no active market and the price cannot be derived from observable market data. Defining the fair value of assets requires considerable discretion so there is uncertainty relating to the valuation of buildings and land areas. The valuation is based on the best possible use of the asset, so the values defined do not correspond to the market realisable value of the asset. In accordance with the draft restructuring programmes Componenta Corporation and Componenta Finland Oy have obligation to sell real estate investments that are not part of their business operations during the restructuring proceedings. These assets have been valued at their probable realisable value in the consolidated financial statements.

Write-down on factory properties in Finland was EUR 2.7 million. Income estimates for own use of the factory properties in Finland have been reduced, due for example to the uncertainty caused by the restructuring. Because of the restructuring proceedings at Componenta Corporation and Componenta Finland Oy, in the 2016 valuations of investment properties it has been assumed that the Group will have to sell investment properties in Finland in an accelerated timeline, as the Group's own resources will not in future be sufficient to develop investment properties. A total of EUR 7.3 million was recognized for impairment and losses from measuring at fair value.

Impairment of tangible and intangible assets

In accordance with the Group's accounting policy, carrying amounts of tangible and intangible assets are assessed for possible impairment whenever circumstances indicate a potential impairment. Componenta has tested the tangible and intangible assets for impairment by comparing the carrying amount of an asset and its recoverable amount. Measuring recoverable amount of its tangible and intangible assets, management is required to make estimates and assumptions about the asset groups of tangible and intangible assets' future sales cash flows, production costs, discount rates and future capital expenditure required to maintain the assets in their current condition. In making these estimates and assumptions, management considers the impact of restructuring proceedings in the cash flows and forecasts. These estimates and assumptions are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets.

Due to the inherent uncertainties arising from the corporate restructuring proceedings as well in part to operational challenges and lower yield expectations, the Group has recorded impairment of EUR 17.9 million on the machinery and equipment of the machine shop and forge operations in Sweden that are part of the Iron Business. The impairment is mainly due to lower yield expectations, higher weighted capital costs and the expected increase in funds invested in working capital.

Ability to utilise deferred tax assets

Discretion is required when evaluating the recording of deferred tax assets and certain deferred tax liabilities on the balance sheet. Deferred tax assets are recorded only if it is considered probable that they can be utilised, which depends on whether sufficient taxable income is generated in the future. Assumptions of future taxable income are based on management estimates of future cash flows. These estimates of future cash flows are for their part dependent on management estimates concerning for example future sales volumes, business operation costs and financing costs. The company's ability to accumulate taxable income also depends on general factors relating to the economy, financing, competitiveness and regulation that are not under its own control. There are risks and uncertainty relating to the estimates and assumptions, so it is possible that expectations will change as circumstances change. This may affect the volume of deferred tax assets and liabilities in the balance sheet and in the volume of temporary differences. On 31 December 2016 and on 31 December 2015 the net values of deferred tax assets, comprising mainly unused tax losses, were EUR 0.0 million and EUR 5.5 million, and correspondingly the values of deferred tax liabilities were EUR 3.0 million and EUR 10.8 million. Due to the significant uncertainty in the ability to continue as going concern, loss making history and the corporate restructuring programmes, the Group recorded write-down of EUR 5,4 million for the deferred tax assets related to tax losses in Finland and in Sweden on financial statements period 1 January – 31 December 2016.

Inventory measurement

An assessment is made of net realisable value of inventory at each reporting date. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling costs. Measuring the net realisable value requires management estimates on future sales prices. Componenta has made a write down of the inventories of its continuing operations amounting to EUR 1.9 million in its 2016 financial statements.

Loan guarantee to Componenta Dökümcülük

Componenta Corporation has given a guarantee of a maximum of EUR 80 million as security for the club loan of Componenta Dökümcülük in 2014. Club loan was signed in 2014 and amended in 2015 most recently on 28 July 2016. No liability has been recorded of this financial guarantee contract in the Group's balance sheet, as under Componenta's current understanding criteria for recording a liability is not met. Under Componenta's current understanding financial guarantee would only realise in a situation where the club loan banks would demand realisation of the guarantee after the end of the restructuring programme and the termination of the guarantee would not have been agreed before the end of the restructuring programme. If club loan banks would demand realisation of the guarantee during the restructuring proceedings, it would in Componenta's view be considered as restructuring debt and would be subject to cut.

Assumptions used in testing goodwill

On 31 December 2016 and on 31 December 2015 the Group had goodwill of EUR 0.0 million and EUR 29.2 million. Componenta tests the carrying value of goodwill once a year or more frequently if certain events or changes in circumstances show that the carrying value may not be recoverable. Goodwill allocated to Iron Business in Turkey was tested on 30 September 2016 due to decreased rate of returns and as an outcome of the test an impairment of EUR 7.5 million was recorded. Goodwill is allocated to cash generating units. The recoverable amounts at cash generating units are based on value in use calculations that require the use of estimates, for example of forecast future cash flows, discount interest rates and developments in the European economy. Irrespective the uncertainty related to the control of Turkish operations, the company sees that the testing based on forecasted future cash flows is still the most suitable method to test the goodwill allocated to Iron Business in Turkey. The iron business in Turkey was classified as discontinued operations and the Group derecognized EUR 20.0 million in goodwill relating to the iron business from the consolidated balance sheet. Derecognition is presented in the result for discontinued operations. See also Note 13.

Determining the fair value of assets acquired when merging business operations

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

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

Application of standards

As from 1 January 2016 the Group has applied the following new and revised standards and interpretations.

- Annual improvements to IFRS 2012-2014
- Change: IFRS 11 Joint Arrangements
- Change: IAS 16 and IAS 38 Property, Plant and Equipment and Intangible Assets
- Change IAS 1: Presentation of Financial Statements

The appliance of these standards did not have impact on Group's financial statements in 2016 or any comparative periods.

New and amended standards and interpretations not yet effective in 2016

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning after 1 January 2016 or later periods and which the Group has not yet applied:

- IFRS 15, Revenues from contracts with customers (effective for financial periods beginning on or after 1 January 2018). It replaces IAS 11, 'Construction contracts,' IAS 18,'Revenue' and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. Entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the five steps procedure described in the standard. IFRS 15 also includes a cohesive set of disclosure requirements regarding the contracts with the customers. The standard has not yet been approved for application in the EU. The Group has been evaluating impacts of the new standard on the Group's financial statements.

The Group's assessment of introducing the IFRS 15 standard: during 2016 the Group carried out an initial survey of the impact of IFRS 15. The survey examined Componenta's overall business model as seen from the viewpoint of IFRS 15. Componenta's general business model does not include project deliveries or long-term service agreements. In addition, the survey looked in more detail at customer contracts and harmonizing contracts with Componenta's general business model. The customer contracts analysed for continuing operations covered about 80 % of the combined net sales of the units in Finland and Sweden. On the basis of this initial survey, Componenta's current attitude to recognizing sales income and to control are in harmony with the requirements of the IFRS 15 standard, so in the Group's assessment the introduction of IFRS 15 will not have a significant impact on the Group's future financial statements.

- IFRS 9 Financial Instruments (effective for financial periods beginning on or after 1 January 2018). The complete version of IFRS 9 replaces most of the guidance in IAS 39. In the future there will be three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. IFRS 9 amends also requirements related to hedge accounting. The standard has not yet been approved for application in the EU. According to Group's assessment the changes will not have a significant impact on the Group's future financial statements and it is continuing its assessment of the impact of the standard.

- IFRS 16 Leases (estimated effective date January 1, 2019). IFRS 16 specifies the requirements for recognition, measurement, presentation and disclosure of leases. The standard provides a single lessee accounting model. IFRS 16's approach to lessor accounting is substantially unchanged from the current standards. As a general rule, all leases with a term of over 12 months are recognized in the balance sheet unless the underlying asset has a low value. The EU has not yet approved the standard. According to the Group's current estimate, the amendments will not have a significant impact on the Group's future financial statements, and it is continuing its assessment of the impact of the amendments

The other released IFRSs or IFRIC interpretations that are not yet effective are expected to have non-material impact on the Group.

Notes to the consolidated financial statements

Figures are in millions of euros unless otherwise stated.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

1. Operating segments

Componenta's business operations at the end of 2016 are divided into two operational segments, Iron business and Other business. The previous segment reporting model where Componenta's business operations were divided into three operational segments, namely Iron business, Aluminium business and Other business, had been in use from 1 January 2016 onwards. In 2015 Componenta's business operations were divided into four operational segments: Foundry Division, Machine Shop Division, Aluminium Division and Other Business.

From the first quarter 2016 onwards the operations in the Iron business comprised the iron foundries and machine shops in Finland, in Sweden, in the Netherlands and in Turkey. It addition, Iron business comprised the production unit for pistons in Finland and forging operations in Sweden and the joint venture Componenta-Ferromatrix NV. The operations in the Aluminium business comprised the aluminium foundry and production unit for aluminium wheels in Turkey. Other business comprised the operations outside the core business, which includes the service and real estate companies in Finland, the Group's administrative functions, the sales and logistics company Componenta UK Ltd in the UK, and associated company Kumsan A.S. in Turkey. The Dutch iron foundries, machining operations and associate company Componenta Ferromatrix NV were classified as discontinued operations during the third quarter 2016. Componenta Suomivalimo, located in Iisalmi Finland, was sold on 30 June 2016 and Componenta Pistons in Finland was sold on 17 August 2016. These units have been classified as continued operations until the business disposals. At the end of fourth quarter 2016 the Iron and Aluminium businesses of Componenta Turkey were classified as discontinued operations and therefore the foundry and machine shop operations of Componenta Turkey were removed from Iron business segment and whole Aluminium business segment was classified as discontinued operations. The sales and logistics company Componenta UK Ltd and associated company Kumsan A.S. under Other business were also classified as discontinued operations. Therefore at the end of 2016 the Iron business comprise the iron foundries of Högfors and Pori in Finland and the Främmestad machine shop and Wirsbo forges in Sweden. Other business comprise the service and real estate companies in Finland and the Group's administrative functions. Transactions between the operating business segments and with Other business are based on market prices. Segment information is based on internal management reporting, and the accounting principles for this are in accordance with IFRS standards.

The main products sold by Iron business are non-machined, machined and painted iron cast components. In addition, Iron business produces forged components. The main business of Other business is the rental of office and industrial premises. In addition, Group service units included in Other business offer administrative and trademark licencing services. Machined and non-machined iron castings and forged products account for 99% (98%) of the Group's continued operations' external net sales. Rental income and property services account for 1% (1%) of the Group's external net sales. The percentages have been calculated assuming that sales to discontinued operations is classified as internal sales.

The highest operational decision making body at Componenta is the company's President and CEO. The Group's Corporate Executive Team and other management assist and support the President and CEO in his work.

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

Business segments 1.1.–31.12.2016

MEUR	Iron business, continued operations	Other business, continued operations	Items affecting com-parability*)	Eliminations and unallocated items of continued normal operations	**Continued operations total**	Discontinued operations total excl. items affecting comparability	Discontinued operations, items affecting comparability and unallocated items	**Discontinued operations total**	Eliminations	Continued and discontinued operations, total
External sales	171.7	1.5			**173.2**	230.9		**230.9**		404.1
Internal sales	1.7	16.3		-7.6	**10.4**	35.0		**35.0**	-45.4	0.0
Total sales	173.4	17.8		-7.6	**183.6**	265.9		**265.9**	-45.4	404.1
Share of the associated companies' result					**0.0**	0.1		**0.1**		0.1
Segment operating profit	-8.2	2.4	-40.2	0.0	**-46.0**	5.3	-72.7	**-67.4**	0.0	-113.4
Unallocated items **)			33.9	-11.5	**22.3**	-16.1	-108.3	**-124.4**	0.0	-102.1
Net profit					**-23.7**	-10.8	-181.0	**-191.8**	0.0	-215.5
Segment assets	70.0	11.9		-2.6	**79.4**	0.0	0.0	**0.0**	0.0	79.4
Shares in associated companies										0.0
Unallocated assets				4.8	**4.8**	0.0	0.0	**0.0**	0.0	4.8
Total assets					**84.2**	0.0	0.0	**0.0**	0.0	84.2
Segment liabilities	74.1	18.7		-65.0	**27.8**	0.0	0.0	**0.0**	0.0	27.8
Unallocated liabilities				186.0	**186.0**	0.0	0.0	**0.0**	0.0	186.0
Total liabilities					**213.8**	0.0	0.0	**0.0**	0.0	213.8
Capital expenditure in production facilities	1.3	0.0			**1.3**	18.5	0.0	**18.5**		19.9
Depreciation and write-downs	-8.9	0.0	-21.1		**-29.9**	-8.9	-52.5	**-61.3**		-91.3

*) Items affecting comparability in operating profit of continued operations in 2016 relate to capital loss of divestment in Suomivalimo EUR -6.1 million, the sales profit of Pistons business unit EUR +1.0 million, the write-downs of production machinery and intangible assets in Sweden iron business EUR -17.8 million and inventory write-downs of forging operations in Sweden EUR -1.7 million. Impairments and write-downs of investment and production property in Finland recorded EUR -10.0 million. The expenses related to restructuring measures were EUR -3.3 million and other items affecting comparability as a net totalled EUR -2.3 million. Items affecting comparability in financial items of continued operations in 2016 were positive EUR +40.7 million, since they include a capital gain of EUR +43.3 million as the secured debt was discharged at an amount lower than the balance sheet value. In connection to the restructuring proceedings, EUR -2.2 million of claims related to parent company guarantees were recorded in financial items of continued operations. Other items affecting comparability in financial items were EUR -0.4 million. Items affecting comparability related to taxes of continued operations include write-downs, mainly in Finland, of EUR -6.9 million that have been recorded due to the uncertainty of the going concern principle caused by the restructuring proceedings. Classifications regarding items affecting comparability are unaudited.

**) Unallocated items under continued operations Include, in addition to items affecting comparability, EUR -11.5 million financial and tax items of normal operations.

Business segments 1.1.–31.12.2015

MEUR	Iron business, continued operations	Other business, continued operations	Items affecting comparability*)	Eliminations and unallocated items of continued normal operations	**Continued operations total**	Discontinued operations total excl. items affecting comparability	Discontinued operations, items affecting comparability and unallocated items	**Discontinued operations total**	Eliminations	Continued and discontinued operations, total
External sales	192.2	2.2			**194.4**	300.4		**300.4**		494.8
Internal sales	1.6	22.7		–8.6	**15.7**	41.9		**41.9**	–57.6	0.0
Total sales	193.8	25.0		–8.6	**210.1**	342.3		**342.3**	–57.6	494.8
Share of the associated companies' result		0.0			**0.0**	0.1		**0.1**		0.1
Segment operating profit	–1.4	1.7	–18.9	0.1	**–18.5**	6.7	–11.6	**–4.9**	0.0	–23.4
Unallocated items **)			–28.0	–15.8	**–43.7**	–9.6	–5.9	**–15.5**	–0.1	–59.3
Net profit					**–62.2**	–2.9	–17.5	**–20.4**	–0.1	–82.7
Segment assets	103.4	35.5		–3.5	**135.4**	293.1		**293.1**	–49.2	379.3
Shares in associated companies		0.0			**0.0**	1.2		**1.2**		1.2
Unallocated assets				204.9	**204.9**		121.1	**121.1**	–304.4	21.7
Total assets					**340.3**	294.4	121.1	**415.5**	–353.5	402.2
Segment liabilities	84.8	13.3		–2.5	**95.6**	90.7		**90.7**	–56.6	129.7
Unallocated liabilities				165.1	**165.1**		185.9	**185.9**	–97.1	253.9
Total liabilities					**260.7**	90.7	185.9	**276.6**	–153.7	383.6
Capital expenditure in production facilities	5.5	0.2			**5.7**	25.7		**25.7**		31.5
Depreciation and write-downs	–6.5	–0.2	–15.8		**–22.4**	–10.0	–4.2	**–14.2**		–36.6

*) Items affecting comparability in operating profit of continued operations in 2015 relate to write-downs of EUR –9.3 million on machinery and equipment and write-downs of EUR –4.6 million on buildings in Finland, write-downs of EUR –1.3 million on investment property in Finland, the transfer of production from the Pietarsaari foundry to the Pori foundry EUR –0.9 million and the closure of the Smedjebacken forge in Sweden EUR –1.3 million. Other items affecting comparability in operating profit totalled EUR –1.5 million. Items affecting comparability in financial items of continued operations were EUR –0.1 million and net tax-related items affecting comparability of continued operations were EUR –28.0 million, which includes write-downs of EUR –29.3 million on deferred tax assets relating to tax losses. Classifications regarding items affecting comparability are unaudited.

**) Unallocated items under continued operations include, in addition to items affecting comparability, EUR –15.8 million financial and tax items of normal operations.

Geographical areas 2016

MEUR	Turkey	Finland	The Netherlands	Sweden	Other countries	Total
Non-current assets *)	0.0	24.6	0.0	15.6	0.0	40.3
Capital expenditure in production facilities	18.5	0.5	0.0	0.8		19.9

Geographical areas 2015

MEUR	Turkey	Finland	The Netherlands	Sweden	Other countries	Total
Non-current assets *)	164.0	53.0	22.8	39.1	1.0	279.9
Capital expenditure in production facilities	25.2	1.6	0.5	4.1		31.5

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

External net sales by market area, continued operations

MEUR	2016	2015
Sweden	**74.9**	81.6
Finland	**28.2**	42.8
Benelux countries	**25.0**	30.1
Germany	**17.5**	16.3
Other European countries	**30.4**	31.1
Other countries	**7.6**	8.2
Continued operations	**183.6**	210.1
Discontinued operations	**265.9**	342.3
Internal items/eliminations	**-45.4**	-57.6
Group Total	**404.1**	494.8

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

2. Business acquisitions and business divestments

There were no business acquisitions in 2015 and in 2016.

Componenta did not sell any business operations in 2015.

The foundry operations of Iisalmi-based Suomivalimo were sold on 30 June 2016 to a company set up by Antti Lehtonen, Olli Karhunen and the operational management of Suomivalimo. The foundry real estate property in Iisalmi was sold to Iisalmen Teollisuuskylä Oy. The Group recorded a sales loss of EUR 6.1 million on the transaction. The loss has been classified as an item affecting comparability.

Componenta's pistons business was sold on 17 August 2016 to Koncentra Pistons Oy. The Group recorded a sales profit of EUR 1.0 million from the transaction, which has been presented in items affecting comparability.

Divestment of Suomivalimo

MEUR	
The carrying value of the sold net assets	10.1
Sales price of the sold net assets	4.1
Sales loss	6.1
Cash flow impact 2016	4.1

Divestment of Pistons

MEUR	
The carrying value of the sold net assets	4.5
Sales price of the sold net assets	5.6
Sales profit	1.0
Paid sales price 2016	5.4
Unpaid sales price by 2016	0.2
Cash flow impact 2016	5.2

3. Discontinued operations

MEUR	2016	2015
Net profit of discontinued operations total, IFRS	-191.8	-20.4
Net profit of discontinued operations total, excluding items affecting comparability	-10.8	-2.9
Operating profit of discontinued operations total, excluding items affecting comparability	5.3	6.7

Cash flow of discontinued operations

MEUR	2016	2015
Net cash flow from operating activities	9.7	-2.1
Net cash flow from investing activities	-8.3	-24.7
Net cash flow from financing activities	-6.9	21.1
Change in liquid assets	-5.5	-5.7

Classifications to items affecting comparability are unaudited.

The Dutch subsidiary Componenta B.V. filed for bankruptcy on 1 September 2016. As a result of this Componenta no longer has iron business operations in the Netherlands. The Dutch sub-group's operations have been classified as Discontinued operations according to the IFRS 5 standard "Non-current Assets Held for Sale and Discontinued operations" and the consolidation of Componenta B.V. into the corporate financial statement has been discontinued from the third quarter of 2016. The information in the income statement (including other comprehensive income), cash flow statement and some key financial ratios has been adjusted in the figures for the first and second quarters of 2016 and the 2015 figures for comparison. In the segment information Componenta B.V.'s figures have been presented as discontinued operations, and all Componenta B.V.'s impairment of net assets has also been presented as discontinued operations. Additionally, all impairment of net receivables from Componenta B.V. recorded by the remaining active companies within the corporation has been presented under discontinued operations.

Componenta BV's net profit for the period, including the write-downs of net assets of Dutch sub-group's operations and all impairment of net receivables from Componenta B.V. registered by the remaining active companies within the corporation were in total EUR -22.5 (EUR -24.9) million.

All impairment of net receivables from Componenta B.V. registered by the remaining active companies within the corporation, were altogether EUR -21.8 million in 2016. In addition, the parent company recorded liabilities of EUR -7.9 million related to provided guarantees for external parties, on behalf of Componenta B.V. Furthermore EUR -2.9 million restructuring expenses was recorded mainly related to the closure of Furan line and other local restructuring during the first half of the year.

The consolidation of Componenta B.V.'s local income statement has already discontinued on 1 July 2016 onwards because the Group has not received financial reports from Componenta B.V. regarding the Q3 figures. This does not materially affect the Group's consolidated result for the period. The value of Componenta BV's shares in consolidated statement of financial position is 1 euro.

Componenta BV, discontinued operations

MEUR	2016	2015
Net sales, 1-6/2016 & 1-12/2015	43.8	83.3
Operating profit excluding items affecting comparability	-2.8	-7.6
Result after financial items excluding items affecting comparability	-3.5	-9.0
Net profit excluding items affecting comparability, 1-6/2016 & 1-12/2015	-3.5	-9.0
Items affecting comparability under Componenta BV's Income Statement before the derecognition from Group's statement of financial position, 1-6/2016 & 1-12/2015	-2.9	-15.9
Net profit, IFRS, before the derecognition from Group's statement of financial position, 1-6/2016 & 1-12/2015	-6.4	-24.9
Items affecting comparability, all write-downs of receivables from Componenta B.V. registered by the remaining consolidated companies within the corporation	-21.8	-
Items affecting comparability, recorded liabilities by the parent company related to provided guarantees for external parties, on behalf of Componenta B.V	-7.9	-
Items affecting comparability, derecognition of Componenta BV's net assets from the Group's statement of financial position	13.5	-
Componenta BV, discontinued operations net profit, IFRS	-22.5	-24.9

Componenta BV's bankruptcy and derecognition from Group's statement of financial position, impact to Group shareholders' equity, reconciliations

MEUR	2016
Derecognition of Componenta B.V's net assets from the Group's statement of financial position through income statement or through statement of other comprehensive income	14.8
All write-downs of receivables from Componenta B.V. registered by the remaining consolidated companies within the corporation	-21.8
Recorded liabilities by the parent company related to provided guarantees for external parties, on behalf of Componenta B.V.	-7.9
Componenta BV's bankruptcy and derecognition from Group's statement of financial position, impact to Group shareholders' equity	-14.9

MEUR	2016
Derecognition of Componenta B.V's group external assets from the Group's statement of financial position	-41.6
Derecognition of Componenta B.V's group external liabilities from the Group's statement of financial position	34.5
Recorded liabilities by the parent company related to provided guarantees for external parties, on behalf of Componenta B.V.	-7.9
Componenta BV's bankruptcy and derecognition from Group's statement of financial position, impact to Group shareholders' equity	-14.9

Because of the restructuring proceedings at Componenta Corporation and share pledge given by Componenta Corporation, the company considers that it has lost control over the Turkish sub-group and for this reason consolidation of the sub-group in the Group's financial statements ended 31 December 2016 and its operations have been classified as discontinued operations in Componenta's consolidated financial statements of 31 December 2016. Since the end of 2016 the club loan banks in Turkey have taken a more active role in the process of selling the Componenta Dökümcülük shares owned by Componenta, and in practice the negotiations are being conducted under the leadership of the Turkish club loan banks. In addition, any involvement of Componenta representatives in the management of Componenta Dökümcülük has become increasingly restricted. The 2015 figures for comparison have been adjusted for the income statement, including other comprehensive income items, and for the cash flow statement and certain key figures. In the segment information, the figures for the Turkish sub-group are presented as discontinued operations, and so is the impairment on all the net asset items of the Componenta Turkey sub-group, including the Group goodwill for Turkey, in connection with derecognition. Cumulative translation differences relating to the Componenta Turkey sub-group are also recorded in the income statement and presented in income from discontinued operations. In addition, impairment recorded by Group companies with continuing operations on net receivables from the Componenta Turkey sub-group is presented under discontinued operations.

Componenta Turkey sub-group's net profit for the period under discontinued operations, including the write-downs of net assets of Turkish sub-group's operations, was in total EUR -169.2 (EUR 4.5) million. Write-downs of net assets of Turkish sub-group's operations, including the derecognition of consolidation goodwill from Groups statement of financial position, and write-downs of receivables from Componenta Turkey registered by the remaining consolidated companies within the corporation, were in total EUR -97.6 million. The derecognition of the translation differences were totalling EUR -38.8 million. In addition, under Turkey sub-group EUR -25.5 million was recorded as items affecting comparability during the financial year 2016: during third quarter the write-down of goodwill in Turkey Iron business EUR -7.5 million, during third quarter the write-downs of receivables from Componenta B.V EUR -9.6 million, extra taxes the company was ordered to pay during a tax inspection in Turkey EUR -2.5 million, write-downs of trade receivables EUR -3.6 million, impairments of machinery and equipment EUR -1.5 million, and restructuring measures related expenses and other items affecting comparability as a net totalled EUR -0.8 million. Consolidation of the Turkey sub-group in the Group financial statements ended on 31 December 2016. Derecognition from Componenta Group's statement of financial position has been made by using the 31 December 2016 balance sheet values.

The value of Componenta Turkey's shares in consolidated statement of financial position is 1 euro. In the consolidated statement of financial position there is liabilities towards not consolidated Turkey Sub-group of some EUR 137 million, of which some EUR 110 million are liabilities under restructuring processes.

Componenta Turkey sub-group, discontinued operations

MEUR	2016	2015
Net sales	226.1	264.9
Operating profit excluding items affecting comparability	8.1	14.3
Result after financial items excluding items affecting comparability	–4.7	6.9
Net profit excluding items affecting comparability	–7.3	6.2
Items affecting comparability under Componenta Turkey's Income Statement before the derecognition from Group's statement of financial position	–25.5	–1.7
Net profit, IFRS, before the derecognition from Group's statement of financial position	–32.8	4.5
Items affecting comparability, write-downs of receivables from Componenta Turkey registered by the remaining consolidated companies within the corporation	–1.5	–
Items affecting comparability, cumulative translation differences including non-controlling interests	–38.8	–
Items affecting comparability, derecognition consolidation goodwill, related to Turkey Group from Group's statement of financial position	–20.9	
Items affecting comparability, derecognition of Componenta Turkey's net assets from the Group's statement of financial position	–75.2	–
Componenta Turkey, discontinued operations net profit, IFRS	–169.2	4.5

Lost of control over Componenta Turkey and derecognition from Group's statement of financial position, impact to Group shareholders' equity, reconciliations

MEUR	2016
Derecognition of Componenta Turkey's net assets from the Group's statement of financial position through income statement or through statement of other comprehensive income	–88.9
Derecognition consolidation goodwill, related to Turkey Group from Group's statement of financial position	–20.9
Write-downs of receivables from Componenta Turkey registered by the remaining consolidated companies within the corporation	–1.5
Lost of control over Componenta Turkey and derecognition from Group's statement of financial position, impact to Group shareholders' equity	–111.4

MEUR	2016
Derecognition of Componenta Turkey sub-group's external assets from the Group's statement of financial position	–199.1
Derecognition of Componenta Turkey sub-group's external liabilities from the Group's statement of financial position	245.8
Derecognition of consolidation goodwill, related to Turkey sub-group from Group's statement of financial position	–20.9
Liabilities towards Componenta Turkey are registered in the Group's statement of financial position by the remaining consolidated companies within the corporation	–137.3
Lost of control over Componenta Turkey and derecognition from Group's statement of financial position, impact to Group shareholders' equity	–111.4

In 2015 Componenta did not have any discontinued operations.

4. Other operating income

Continued operations

MEUR	2016	2015 Changed *)
Rental income	0.4	0.6
Profit from sale of non-current assets	1.3	0.1
Exchange gains and losses of trade receivables and payables, incl. hedges	-2.3	0.8
Other operating income	2.4	3.6
Other operating income total, continued operations	1.9	5.1
Rental income from investment property included in net sales, continued operations	0.6	0.6

*) The comparative figures from 2015 on income statement and cash flow statement have been adjusted because the Dutch and Turkey sub-groups' operations have been classified as discontinued operations

5. Operating expenses

Continued operations

MEUR	2016	2015 Changed *)
Change in inventory of finished goods and work in progress	-3.0	-2.5
Production for own use	0.0	0.3
Materials, supplies and products	-86.1	-99.1
External services	-9.9	-12.5
Personnel expenses	-49.5	-51.2
Rents	-2.4	-2.6
Maintenance costs of investment properties	-2.1	-0.3
Waste, property and maintenance costs	-7.4	-8.2
Energy	-6.8	-7.3
Sales and marketing	-0.1	-0.2
Computer software	-2.2	-2.7
Tools for production	-3.7	-3.5
Freights	-2.5	-2.6
Decrease in fair value of investment properties and other changes	-7.0	-1.3
Other operating expenses	-18.9	-17.7
Total operating expenses, continued operations	-201.6	-211.3
Audit fees	-0.4	-0.2
Other fees	-0.1	-0.2
Total fees paid to auditors, continued operations	-0.5	-0.4

*) The comparative figures from 2015 on income statement and cash flow statement have been adjusted because the Dutch and Turkey sub-groups' operations have been classified as discontinued operations

6. Personnel expenses

Continued operations

MEUR	2016	2015 Changed *)
Personnel expenses, continued operations		
Salaries and fees	-37.5	-39.0
Pension costs	-6.6	-7.0
Other personnel costs	-5.4	-5.2
	-49.5	-51.2

Average number of personnel by segment, excluding leased personnel, continued operations		
		Changed **)
Iron business	828	891
Other business	65	106
	893	997

Average number of personnel during the period, excluding leased personnel, discontinued operations	2,720	2,985

Average number of personnel during the period, excluding leased personnel, Group	3,614	3,982

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

*) The comparative figures from 2015 on income statement and cash flow statement have been adjusted because the Dutch and Turkey sub-groups' operations have been classified as discontinued operations

**) Figures for the comparative period have been adjusted as described in Accounting principles. During the first quarter of 2016 the operations of Componenta were divided into three operational segments, Iron business, Aluminium business and Other business. Aluminium business has been classified as discontinued operations on 31 Dec 2016. At the end of 2016 Componenta's business operations are divided into two operational segments, Iron business and Other business.

7. Research and development costs

Continued operations

MEUR	2016	2015 Changed *)
The following amounts have been recognized in the income statement under research and development costs, continued operations	-0.2	-0.9

*) The comparative figures from 2015 on income statement and cash flow statement have been adjusted because the Dutch and Turkey sub-groups' operations have been classified as discontinued operations according to the IFRS 5 standard

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

Continued operations

MEUR	2016	2015 Changed *)
Depreciation and amortization		
Tangible assets, continued operations		
Buildings and structures	-1.3	-1.6
Machinery and equipment **)	-5.7	-4.8
Other tangible assets	-0.1	-0.1
	-7.1	-6.5
Intangible assets, continued operations		
Intangible rights	-0.5	-0.3
Computer software	-0.2	-0.3
Other capitalized expenditure	-0.9	-1.4
	-1.6	-1.9
Write-downs on tangible and intangible assets, continued operations ***)	-20.7	-14.0
Write-downs on group goodwill, continued operations ***)	-0.5	-
Total depreciation, amortization and write-downs	-29.9	-22.4

*) The comparative figures from 2015 on income statement and cash flow statement have been adjusted because the Dutch and Turkey sub-groups' operations have been classified as discontinued operations

**) The units-of-production depreciation method is used for production machinery and equipment. Continued operations planned depreciation based on normal utilized capacity was EUR -7.2 (-6.9) million and capacity utilization correction was EUR 1.5 (2.1) million.

***) In 2016 the writedowns of production machinery in Sweden forging operations and machine shop operations under the Iron business segment were EUR -17.8 million. The weighted average cost of capital used in the impairment tests was 10.6 % in 2016 and 5.9 % in 2015, meaning that the impairments were partially derived from the increased discount rates. The increase in discount rate is mainly an outcome of the increased expenses regarding the draw-down of borrowings due to the increased uncertainty of the company. Furthermore, it is assumed that the net working capital ties more capital due to the decreased volumes regarding the sale of trade receivables and due to shorter payment terms of trade payables, compared with the corresponding situation in 2015. Due to restructuring proceedings the company has mainly lost the limits needed for selling the trade receivables and in addition it can be assumed, that payment terms of vendor trade receivables will not return to the situation of long payment terms, prevailing before the restructuring proceedings. Write-downs of properties in Finland, mainly foundry properties, were -3.0 million, due to decrease of returns under income approach derived from corporate restructuring proceedings. In connection to the divestment of pistons operations a write-down of EUR -0.5 million was recorded for goodwill. Write-downs on machinery and equipment in 2015 relate to the write-downs on machinery and equipment at the foundries in Finland totalling EUR -9.3 million. In addition a write-down of EUR -0.1 million was recorded at the Smedjebacken forge in Sweden, which belongs to the Wirsbo profit centre and was closed down in 2015. The write-downs for the Finnish foundries were recorded because of a lower estimated yield. The write-downs for other production lines in the Netherlands relate to the future reduction in capacity usage as the result of transferring products to Turkey. Write-downs on buildings and structures recorded in the income statement in 2015 relate to foundry property in Finland EUR -4.6 million.

9. Financial income and expenses

MEUR	2016	2015 Changed *)
Interest income from loans and other receivables	0.3	0.6
Exchange rate gains from financial assets and liabilities recognized at amortized cost	3.9	3.0
Realized exchange rate gains from currency derivatives	0.1	4.7
Other financial income **)	44.4	0.1
Change in fair value of financial assets and liabilities held for trading	–	0.1
Effective interest expenses for financial liabilities recognized at amortized cost ***)	-13.5	-15.2
Exchange rate losses from financial assets and liabilities recognized at amortized cost	-1.4	-3.5
Other charges on financial liabilities valued at amortized cost	–	0.0
Interest expenses and commissions for supplier factoring	-0.2	–
Interest expenses and commissions for sold trade receivables	-0.8	-1.1
Interest expenses for interest rate swaps	–	-0.1
Realized exchange rate losses from currency derivatives	-0.4	-3.9
Other financial expenses	-3.1	-1.3
Financial income and expenses, total, continued operations	29.5	-16.6

**) The secured debt was discharged at an amount lower than the balance sheet value, and the company recorded the difference between the balance sheet value and the discharged value after arrangement fees, in Other financial income.

***) Effective interest expenses of the continued operations includes accrued interest expenses to the Turkey sub-group totally EUR 8.7 million, which have been booked under continued operations because Turkey sub-group has been classified as discontinued operations. Note 28 includes a summary of interest bearing liabilities.

In addition to the foreign exchange rate differences presented in financial items, foreign exchange rate differences are also recorded in the consolidated operating profit. Other operating income in note 4 includes a total of EUR -2.4 (0.8) million in exchange rate gains and losses arising from foreign currency denominated sales and purchases and EUR 0.0 (0.0) million from foreign exchange derivatives designated to these items.

Interest income on interest rate swaps has been moved to compensate interest expenses. During 1 Jan 2016 – 31 Dec 2016 the Group has not received any significant commissions from financial assets.

*) The comparative figures from 2015 on income statement and cash flow statement have been adjusted because Turkey and Dutch sub-group's operations have been classified as Discontinued Operations.

10. Income taxes

MEUR	2016	2015 Changed *)
Income taxes, continued operations		
Income taxes for financial period	0.0	-0.3
Change in deferred taxes (see note 19)	-7.2	-26.8
Continued operations total	-7.2	-27.1
Income taxes for financial period, discontinued operations	1.0	-1.2
Change in deferred taxes, discontinued operations	6.6	-5.5
Income taxes, Group	0.4	-33.8

Income tax reconciliation between tax expense of continued operations computed at statutory rates in Finland of 20.0 % and income tax expense provided on earnings.

MEUR	2016	2015 Changed *)
Profit before tax, continued operations	-16.5	-35.1
Income tax using Finnish tax rate	3.3	7.1
Difference between Finnish tax rate and rates in other countries	0.7	-0.1
Tax exempt income ***)	8.9	0.1
Non-deductible expenses	-0.1	0.0
Adjustments to the taxable income for previous years	0.0	0.0
Tax losses from which no deferred tax assets have been recorded	-12.7	-4.8
Re-assessment of deferred taxes**)	-7.3	-29.3
	-7.2	-27.1

*) The comparative figures from 2015 on income statement and cash flow statement have been adjusted because the Dutch and Turkey sub-groups' operations have been classified as discontinued operations

**) The revaluation of deferred tax of continued operations includes write-downs of deferred tax assets relating to tax losses. Write-downs in the fiscal year 2016 by country were recorded as follows: Finland EUR 5.4 million and Sweden EUR 0.4 million. Write-downs in 2015 by country were as follows: Finland 22,5 million and Sweden 6,8 million. The company has no deferred tax assets relating to tax losses in its balance sheet at end of 2016. Other net deferred tax assets write-downs, in addition to assets related to losses, in 2016 were EUR 1.8 million. The write-downs are based on the considerable uncertainty regarding the going concern.

***) Tax exempt income are mainly related to the discharge of secured bank loans and secured bonds. Secured debt was discharged at an amount lower than the balance sheet value, and the company recorded the difference between the balance sheet value and the discharge value after arrangement fees, net EUR 44.4 million in stand alone financial statements, to tax exempt other financial income.

11. Earnings per share

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

	2016	2015
Basic and diluted earnings per share		
Numerator: Profit for the period attributable to the shareholders of the parent company, 1,000 EUR *)	-206 845	-83 363
Denominator: Weighted average number of outstanding shares during the financial year, 1,000 shares	126 054	97 269
Basic earnings per share, EUR	-1.64	-0.86
Earnings per share with dilution, EUR	-1.64	-0.86

*) Unpaid interest on the 2012 and 2013 hybrid bonds is not recorded until after the decision of the Board of Directors, in accordance with IFRS. Unpaid interest on hybrid bond totalled EUR 0.4 million after deferred taxes in 2016 (2015) and it has been taken into account as a factor reducing the profit for the period attributable to equity holders of the parent company when calculating the earnings per share. The profit for the period attributable to the equity holders of the parent company presented in the consolidated income statement was EUR -206.4 million (-83.1 million).

The weighted average number of shares used to calculate the diluted earnings per share takes into account the dilutive effect of all potential shares with such an effect. The dilutive effect will not be taken into account in 2016 and in 2015 since the dilution would increase the earnings per share.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

12. Tangible assets

MEUR	2016	2015
Land and water areas		
Acquisition cost at 1 Jan	36.7	36.7
Additions	0.0	2.8
Disposals	-35.1	0.0
Re-classifications	-0.3	-0.1
Revaluation on land and water areas	0.0	-2.7
Translation differences	0.0	0.0
Book value at 31.12.	1.2	36.7

MEUR	2016	2015
Buildings and constructions		
Acquisition cost at 1 Jan	102.8	110.5
Additions	0.4	0.4
Disposals	-75.9	-0.1
Re-classifications	9.6	0.9
Revaluation on buildings	-0.8	-9.1
Translation differences	-0.3	0.2
Acquisition cost at 31.12	35.9	102.8
Accumulated depreciation at 1 Jan	-56.3	-50.1
Accumulated depreciation on decreases and re-classifications	41.1	2.8
Translation differences	0.2	-0.1
Depreciation and write-downs during the period	-8.8	-9.0
Accumulated depreciation at 31.12.	-23.9	-56.3
Book value at 31.12.	12.0	46.5

MEUR	2016	2015
Buildings and constructions, finance leasing		
Acquisition cost at 1 Jan	0.2	0.3
Re-classifications	-0.2	-0.1
Acquisition cost at 31.12.	0.0	0.2
Accumulated depreciation at 1 Jan	-0.1	-0.1
Accumulated depreciation on re-classifications	0.1	0.0
Depreciation during the period	0.0	0.0
Accumulated depreciation at 31.12.	0.0	-0.1
Book value at 31.12.	0.0	0.1

MEUR	2016	2015
Machinery and equipment		
Acquisition cost at 1 Jan	**368.9**	359.0
Additions	**3.7**	6.1
Disposals	**-235.9**	-3.7
Re-classifications	**19.6**	6.3
Companies acquired	**0.0**	0.0
Translation differences	**-2.6**	1.2
Acquisition cost at 31.12.	**153.7**	368.9
Accumulated depreciation at 1 Jan	**-275.3**	-252.2
Accumulated depreciation on decreases and re-classifications	**162.7**	0.2
Translation differences	**1.8**	-1.2
Depreciation and write-downs during the period	**-27.2**	-22.1
Accumulated depreciation at 31.12.	**-138.0**	-275.3
Book value at 31.12.	**15.8**	93.6

MEUR	2016	2015
Machinery and equipment, finance leasing		
Acquisition cost at 1 Jan	**31.9**	28.5
Additions	**6.5**	5.3
Disposals	**-19.4**	0.0
Re-classifications	**-4.0**	-2.1
Translation differences	**-0.4**	0.2
Acquisition cost at 31.12.	**14.6**	31.9
Accumulated depreciation at 1 Jan	**-11.4**	-9.4
Accumulated depreciation on decreases	**4.2**	-0.2
Translation differences	**0.2**	-0.1
Depreciation during the period	**-5.7**	-1.7
Accumulated depreciation at 31.12.	**-12.7**	-11.4
Book value at 31.12.	**1.9**	20.5

MEUR	2016	2015
Other tangible assets		
Acquisition cost at 1 Jan	**16.5**	14.9
Additions	**0.4**	1.3
Disposals	**-11.5**	-4.7
Re-classifications	**0.6**	5.0
Translation differences	**-0.3**	0.0
Acquisition cost at 31.12.	**5.7**	16.5
Accumulated depreciation at 1 Jan	**-8.6**	-8.0
Accumulated depreciation on decreases and re-classifications	**8.6**	0.0
Translation differences	**0.0**	0.0
Depreciation during the period	**-1.1**	-0.6
Accumulated depreciation at 31.12.	**-1.1**	-8.6
Book value at 31.12.	**4.6**	7.9

MEUR	2016	2015
Advance payments and fixed assets under construction		
Acquisition cost at 1 Jan	**29.0**	21.3
Additions	**8.9**	14.1
Disposals	**–12.3**	–0.2
Re-classifications	**–25.2**	–6.2
Translation differences	**–0.1**	0.1
Book value at 31.12.	**0.4**	29.0
Total tangible assets	**35.8**	234.3

*) The accounting principles for the consolidated financial statements contain further information about the treatment of changes in the value of land and buildings. According to the accounting principles for the consolidated financial statements, changes in the value of land and buildings are measured at three year intervals. The previous revaluation process throughout the Group was carried out in 2015. The valuation is mainly based on the income approach. The assets derecognized from the balance sheet were revalued before the derecognition. The difference in book and fair value of buildings and land EUR -16.3 (-5.0) million is booked through other comprehensive income items under discontinued operations. The Group buildings and land revaluation reserve under equity stood, after deferred taxes, at EUR 0,0 (15.8) million. The current treatment of revaluation in the accounting principles was introduced in 2012. The reliability of the valuation of property is classified as Level 3, in other words there is no active market for these mainly industrial properties and the price cannot be deduced from verifiable market data. The valuation is based on the income approach and determining the fair value involves considerable discretion. The Group is not able to give detailed information about the sensitivity of used input data since the fair valuation calculations of land and buildings are made by the external evaluator.

**) Write-downs on buildings and structures recorded in the income statement of continued operations in 2016 relate to foundry property in Finland EUR -3.0 million. Write-downs on buildings and structures recorded in the income statement of continued operations in 2015 relate to foundry properties in Finland EUR -4.6 million. According to the accounting principles for the consolidated financial statements, changes in the value of land and buildings are measured at three year intervals. The previous revaluation process throughout the Group was carried out in 2015. The valuation is mainly based on the income approach.

***) Write-downs on machinery and equipment in 2016 of continued operations in Sweden forging operations and machine shop operations under the Iron business segment were EUR -17.8 million. The impairment was mainly due to the increased weighted cost of capital and assumed increase of funds tied into working capital. Write-downs, under continued operations, on machinery and equipment at the foundries in Finland in 2015 totalled EUR -9.3 million. In addition a write-down of EUR -0.1 million was recorded at the Smedjebacken forge in Sweden, which belongs to the Wirsbo profit centre and was closed down in 2015. The write-downs for the Finnish foundries were recorded because of a lower estimated yield. The write-down at the Smedjebacken forge was related to the closure of the unit.

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

13. Goodwill

MEUR	2016	2015
Acquisition Cost 1.1.	**29.2**	29.1
Goodwill disposal	**–0.5**	
Goodwill write down	**–7.5**	
Derecognition of goodwill from the statement of financial position related to discontinued operations	**–21.0**	
Translation difference	**–0.1**	0.0
Book value 211.12.	**0.0**	29.2

Allocation of goodwill and impairment testing

Goodwill has been allocated to cash generating units. Most of the goodwill is allocated to the Orhangazi foundry, part of the Foundry Division segment, and the goodwill related to this stood at EUR 20.1 million (27.6) at the end of September 2016. On 31 December 2016 the Turkish sub-group was classified as discontinued operations and therefore also the related goodwill was derecognised from the Group's statement of financial position trough income statement. Therefore as at 31 December 2016 the Group did not have any consolidation goodwill on its statement of financial position. The income statement entry related to derecognition has been presented under the result of discontinued operations.

Due to above mentioned no goodwill impairment test was carried to Orhangazi foundry on 31 December 2016. Orhangazi foundry impairment test was carried out on September 30, 2016 and as a result of the test an impairment of EUR 7.5 million was recorded. The previous assessment date was December 31, 2015. The assessment date was brought forward to September 30, 2016 due to lower than estimated volume and quality and liquidity problems. This represented a triggering event resulting in an interim impairment test to assess if events or changes in circumstances indicate that the carrying amount of Orhangazi foundry goodwill may not be recoverable.

The future cash flows of the Orhangazi foundry, part of the Iron business segment, have been estimated using value-in-use calculations. The calculations have used 5-year discounted cash flow plans that are based on strategic plans approved by the management and for the estimated development of the sales and business environment. The estimated cash flow of the foundry is based on the use of property, plant and machinery in their present condition without any acquisitions. Average historical growth and developments in EBITDA have been taken into account in drawing up the strategic plans. The cash flow for the coming five years is based on estimates of developments in costs and demand. The 2016 EBITDA margin was estimated to be negative due to quality and liquidity problems and low volumes. In 2017 it was anticipated that these factors will not affect EBITDA and the EBITDA margin is expected to be about 5.2%. Growth in profitability 2017-2021 is based partly on growth in volumes, on new contracts that have been agreed, and on product transfers in accordance with the new strategy. For these reasons sales are also estimated to increase at an average annual rate of over 5% in the period 2017-2021. In addition, productivity and developments in costs are expected to improve profitability thanks to the processes that have either already been carried out or that have been decided on and through the quality improvement programmes. The Group has decided on and carried out cuts in fixed costs that also reduce local fixed costs since they result in lower service charges to be paid to Group administration. Cash flows beyond five years are calculated using the residual value method. No growth factor has been included in the residual value.

The discount rate used is the weighted average cost of capital before tax defined by the company. Company has also used external expert when defining the used discount rate. The factors in this are risk-free interest rate, market risk premium, beta of the peer group, weighted average of borrowing costs, and the target ratio of the comparison for shareholder's equity. Company has used a pre tax weighted average cost of capital 9.3% in its calculations related to Orhangazi foundry.

There was no need to record impairment losses on the basis of impairment testing in 2015 and 2015. Based on the assessment carried out September 30, 2016 EUR 7,5 million goodwill write down has been recorded for the period January - September 2016. The goodwill write down has been allocated to Orhangazi iron foundry. Pistons business unit producing pistons was sold in August and the sales of the business caused write down of goodwill in group balance sheet EUR 0,5 million.

Sensitivity analysis (30.9.2016):
A sensitivity analysis was carried out on the Orhangazi foundry using a variety of scenarios. These scenarios were achieved by altering the assumed values as follows:
- by changing profitability (EBITDA) +/- 1-10%
- by changing the weighted average cost of capital +/- 10%

Decreasing the capital cost by 5.6% to level 8.75% would not have caused goodwill write down with other parameters remaining the same. Also increasing the EBITDA by 4.45% and other parameters remaining the same would not had caused the goodwill write down.

If the capital cost would increase by 10% to level 10.2%, and other parameters remaining the same, write down would be approximately EUR 17.9 million. If profitability (EBITDA) would be decreased by 10% and other parameters would remain the same, that would lead to approximately EUR 24.4. million write down of the goodwill.

It is the opinion of management that the changes in the basic assumptions in the theoretical scenarios mentioned above should not be interpreted as evidence that they are likely to occur.

14. Intangible assets

MEUR	2016	2015
Capitalized development costs		
Acquisition cost at 1 Jan	2.8	3.0
Additions	0.0	0.0
Disposals	-1.5	0.0
Re-classifications	0.0	-0.2
Translation differences	-0.1	0.0
Acquisition cost at 31 Dec	1.3	2.8
Accumulated amortization at 1 Jan	-1.3	-0.5
Accumulated amortization on decreases and re-classifications	1.4	-0.3
Translation differences	0.0	0.0
Amortization during the period	-1.1	-0.4
Accumulated amortization at 31 Dec	-1.0	-1.3
Book value at 31 Dec	0.3	1.6

MEUR	2016	2015
Intangible rights		
Acquisition cost at 1 Jan	7.8	7.6
Additions	0.0	0.0
Disposals	-6.3	0.0
Re-classifications	0.1	0.1
Translation differences	-0.1	0.0
Acquisition cost 31 Dec	1.6	7.8
Accumulated amortization at 1 Jan	-4.9	-3.7
Accumulated amortization on decreases and re-classifications	6.2	0.0
Translation differences	0.0	0.0
Amortization during the period	-3.0	-1.1
Accumulated amortization at 31 Dec	-1.6	-4.9
Book value at 31 Dec	0.0	2.9

MEUR	2016	2015
Computer software		
Acquisition cost at 1 Jan	8.4	6.9
Additions	0.0	1.5
Disposals	-3.4	0.0
Re-classifications	-0.1	0.0
Translation differences	-0.1	0.0
Acquisition cost at 31 Dec	4.9	8.4
Accumulated amortization at 1 Jan	-6.3	-5.9
Accumulated amortization on decreases and re-classifications	3.4	0.0
Translation differences	0.0	0.0
Amortization during the period	-1.6	-0.4
Accumulated amortization at 31 Dec	-4.5	-6.3
Book value at 31 Dec	0.4	2.1

MEUR	2016	2015
Other capitalized expenditure		
Acquisition cost at 1 Jan	10.9	10.1
Additions	0.0	0.0
Disposals	-0.2	0.0
Re-classifications	0.0	0.8
Translation differences	0.0	0.0
Acquisition cost at 31 Dec	10.7	10.9
Accumulated amortization at 1 Jan	-10.4	-9.3
Accumulated amortization on decreases and re-classifications	0.2	-0.1
Translation differences	0.0	0.0
Amortization during the period	-0.2	-0.9
Accumulated amortization at 31 Dec	-10.4	-10.4
Book value at 31 Dec	0.3	0.5
Total intangible assets	0.9	7.1

15. Investment properties

MEUR	2016	2015
Book value at 1 Jan	**8.1**	8.3
Additions	**–**	–
Disposals	**-0.2**	–
Transfers	**3.0**	2.6
Profit/loss from the fair valuation	**-2.0**	-2.8
Write-downs	**-5.3**	–
Book value at 31.12.	**3.6**	8.1

The fair values of investment properties are based on assessment books prepared by an independent and professionally qualified evaluator and last updated at the end of 2015 and 2016. The evaluation in both years was prepared for Finnish properties by Kiinteistötaito Peltola & Co Oy. 2015 valuations were mainly carried by using the yield value methods. In the 2016 valuations, due to restructuring proceedings Componenta Corporation and Componenta Finland Oy, it has been assumed that the Group will have to sell investment properties and that the Group's own resources will not in future be sufficient to develop investment properties. Write-down classification relates to the properties where the sufficient to develop of the investment properties have previously taken into consideration in valuations. The reliability of the valuation of property is classified as Level 3. The fair values, at the time of the transfer, of properties transferred to investment properties in 2016 were EUR 3.0 (2.6) million and the value of sold properties was EUR 0.2 million.

16. Shares in associated companies

MEUR	2016	2015
Book value at 1 Jan	**1.2**	1.2
Disposals	**0.0**	0.0
Share of results of associated companies	**0.1**	0.1
Additions	**0.0**	0.0
Translation differences	**0.0**	0.0
Derecognition of the shares from the statement of financial position related to discontinued operations	**-1.3**	–
Book value at 31.12.	**0.0**	1.2

On 31 December 2016 the Group had no associated companies since the associated companies previously presented in the consolidated financial statements, Kumsan AS. In Turkey and Componenta-Ferromatrix NV. In Belgium, were owned by Componenta Turkey and Componenta BV.

Associated companies 31 Dec 2015

	Assets, MEUR	Liabilities, MEUR	Net sales, MEUR	Profit/Loss, MEUR	Group share of holding, %
Kumsan A.S., Turkey	5.3	0.4	3.9	0.3	25.1
Componenta-Ferromatrix NV., Belgium	0.4	0.0	0.0	0.0	50.0

17. Financial assets

MEUR	2016	2015
Available-for-sale financial assets		
Acquisition cost at 1 Jan	**0.9**	0.9
Additions	**–**	–
Disposals	**-0.2**	0.0
Impairment losses	**-0.7**	
Book value at 31 Dec	**0.0**	0.9

Available-for-sale financial assets consist of non-listed shares. As the fair value of these shares is difficult to determine reliably, they are recognized at acquisition cost less any impairment losses. The recorded impairment losses during the financial year 2016 were EUR -0.7 (0.0) million. The impairment losses of EUR 0.7 million are mainly related to the impairment of Majakka Voima Oy's shares, through which the Group holds a stake in the Fennovoima Hanhikivi nuclear power plant project. This holding is related to the company's business and probably requires the Group to make further investments, which it is no longer able to do because of restructuring procedures. Due to these financial constraints, the Group is no longer able to continue in the Fennovoima Hanhikivi nuclear power plant project and, therefore, the existing equity investment has become worthless to the Group. Furthermore, there is no liquid secondary market for the shares, due to the special nature of the ownership structure. Other financial assets are classified in fair value valuation method level 3, please see additional information in note 22. The gains from the sale of available-for-sale financial assets in 2016 were EUR 0.1 million.

18. Non-current receivables

MEUR	2016	2015
From associates		
Loan receivables	**0.0**	0.0
Other non-current receivables		
Loan receivables	**0.1**	0.7
Other receivables	**0.2**	7.1
	0.3	7.8
Total non-current receivables	**0.3**	7.8

19. Deferred tax assets and liabilities

Changes in deferred taxes during the financial year 2016

MEUR	at 1 Jan 2016	Recognized in income statement	Recognized in equity	Translation differences	at 31 Dec 2016
Deferred tax assets					
Intercompany margin in inventory	0.1	-0.1		0.0	0.0
Provisions and pension provisions	3.5	-3.5	0.0		0.0
Tax losses carried forward	5.8	-5.8		0.0	0.0
Fair valuation of investment properties	0.3	-0.3			0.0
Revaluation of buildings and land areas	1.9	-1.9		0.0	0.0
Other differences	5.7	-5.0	-0.1	0.0	0.6
Total	17.3	-16.5	-0.1	0.0	0.6
Offset with deferred tax liabilities	-11.8				-0.6
Total	5.5				0.0

The Group recorded write-down of EUR 5,4 million for the deferred tax assets related to tax losses in Finland and EUR 0.4 million in Sweden in 2016. In 2015 the write-downs of the deferred tax assets by countries were: Finland, EUR 22.5 million and Sweden, EUR 6.8 million. The Group did not record any deferred tax assets related to tax losses on its balance sheet at the end of the financial year 2016. Other tax asset write-downs during the financial year are related to uncertainty of the going concern assumption. The deferred tax assets related to discontinued operations have been derecognized from Group statement of financial position, either through income statement or through other comprehensive income.

MEUR	at 1 Jan 2016	Recognized in income statement	Recognized in equity	Translation differences	at 31 Dec 2016
Deferred tax liabilities					
Valuing tangible assets at fair value when merging businesses	2.8	-2.8		0.0	0.0
Accelerated depreciation	8.8	-8.8		0.0	0.0
Fair valuation of investment properties	0.0	0.0	0.0	0.0	0.0
Revaluation of buildings and land areas	3.6	0.0	-3.5	0.0	0.0
Finance leases	1.5	-0.3		0.0	1.1
Other differences	6.0	-4.0	0.0	0.0	1.9
Total	22.6	-15.9	-3.6	-0.1	3.1
Offset with deferred tax assets	-11.8				-0.6
Total	10.8				2.4

Deferred income tax assets and liabilities are netted on the balance sheet primarily on a country-by-country basis when the country in question allows the balancing of taxable profits and losses between Group companies or when there is only one subsidiary in the country in question. The deferred tax liabilities related to discontinued operations have been derecognized from Group statement of financial position, either through income statement or through other comprehensive income.

Changes in deferred taxes during the financial year 2015

MEUR	at 1 Jan 2015	Recognized in income statement	Recognized in equity	Translation differences	at 31 Dec 2015
Deferred tax assets					
Intercompany margin in inventory	0.1	0.0		0.0	0.1
Provisions and pension provisions	2.1	0.9	0.6		3.5
Tax losses carried forward	43.1	-37.5		0.2	5.8
Fair valuation of investment properties	0.1	0.2			0.3
Revaluation of buildings and land areas	1.3	0.6		0.0	1.9
Other differences	2.6	2.9	0.2	0.0	5.7
Total	49.4	-33.0	0.8	0.2	17.3
Offset with deferred tax liabilities	-12.0				-11.8
Total	37.4				5.5

MEUR	at 1 Jan 2015	Recognized in income statement	Recognized in equity	Translation differences	at 31 Dec 2015
Deferred tax liabilities					
Valuing tangible assets at fair value when merging businesses	3.1	-0.2		0.0	2.8
Accelerated depreciation	8.0	0.8		0.0	8.8
Fair valuation of investment properties	0.3	0.0	-0.3	0.0	0.0
Revaluation of buildings and land areas	5.6	-1.0	-1.0	0.0	3.6
Finance leases	1.2	0.3		0.0	1.5
Other differences	6.9	-0.8	0.0	-0.1	6.0
Total	24.9	-0.8	-1.3	-0.1	22.6
Offset with deferred tax assets	-12.0				-11.8
Total	12.9				10.8

20. Inventories

MEUR	2016	2015
Raw Materials and Consumables	**4.4**	13.8
Work in Progress	**2.8**	11.3
Finished products and goods	**7.3**	30.4
Other inventories	**2.9**	13.3
Advance Payments	**0.2**	0.1
Total Inventories	**17.7**	68.9

Other inventories include mainly patterns, fixtures, tools and spareparts.
During the financial year 2016 in continued operations in Finnish units EUR -0.1 (-0.5) million, in Swedish units EUR -1.7 (-0,6) million, a total expense of EUR -1.9 (-1.1) million was recognized to reduce the book value of inventories to their net realizable value.

21. Trade and other short-term receivables

MEUR	2016	2015
Trade receivables	**14.6**	21.3
Loan receivables *)	**3.5**	1.4
Derivative receivables	**-**	0.0
Tax receivables, income taxes	**-**	1.4
Prepayments and accrued income	**2.1**	2.2
VAT receivables	**0.3**	5.0
Other receivables	**0.8**	1.9
Total trade and other short-term receivables	**21.4**	33.2

Prepayments and accrued income include mainly prepaid accrued expenses.
*) Loan receivables includes EUR 3.1 million cash balance in a bank account which is managed by the law firm responsible for the administration of Swedish restructuring processes.

Trade receivables by currency

	2016 %	2015 %
EUR	76.0	86.2
SEK	24.0	7.0
TRY	–	4.6
USD	–	0.1
GBP	–	1.9
RUB	–	0.2

22. Classification of fair value of financial assets and liabilities

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

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

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

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

Fair values by classification of valuation method 2016

MEUR	LEVEL 1	LEVEL 2	LEVEL 3
Foreign exchange rate derivatives (OTC)	–	–	–
Interest rate derivatives (OTC)	–	–	–
Commodity derivatives	–	–	–
Available-for-sale investments	–	–	0.0

Fair values by classification of valuation method 2015

MEUR	LEVEL 1	LEVEL 2	LEVEL 3
Foreign exchange rate derivatives (OTC)	–	-0.6	–
Interest rate derivatives (OTC)	–	–	–
Commodity derivatives	-0.8	–	–
Available-for-sale investments	–	–	0.8

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

23. Cash and cash equivalents

MEUR	2016	2015
Cash and cash equivalents included in the statement of financial position		
Cash at bank and in hand	4.4	6.1
Cash and cash equivalents included in the cash flow statement		
Cash at bank and in hand	4.4	6.1

At the end of the reporting period 31 December 2016, the Swedish subsidiaries had a balance of EUR 3.1 million in a bank account which is managed by the law firm responsible for the administration of Swedish restructuring processes. This balance is not included to Cash and cash equivalents as it is reported under loan receivables under short-term receivables in note 21.

24. Share capital, share premium reserve and other reserves

	Number of shares, (1,000)	Share capital, MEUR	Share premium reserve, MEUR	Cash flow hedges, MEUR	Unrestricted equity reserve, MEUR	Buildings and land revaluation reserve MEUR	Other reserves, MEUR
At 1 Jan 2015	97,269	21.9	15.0	-0.4	152.3	22.2	4.9
Transfers to retained earnings	-	-	-	-	-	-0.3	0.3
Other comprehensive income	-	-	-	0.0	-	-6.2	-0.8
At 31 Dec 2015	97,269	21.9	15.0	-0.4	152.3	15.8	4.4
Issue of the convertible capital loan							
and conversions to shares	78,868	-	-	-	38.8	-	0.6
Transfers	-	-	-	-	-	-0.6	0.6
Other comprehensive income	-	-	-	0.3	-	-15.2	0.0
At 31 Dec 2016	176,137	21.9	15.0	-0.1	191.1	0.0	5.6

The cumulative translation differences EUR 0.6 (-37.0) million in the Statement of changes in consolidated shareholders' equity contain the translation differences arising from translating the financial statements of non-Euro area business units. Gains and losses from hedging the net investments in non-Euro area units are also included in translation differences if the conditions for hedge accounting are met. The functional currency of the Turkish subsidiary changed to Euro from the beginning of March 2012 onwards. After that the group has not recorded any translation differences from the consolidation of the subsidiary related to exchange rate changes of Turkish lira. Turkish subsidiary, including its subsidiary located in the UK, was classified as discontinued operations on 31 December 2016 and therefore negative cumulative translation differences of EUR -36.3 million, including the non-controlling interest EUR -39.7 million, were derecognised from the equity. Majority of the derecognised cumulative translation differences were related to Turkish lira changes and smaller portion to the exchange rate changes between GBP and EUR. The remaining cumulative translation differences are mainly related to the changes in Swedish crown.

The share premium reserve contains the amount paid for shares in a share issue that exceeds the nominal value of the share if the decision concerning the issue of convertible capital notes on which the subscriptions are based was made before the 2006 change in the Finnish Company Act. The amount exceeding the nominal value when converting convertible capital notes issued after the new Company Act came into force (1 September 2006) is recognized in the unrestricted equity reserve. Cash flow hedges include the valuations of commodity derivatives. The fair value changes in effective portion of hedging instruments in hedging reserve, before taxes, was EUR -0.4 (-0.6) million, the amount released to income statement from the hedging reserve, before taxes, was EUR -0.8 (-0.6) million and the change of deferred taxes in hedging reserve was EUR -0.1 (0.0) million.

The building and land area revaluation reserve presents the impact on shareholders' equity of the revaluation of these assets. The change resulting from revaluation presented in comprehensive income, excluding non-controlling interest, after deferred tax in 2016 was EUR -15.2 (-6.2) million. The impact of the derecognition of the discontinued operations to the buildings and revaluation reserve, including non-controlling interest was EUR 16.3 million.

Other reserves include the conversion option component of the convertible capital notes EUR 2.7 (2.1) million, share-based payments EUR 0.3 (0.3) million according to IFRS 2. Legal reserve EUR 0.0 (0.0) million is also included in other reserves. The company's shareholders' equity includes two equity bonds (hybrid bonds), which improve the company's equity ratio and are presented in shareholders' equity under other reserves, with a nominal amount of EUR 2.6 (2.6) million in 2016. Other reserves were EUR 0.6 million.

In May 2016 Componenta issued EUR 40 million convertible capital loan. By the end of the interim financial statements period 78,868,000 shares have been converted and the capital loans used for payments for the conversions were EUR 39.4 million, netted with the transaction costs, EUR 0.6 million, related to the issue of the capital loan, and recorded as an increase under Unrestricted equity reserve.

No dividend was paid from the 2015 result for the period. No dividends can be distributed on 2016 since the Restructuring of Enterprises Act forbids the payment of dividend to shareholders during restructuring proceedings. In addition the distributable equity of the parent company was negative, so it is not possible to pay a dividend.

25. Share-based payment

Share-based incentive scheme

The Extraordinary General Meeting of Componenta Corporation held on 15 April 2016 resolved, in accordance with the proposals of the Board of Directors, on the issuance of stock options. The stock options are intended to form part of the incentive and commitment program for key employees, so the Company has a weighty financial reason for issuing the options. The stock options will be issued gratuitously and will entitle their owners to subscribe for a maximum total of 10,000,000 new shares in the Company or existing shares held by the Company. The Board of Directors will resolve on the distribution of stock options and may additionally resolve on particular additional provisions concerning the receipt of stock options. The Board of Directors has for time being granted any stock options. In addition, during the year 2016 no new share-based incentive schemes were established.

The Board of Directors of Componenta Corporation decided on 10 February 2015 to set up a new share-based incentive scheme for key personnel in the Group. The scheme had one earning period, the 2015 calendar year. The earning criterion for the 2015 earning period was Componenta's consolidated result after financial items. Any bonuses would have been paid for the 2015 earning period is paid partially in company shares and partially in cash. The part paid in cash is meant to cover tax and similar costs arising from the bonus. There is a ban on disposing of, pledging or otherwise using the shares during the commitment period of two years set for them. If the employment of a key employee ends during this commitment period, they must return the shares given as a bonus to the company without compensation.

Any earnings in the incentive schemes decided on 10 February 2015 on the result after financial items excluding items affecting comparability in 2015. The target group for the incentive scheme decided on 10 February 2015 contained 12 people at the end of 2015. If the targets set for the schemes had been met in full, bonuses of a maximum of 780,000 Componenta Corporation shares would have been paid in the scheme for the 2015 earning period. No share bonuses were paid for the 2015 earning periods in the schemes, since the earning criteria were not fulfilled. The impact of the schemes on the result before tax in 2016 was EUR 0.0 (0.0) million.

26. Pension obligations and other benefit plans

Pension obligations

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

Other benefit plans

Other employee benefits' mainly include commitments required under Turkish employment legislation.

Under Turkish employment legislation, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). The amount payable consists of one month's salary limited to a maximum of TRY 4,297.21 for each year of service as of 31 December 2016 (31 December 2015: TRY 3,828.37).The liability is not funded.

The non-current provision recorded under other benefit plans, before derecognition from the statement of financial position, in note 27 includes also previously described liability under Turkish employment legislation. The related provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the termination benefits to be paid to the employees. The following assumptions were used in the calculation of the total liability on 31 December 2016; Annual discount rate 10.00% (9.80%), annual salary increase expectation 6.00% (5.50%) and turnover rate to estimate the probability of retirement 95.16% (94.55%).

"The pension scheme in Turkey described above is treated as a defined benefit scheme and its actuarial gains and losses are presented in the statement of comprehensive income and other items in personnel expenses in the income statement.

Changes in the current value of the liability are as follows:

MEUR	2016	2015
Opening liability 1.1.	**9.9**	8.9
Current service cost	**0.7**	0.6
Interest cost	**1.0**	0.9
Severance paid	**-2.7**	-1.3
Actuarial gains (-), losses (+)	**1.7**	1.9
Translation gains and losses	**-1.5**	-1.1
Derecognition from the statement of financial position, discontinued operations	**-9.1**	-
Closing liability 31.12	**0.0**	9.9

Turkish operations have been classified as discontinued operations and therefore the accumulated liabilities of EUR 9.1 million as of 31 December 2016 have been derecognised from the statement of financial position through income statement.

27. Provisions

Current

MEUR	Reorganisation provisions	Environmental provisions	Other provisions	Total
1.1.2016	4.2	0.1	2.7	7.0
Translation differences	0.0	–	–	0.0
Additions to provisions	0.0	–	–	0.0
Utilized during the period	-2.6	-0.1	-0.8	-3.5
Derecognition from the statement of financial position, discontinued operations	-1.0		-1.8	-2.8
31.12.2016	0.7	0.0	0.1	0.8
1.1.2015	2.7	–	1.9	4.5
Translation differences	0.0	–	–	0.0
Additions to provisions	3.3	0.1	1.1	4.5
Utilized during the period	-1.8	–	-0.3	-2.1
31.12.2015	4.2	0.1	2.7	7.0

Non-current

MEUR	Other benefit plans	Reorganisation provisions	Environmental provisions	Total
1.1.2016	10.3	0.0	0.0	10.4
Translation differences	-1.5	–	–	-1.5
Additions to provisions	3.4	0.0	0.0	3.4
Utilized during the period	-2.7	0.0	0.0	-2.7
Derecognition from the statement of financial position, discontinued operations	-9.5	–	–	-9.5
31.12.2016	–	–	–	–
1.1.2015	9.5	0.0	0.1	9.7
Translation differences	-1.1	–	–	-1.1
Additions to provisions	3.2	–	0.0	3.2
Utilized during the period	-1.3	–	-0.1	-1.4
31.12.2015	10.3	0.0	0.0	10.4

Other benefit plans, are mainly consisting of the plans under Turkish employment legislation EUR 0.0 (9.9) million, more information under note 26.

MEUR	2016	2015
Change in provisions recognised as operating expenses in income statement under continued operations, increase of expense (-), decrease of expense (+) or in net result of the discontinued operations	**15.7**	-1.3

28. Interest-bearing liabilities

MEUR	2016	2015
Non-current interest-bearing financial liabilities		
Loans from financial institutions *)	–	78.9
Finance lease liabilities	0.4	7.3
Pension loans	0.4	1.1
Convertible capital loan – liability portion	0.4	–
Bonds	0.3	–
Other loans, to others and to Turkish sub-group	55.1	–
	56.6	87.3
Current interest-bearing financial liabilities		
Loans from financial institutions *)	0.8	142.6
Finance lease liabilities	0.5	5.9
Pension loans	0.4	0.9
Bonds	–	6.3
Other loans, to Turkish sub-group	36.2	–
	37.9	155.7
Total interest-bearing liabilities	94.5	243.1

It is presented under interest-bearing liabilities of the Group's balance sheet liabilities to not consolidated Componenta Döcumculuk and to its subsidiary Componenta UK (in the table Turkish sub-group) totally EUR 91.2 million. Other loans includes non-current interest-bearing liabilities EUR 55.0 million to Componenta Döcumculuk and to its subsidiary Componenta UK and current liabilities EUR 36.2 million. These liabilities are restructuring debt under Componenta Corporation's restructuring process. EUR 75.0 million of the loans are with a fixed interest rate of 8% p.a. GBP 13.8 million (equivalent EUR 16.2 million) of the loans are with a floating interest are 3 months GBP libor plus 5.5% margin. The repayment schedule for interest-bearing loans to Componenta Döcumculuk and its subsidiary Componenta UK are presented in tables below. It is assumed in the repayment schedule the original repayment plans so it does not include possible effects from the restructuring process. Because it has not been required early repayment of the loans the non-current part of the liabilities can still be presented as long-term.

*) In 2015 figures the long term part EUR 55.7 million in 2017 according to the syndicated loan agreement and EUR 6.3 million in 2019 according to the bond agreements have been classified as short term loans for the year 2016 due to the IFRS requirement. This is because the relieve of the covenant breach was not given at least for twelve months ahead from the end of the reporting period.

The comparative figures in 2015 includes Turkish subsidiary's external debt EUR 166.2 million. As the consolidation of Turkish sub-group has been ended, the external debt of the Turkish sub-group have not been included to Group's consolidated financial statements.

Currency breakdown of interest-bearing financial liabilities

		2016 %	2015 %
Non-current	EUR	99.3	99.2
	SEK	0.7	0.8
Current	EUR	53.9	92.4
	SEK	3.5	1.9
	GBP	42.6	0.1
	TRY	–	5.5

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

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

	2016 Nominal interest rates	2016 Effective interest rates	2015 Nominal interest rates	2015 Effective interest rates
	%	%	%	%
Loans from financial institutions	**4.6 – 6.6**	**4.6 – 6.6**	0.8 – 7.8	0.8 – 10.4
Finance lease liabilities	**2.1 – 2.2**	**3.4 – 6.0**	0.6 – 13.8	1.7 – 19.9
Pension loans	**4.8 – 16.0**	**4.8 – 16.0**	1.9 – 4.8	1.9 – 4.8
Convertible capital loans	**2.0 – 2.0**	**18.3 – 18.3**	–	–
Bonds	**2.0 – 2.0**	**5.8 – 5.8**	2.0 – 5.0	4.5 – 5.9

Repayment schedule for interest-bearing financial liabilities 2016

MEUR	2017	2018	2019	2020	2021	2022+
Loans from financial institutions	0.8	–	–	–	–	–
Finance lease liabilities	0.5	0.2	0.1	0.1	–	–
Pension loans	0.4	0.4	–	–	–	–
Convertible capital loan	–	–	–	0.4	–	–
Bonds	–	–	0.3	–	–	–
Other loans, to others and to Turkish sub-group	36.2	15.1	–	–	40.0	–
	37.9	15.7	0.4	0.5	40.0	

Repayment schedule for interest-bearing financial liabilities 2015

MEUR	2016	2017	2018	2019	2020	2021+
Loans from financial institutions *)	142.6	24.6	13.7	13.1	13.1	14.3
Finance lease liabilities	5.9	3.5	2.4	1.4	0.1	–
Pension loans	0.9	0.5	0.5	–	–	–
Bonds	6.3	–	–	–	–	–
	155.7	28.6	16.6	14.5	13.3	14.3

*) The long term part EUR 55.7 million in 2017 according to the syndicated loan agreement and EUR 6.3 million in 2019 according to the bond agreements have been classified as short term loans for the year 2016 due to the IFRS requirement. This is because the relieve of the covenant breach was not given at least for twelve months ahead from the end of the reporting period.

Maturity of finance lease liabilities

MEUR	2016	2015
Minimum lease payments fall due as follows:		
Not later than one year	**0.5**	6.3
Later than one year but not later than five years	**0.4**	7.8
Later than five years	**–**	–
	1.0	14.1
Future financial expenses	**0.0**	-0.9
	0.9	13.2
Present value of minimum lease payments:		
Not later than one year	**0.5**	5.9
Later than one year but not later than five years	**0.4**	7.3
Later than five years	**–**	–
	0.9	13.2

Capital notes

Convertible Capital Notes 2016

On 16 May 2016 Componenta Corporation issued a EUR 40 million convertible capital loan. The convertible capital loan is a bullet loan and has a maturity of four years. The company may not repay the loan before its maturity date. The issuing price for the loan is 100 per cent and the annual interest is 2 per cent. The loan can be converted into Componenta Corporation shares during the term of the loan. The share subscription price is EUR 0.50. By 31 December 2016 EUR 39,434,000 of the convertible loan had been converted into shares and the company had issued 78,868,000 new shares. The remaining convertible capital loan on 31 December 2016 has a nominal value of EUR 0.6 million.

Bonds

Unsecured Bond 2013

The unsecured bond 2013 had a balance sheet value of EUR 0.3 million on 31 December 2016. It was agreed in 2014 to extend the maturity period of the unsecured bond to 31 December 2019. In addition, it was resolved the amendments to the terms and conditions of the notes so that as of the amendment date the notes bear fixed interest at the rate of 2.00 % p.a. and that any interest accrued after 2 March 2014 shall be paid on the redemption date.

The loan is not secured. Receivables based on the bond rank equal to Componenta Corporation's other unsecured debt commitments. The bond has a balance sheet value of EUR 0.3 million on 31 December 2016. The accrued interest on the loan from 1 January to 31 December 2016 has been recorded as an expense in the income statement and as a liability in accrued expenses. The loan units of the unsecured bond are for trading on the regulated market on the NASDAQ OMX Helsinki Ltd stock list.

Secured Bond 2013

On 16 May 2016 Componenta Corporation issued a EUR 40 million convertible capital loan and discharged the same time the remaining nominal value of EUR 6.0 million of the secured bond 2013.

29. Current non-interest bearing liabilities

MEUR	2016	2015
Trade payables to others	49.0	84.2
Trade payables to associated companies	–	0.0
Accrued expenses and deferred income	20.6	20.5
Derivative liabilities	–	1.0
Advances received	5.7	0.3
Other current liabilities	13.9	4.1
Current non-interest bearing liabilities total	89.1	110.0

Accrued expenses and deferred income includes deferred personnel costs and deferred interest expenses. The most significant items in other current liabilities are value added tax payables, withholding taxes and custom payments.

Current non-interest bearing liabilities includes liabilities under restructuring process to external parties totally EUR 49.4 million of which EUR 7.9 million has been recorded on the balance sheet based on guarantees given to outsiders as security for liabilities of Componenta B.V. which was declared bankrupt and EUR 2.2 million based on guarantees given to outsides as security for liabilities of Group companies. In addition, current non-interest bearing liabilities includes liabilities to not consolidated Turkish sub-group totally EUR 19.5 million which all are under restructuring process. Advanced received includes customer pre-payments financing for Componenta Finland Oy EUR 2.8 million and EUR 2.6 million for Componenta Främmestad AB. Other current liabilities includes customer pre-payments financing for Componenta Wirsbo AB EUR 0.2 million and EUR 0.5 million for Componenta Arvika AB.

Trade payables by currency

	2016 %	2015 %
EUR	71.6	50.8
SEK	28.3	13.4
DKK	0.1	–
USD	0.0	5.0
NOK	0.0	–
TRY	–	30.4
GBP	–	0.4

Total restructuring debt in Group's balance sheet

Current interest bearing liabilities	
To Turkish sub-group	36.2
To other creditors	1.8
	37.9

Non-current interest bearing liabilities	
To Turkish sub-group	55.0
To other creditors	1.6
	56.6

Current non-interest bearing liabilities	
To Turkish sub-group	19.3
To other creditors	49.6
	68.9

Non-current non-interest bearing liabilities	
To Turkish sub-group	–
To other creditors	–
	–

Group's total restructuring debt	
To Turkish sub-group	110.4
To other creditors	53.0
	163.4

Summary of Group's restructuring debt (to Turkish sub-group and to other creditors) per each company	
Componenta Corporation	108.7
Componenta Finland Oy	20.5
Componenta Främmestad AB	20.0
Componenta Wirsbo Group	14.2
	163.4

In addition, Group has restructuring debt from hybrid bonds with a capital of EUR 2.6 million and EUR 0.9 million of interest liabilities of the hybrid bonds which have been recorded under Shareholders' equity.

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

Financial assets

MEUR	2016 Carrying value	2016 Fair value	2015 Carrying value	2015 Fair value
ITEMS RECOGNIZED AT FAIR VALUE				
Financial assets recognized at fair value through profit and loss				
Derivatives classified as held for trading	–	–	0.0	0.0
Financial items included in hedge accounting				
Derivatives (effective and ineffective portion)	–	–	0.0	0.0
ITEMS RECOGNIZED AT AMORTIZED COST AND AT COST				
Loans and other receivables				
Cash and cash equivalents	4.4	4.4	6.1	6.1
Loan receivables	0.3	0.3	1.2	1.2
Trade receivables	14.6	14.6	21.3	21.3
Available-for-sale financial assets				
Shares and holdings	0.0	0.0	0.8	0.8

Financial liabilities

MEUR	2016 Carrying value	2016 Fair value	2015 Carrying value	2015 Fair value
ITEMS RECOGNIZED AT FAIR VALUE				
Financial liabilities recognized at fair value through profit and loss				
Derivatives classified as held for trading	–	–	0.6	0.6
Financial items included in hedge accounting				
Derivatives (effective and ineffective portion)	–	–	0.8	0.8
ITEMS RECOGNIZED AT AMORTIZED COST				
Other financial liabilities				
Loans from financial institutions	0.8	0.8	221.5	224.7
Finance leases	0.9	0.9	13.2	13.2
Pension loans	0.8	0.8	2.0	2.0
Capital notes	0.4	0.4	–	–
Bonds	0.3	0.3	6.3	6.3
Trade payables and advances received	54.6	54.6	84.5	84.5

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

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

31. Capital management

Componenta Group's objective for capital management is to ensure the Group's viability to operate in all circumstances. The sector in which Group operates is by nature relatively capital intensive and thus requires active measures to optimize the capital structure.

The Board of Directors and Corporate Executive Team regularly monitor the capital structure of the Group. The Group monitors in particular the equity ratio, which due to the long-lasting difficult state of the market and write-downs on assets, for example due to corporate restructuring proceedings, has fallen considerably below the target level of 40 %. The equity ratio was -165.3% on financial statements period end 31 December 2016 and 4.6% on financial statements period end on 31 December 2015. It is not applicable to calculate net gearing ratio at the moment due to negative equity. The targeted long-term capital structure has not been changed due to restructuring proceedings.

The key indicators for capital structure

	31.12.2016	31.12.2015
Net gearing	n/a	1273.0 %
Equity ratio	-165.3 %	4.6 %

32. Financial risk management

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

Refinancing and liquidity risks

During the first, second and third quarter of 2016 Componenta prepared and carried out a programme of action to safeguard the continuity of its operations and to strengthen its financial position. As part of the arrangement it is aiming to achieve, Componenta Corporation issued a EUR 40 million convertible capital loan and discharged the company's secured bank loans and secured bond to a total of EUR 72 million on 16 May 2016.

Despite the above mentioned financial arrangements and divestments of non-core businesses Componenta's liquidity situation became critical in August due to weak turnover and profitability developing more negatively than estimated. The company was unable to negotiate the financing required to rectify the situation. It therefore became impossible to continue operations without corporate restructuring, as the company could not keep its factories operational because of lack of materials.

In the near future, the refinancing and liquidity risks of Componenta Group are related to the corporate restructuring proceedings currently underway. The Group's ability to continue as a going concern depends on whether a feasible restructuring programme is drawn up and approved for the Group companies in Finland and Sweden. In addition the ability to continue as a going concern assumes that the companies, already received an approved restructuring programmes, can pay their restructuring liabilities in accordance with a payment plan defined under the restructuring programmes. The biggest risk to carrying out the restructuring programme is if the largest creditor, the Componenta Döcumculuk and its subsidiary Componenta UK, do not support the restructuring of the Finnish companies and Componenta Främmestad Ab. The tougher attitude taken by suppliers to payment deadlines forms a possible risk to working capital. Liquidity problems present a real risk to the implementation of the restructuring program.

The liquidity of Componenta Dökümcülük A.S. has been tight during 2016 and its negotiations with Turkish financial institutions and other local investment institutions have continued during the first, second and third quarters of 2016. The goal of these negotiations is to safeguard the extra financing required by the Turkish subsidiary and to extend the maturity of financing. Componenta Dökümcülük A.S. signed a new four year credit facility agreement worth EUR 15 million on 28 July 2016. The new loan is a separate part of the EUR 120 million club loan agreement, which was signed in 2014 and amended in 2015. Componenta Group considers that it has lost control over Componenta Dökümcülük A.S., and for this reason consolidation of the Turkish sub-group in the Group's financial statements has been ended on 31 December 2016.

It is presented under interest-bearing liabilities of the Group's balance sheet liabilities to not consolidated Componenta Döcumculuk and to its subsidiary Componenta UK (in the table Turkish sub-group) totally EUR 91.2 million. Other loans includes non-current interest-bearing liabilities EUR 55.0 million to Componenta Döcumculuk and to its subsidiary Componenta UK and current liabilities EUR 36.2 million. These liabilities are restructuring debt under Componenta Corporation's restructuring process. EUR 75.0 million of the loans are with a fixed interest rate of 8% p.a. GBP 13.8 million (equivalent EUR 16.2 million) of the loans are with a floating interest are 3 months GBP libor plus 5.5% margin. The repayment schedule for interest-bearing loans to Componenta Döcumculuk and its subsidiary Componenta UK are presented in tables below. It is assumed in the repayment schedule the original repayment plans so it does not include possible effects from the restructuring process. Because it has not been required early repayment of the loans the non-current part of the liabilities can still be presented as long-term.

The company believes that the restructuring process in Finland and Sweden will make it possible to restore operations to profitability and develop them in the future, but there still remains much uncertainty over the continuity of business operations. In the short-term, financing from major clients has been agreed in Finland and Sweden, which will cover working capital needs. Group had in advanced received, customer pre-payments financing for Componenta Finland Oy EUR 2.8 million and EUR 2.6 million for Componenta Främmestad AB. Other current non-interest bearing liabilities includes customer pre-payments financing for Componenta Wirsbo AB EUR 0.2 million and EUR 0.5 million for Componenta Arvika AB. In order to ensure the success of the restructuring process fixed costs will continue to be reduced. For example, services produced by the parent company for its subsidiaries, and the costs related to them, have been significantly cut and work to lighten the parent company's cost structure is continuing. Continuity in business cannot be secured without the success of the restructuring process and other arrangements underway. In note 29 current non-interest bearing liabilities customer pre-payment financing is included to the table in advanced received and in other current liabilities.

The ongoing restructuring processes affect significantly the development of the refinancing and liquidity risks. See. more details in the paragraph 'Corporate restructuring proceedings' in the Accounting Principles for the Consolidated Financial Statements.

The maturing dates for long-term loans are presented in the notes to the consolidated balance sheet, Note 28. At the end of the reporting period 31 December 2016, Componenta's cash and cash equivalents totalled EUR 4.4 (6.1) million. At the end of the reporting period 31 December 2016, the Swedish subsidiaries had a balance of EUR 3.1 million in a bank account which is managed by the law firm responsible for the administration of Swedish restructuring processes. This balance is not included to Cash and cash equivalents as it is reported under loan receivables under short-term receivables in note 21.

Installments (nominal values) and interest payments on financial liabilities 2016

MEUR	2017	2018	2019	2020	2021	2022+
Loans from financial institutions	-0.8	-	-	-	-	-
Finance leases	-0.5	-0.2	-0.1	-0.1	-	-
Pension loans	-0.4	-0.4	-	-	-	-
Convertible Capital loan	-	-	-	-0.6	-	-
Bonds	-	-	-0.3	-	-	-
Trade payables and other debt	-49.0	-	-	-	-	-
Interest expenses on loans *)	-1.4	0.0	-0.1	0.0	-20.1	-
Interest rate swaps, net	-	-	-	-	-	-
Other loans, to others and to Turkish sub-group *)	-36.2	-15.1	-	-	-40.0	-
	-88.2	-15.7	-0.5	-0.7	-60.1	

*) It is assumed in the repayment schedule of interest bearing liabilities the original repayment plans related to capital and interest to Componenta Döcumculuk and its subsidiary Componenta UK (Turkish sub-group in the table) so it does not include possible effects from the restructuring process. Because it has not been required early repayment of the loans the non-current part of the liabilities can still be presented as long-term.

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

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

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

Installments (nominal values) and interest payments on financial liabilities 2015

MEUR	2016	2017	2018	2019	2020	2021+
Loans from financial institutions *)	–143.9	–24.9	–14.0	–13.5	–13.5	–15.0
Finance leases	–5.9	–3.5	–2.4	–1.4	–0.1	–
Pension loans	–0.9	–0.5	–0.5	–	–	–
Bonds	–6.3	–	–	–	–	–
Trade payables and other debt	–84.5	–	–	–	–	–
Interest expenses on loans	–11.2	–7.7	–4.7	–3.9	–2.8	–0.6
Interest rate swaps, net	–	–	–	–	–	–
	–252.7	–36.7	–21.6	–18.7	–16.4	–15.6

*) The long term part EUR 55.7 million in 2017 according to the syndicated loan agreement and EUR 6.3 million in 2019 according to the bond agreements have been classified as short term loans for the year 2016 due to the IFRS requirement. This is because the relieve of the covenant breach was not given at least for twelve months ahead from the end of the reporting period.

Foreign exchange risk

The Group's foreign exchange risk is divided into transaction risk, which arises from income and expenses denominated in foreign currencies, and translation risk, which arises from equity investments and related profit or loss denominated in foreign currencies. The transaction position is calculated from the foreign currency denominated trade receivables and trade payables in the balance sheet. These form the part of the transaction position in which changes affect 'Operating profit'. The other part of transaction exposure includes items where the impact of changes in exchange rates are recorded in the income statement in 'Financial income and expenses' such as foreign currency cash in hand and at bank and the Group's internal and external foreign currency loans and loan receivables.

The translation position is determined from the shareholders' equity and retained earnings of those foreign subsidiary and associated companies of the Group whose business currency is not the euro. The translation risk to the Group's equity is related to the Swedish and Russian subsidiaries as their equity denominated in local currency is converted to euros.

To hedge against changes in exchange rates, the Group uses foreign currency loans and deposits and other natural hedging relationships. In addition, it can be used common derivative instruments such as foreign currency forward contracts and options, for which pricing on the market is reliable. Foreign currency derivatives mature in less than one year. Due to the financial situation, at the moment the company cannot obtain the credit facilities it would need for signing hedging derivatives.

The currencies with the most significant currency risk exposure are the Swedish crown and the British pound sterling.

The table below shows the sensitivity for price changes of the Group's open currency exposures, including the currency derivatives used for hedging (note 33) in both transaction and translation position. Impact of change in currency rate + / – shows in the first case the effect on the income statement or the shareholder's equity as currency depreciates 10% against euro and in the second case as currency appreciates 10% against euro.

31.12.2016	Closing rate 31.12.2016	Open transaction exposure MEUR	Open translation exposure Me	Estimate on potential currency rate change %	Impact of change in currency rate + / – To income statement	To equity
EUR/USD	1.0541	0.0	–	10	0.0 / -0.0	
EUR/GBP	0.85618	-16.2	–	10	1.5 / -1.8	
EUR/TRY	3.7099	–	–	10		
EUR/SEK	9.5525	0.3	3.5	10	-0.0 / 0.0	-0.3 / 0.4
EUR/RUB	64.3000	–	0.1	10		-0.0 / 0.0
EUR/DKK	7.4344	0.0	–	10	0.0 / -0.0	
EUR/NOK	9.0863	0.0	–	10	0.0 / -0.0	

31.12.2015	Closing rate 31.12.2015	Open transaction exposure MEUR	Open translation exposure Me	Estimate on potential currency rate change %	Impact of change in currency rate + / – To income statement	To equity
EUR/USD	1.0887	-4.1	–	10	0.4 / -0.5	
EUR/GBP	0.73395	3.8	1.9	10	-0.3 / 0.4	-0.2 / 0.2
EUR/TRY	3.1776	-26.0	–	10	2.4 / -2.9	
EUR/SEK	9.1895	29.9	-5.1	10	-2.7 / 3.3	0.5 / -0.6
EUR/RUB	80.6736	0.2	-0.0	10	-0.0 / 0.0	0.0 / -0.0

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

Interest rate risk

The interest rate risk to which fair values and the cash flow are exposed arises mainly from the Group's loan portfolio and finance leases. The interest rate risk arises as changes in market interest rates and in interest rate margins affect financial expenses and income. The interest rate risk is managed by spreading the loan portfolio between fixed and floating interest rate loans and investments. In addition, interest rate derivatives can be used.

Interest rate derivatives that hedge the Group's result are divided into derivatives included in cash flow hedge accounting as defined in IAS 39, and assets and liabilities held for trading. Therefore interest rate fluctuations do not affect the carrying values of interest-bearing items but only interest expenses and income recognized in the income statement. Changes in the fair values of interest rate derivatives classified as held for trading affect financial income and expenses in income statement whereas changes in the fair values of interest rate swaps included in cash flow hedge accounting affect the Group's shareholders' equity. The Group does not have any interest rate swaps in cash flow hedge accounting or interest rate derivatives classified as held for trading on the reporting date.

INCOME STATEMENT – FINANCIAL EXPENSES

MEUR	31.12.2016 for 2017 Forecast change in financial expenses	31.12.2016 for 2017 Sensitivity interest rate curve +100bp	31.12.2015 for 2016 Forecast change in financial expenses	31.12.2015 for 2016 Sensitivity interest rate curve +100bp
Interest-bearing financial liabilities	0.0	-0.1	-0.2	-1.0

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

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

Commodity risk

Group's commodity risk arises mainly from the price risk of the electricity and of the raw materials. The price risk of electricity has not been able to hedge due to poor economic situation after October 2016. The needed electricity is purchased at market price so the changes in the market price affect straight Group's result. For the Group's business operations it is imperative that it can source certain raw materials, such as recycled steel and iron blocks at competitive prices. The cost risk associated with raw materials is primarily managed using pricing agreements, with which the prices of products are adjusted according to the prices of their raw materials. Group also has the availability risk of the raw materials as it has been in cash sale since the beginning of the restructuring process because Group has lost credit insurance limits.

Credit risk

Each Group company is primarily responsible for the credit risk of its own trade receivables. Group Credit Controlling sets guidelines, monitors credit risk management, and evaluates the creditworthiness of customers and their ability to fulfil their payment obligations. The importance of the collection and credit controlling activities has been emphasized since the Group lost the limits of sold trade receivables. On the other hand, shortening of the customer's payments terms has decreased the credit risk of trade receivables.

Many customers are financially sound and solid companies, but in individual cases reports on payment behaviour and capital adequacy from credit rating companies are used to assist in credit decisions.

The proportional increase in overdue trade receivables can be explained mainly by the changes in the payment terms in Finland and Sweden to cover Group's working capital needs after the restructuring notice. It has not been able to agree all payment term changes to 3-7 days with customers which explains the high level in overdue trade receivables. In addition, the monitoring and the collection of overdue trade receivables has been challenging due to corporate restructuring duties and due to personnel reductions related cost savings.

Credit losses / depreciations related receivables from the Dutch sub-group recorded by the Group's continued operations totalled EUR -21.6 million. Credit losses during the reporting period totalled EUR -1.7 (-0.5) million. Componenta Corporation and Componenta Finland Oy recorded a credit loss of EUR -1.5 million from Turkish sub-group. Componenta Wirsbo AB recorded credit losses from insolvent Rani AB, Kenny Holm, Gerb Brinkmann and Arkivator. Componenta Främmestad AB recorded credit losses related to disputes of sold trade receivables. The Group has recorded a liability of EUR 4.6 million to balance sheet based on the disputes of sold trade receivables to which is related possible repurchase obligation. The Group's credit loss risk was EUR 17.3 (25.3) million.

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

Outstanding trade receivables fall due as follows

MEUR	31.12.2016	31.12.2015
Not due	3.8	14.5
Overdue		
less than 1 month	4.6	2.1
1 - 3 months	2.9	1.9
3 - 6 months	2.9	1.4
more than 6 months	0.5	1.3
	14.6	21.3

33. Non-Current non-interest bearing liabilities

MEUR	31.12.2016	31.12.2015
Non-Current derivative liabilities	-	0.3
Non-Current capital loans	27.0	-

Capital loan of EUR 27 million is a non-interest bearing capital loan given by Componenta Dökümcülük A.S. to Componenta Främmestad AB. The capital loan shall be repaid before the owners can be paid any dividend, and the capital can be repaid only if the distributable assets of Främmestad AB are sufficient as laid down in the local company act.

Derivative instruments

Nominal values of derivative instruments

MEUR	2016 Nominal value	2015 Nominal value
Foreign exchange rate derivatives *)		
Foreign exchange rate forwards	-	7.5
Foreign exchange rate swaps	-	9.8
Interest rate derivatives		
Interest rate swaps		
Maturity in less than a year	-	-
Maturity after one year but less than five years	-	-

MEUR	2016 Nominal value	2015 Nominal value
Commodity derivatives		
Electricity price forwards		
Maturity in less than a year	–	1.3
Maturity after one year but less than five years	–	1.7

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

Fair values of derivative instruments

MEUR	2016 Fair value, positive	2016 Fair value, negative	2016 Fair value, net	2015 Fair value, net
Foreign exchange rate derivatives				
Foreign exchange rate forwards	–	–	–	-0.2
Foreign exchange rate swaps	–	–	–	-0.4
Interest rate derivatives				
Interest rate swaps	–	–	–	-
Commodity derivatives				
Electricity price forwards	–	–	–	-0.8

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

The realized and unrealized exchange rate differences for currency derivatives hedging against changes in exchange rates for foreign currency trade receivables and trade payables in the balance sheet are recognized in 'Other operating income'. Exchange rate differences for foreign currency derivatives hedging against foreign currency loans and the accumulated interest difference and interest difference valuations are recognized in 'Financial income and expenses'. The fair values of interest rate derivatives that are not included in cash flow hedge accounting as defined in IAS 39 are recognized in 'Financial income and expenses'. Unrealized valuation gains and losses of derivatives are recognized in current and non-current receivables and liabilities. Unrealized fair valuation losses of EUR - (0.3) million were recorded under other non-current non-interest bearing liabilities.

Sensitivity analysis of electricity price forwards

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

MEUR	Change in market price of electricity price forwards 2016 15% / -15%	2015 15% / -15%
Change in fair value of electricity price forwards	– / –	0.3 / -0.3

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

Derivative instruments included in cash flow hedge accounting

MEUR	2016 Nominal value	2016 Fair value, effective portion of hedge	2015 Nominal value	2015 Fair value, effective portion of hedge
Commodity derivatives				
Electricity price forwards	–	–	3.1	-0.5

The fair values of commodity derivatives designated as cash flow hedges against changes in market prices have been recognized in the hedging reserve of equity and will be recognized through profit and loss when the hedged item affects profit and loss or its occurance is no longer likely. Income statement effects arising from electricy forwards are recognized in purchases included in 'Operating Profit'. The hedge accounting of the electricity has been ended in October 2016. The effective part of the hedge accounting at the ending moment will be recognized through profit and loss when the hedged item affects profit and loss.

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

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

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

Derivative instruments held for trading

MEUR	2016 Nominal value	2016 Fair value	2015 Nominal value	2015 Fair value
Foreign exchange rate derivatives				
Foreign exchange rate forwards	–	–	7.5	-0.2
Foreign exchange rate swaps	–	–	9.8	-0.4
Interest rate derivatives				
Interest rate swaps	–	–	–	–

Derivative instruments classified as held for trading are part of the Group's risk management but the hedge accounting principles of IAS 39 are not applied.

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

34. Other leases

Group as lessee

Minimum lease payment schedule for other non-cancellable leases

MEUR	2016	2015
Not later than one year	0.7	0.9
Later than one year but not later than five years	2.1	2.6
Later than five years	0.6	0.6
Minimum lease payments total	3.4	4.1

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

The 2016 income statement includes lease payments of EUR -0.0 (2.1) million for other non-cancellable leases.

Group as lessor

The minimum lease receivable schedule for other non-cancellable leases

MEUR	2016	2015
Not later than one year	0.2	0.2
Later than one year but not later than five years	0.8	0.7
Minimum lease payments total	0.9	0.8

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

35. Contingent liabilities

MEUR	2016	2015
Real-estate mortgages		
For own debts *)	**7.8**	8.1
Business mortgages		
For own debts **)	**53.3**	114.5
Pledges		
For own debts ***)	**4.0**	458.2
Other commitments ****)	**80.9**	1.2

*) Figure 2016 includes real-estate mortgages given as security for customer pre-payments program and for pension loans.
**) Figure 2016 includes a business mortgage of EUR 50 million given as security for customer pre-payments program.
***) Figure 2016 includes a share pledge of EUR 4 million given as security for customer pre-payments program.
****) Figure 2016 includes a parent company guarantee of EUR 80 million given as security for the external loans of Componenta Dökümcülük A.S. The figure is included to contingent liabilities as Turkish sub-group has not been consolidated anymore.

On 31 December 2016 Componenta had contingent financial leasing liabilities, from not yet started contracts, amounting to EUR 0.0 (3.7) million. Financial leasing liability and the investment capitalization is recorded in the statement of financial position when the financial leasing contract begins and when the financial leasing underlying machinery etc. object is received.

Some group companies are involved in few lawsuits and disputes relating to their business. Management believes that the outcome of such lawsuits and disputes will not have a material adverse effect on the Group's result or financial position when taking into consideration the grounds presented for the lawsuits and disputes, insurance coverage in force and the extent of Group's business. The estate of the company's dutch subsidiary, which has been declared bankrupt, and one of its suppliers has presented claims against the company. These claims are not disclosed as contingent liabilities as the company considers them to be ungrounded.

Secured liabilities

MEUR	2016	2015
Liabilities secured with real estate or business mortgages		
Loans from financial institutions	**0.0**	0.0
Pension loans	**0.8**	2.0
Customer pre-payments	**2.8**	
	3.6	2.0
Liabilities secured with pledges and business mortgages		
Loans from financial institutions	**0.8**	178.3
	0.8	178.3

36. Related party disclosures

Group companies (control) 31.12.2016

Company	Domicile	Group share of holding, %	Parent company share of holding, %
Arvika Smide AB	Arvika, Sweden	100.0	-
Componenta Finland Oy	Karkkila, Finland	100.0	100
Componenta Främmestad AB	Essunga, Sweden	100.0	-
Componenta Russia, LLC	Moscow, Russia	100.0	1.0
Componenta Wirsbo AB	Surahammar, Sweden	100.0	-
Karkkilan Koskikiinteistö Oy	Karkkila, Finland	81.0	66.9
Karkkilan Lääkärikeskus Oy	Karkkila, Finland	100.0	100
Karkkilan Valimokiinteistö Oy	Karkkila, Finland	100.0	-
Kiinteistö Oy Ala-Emali	Karkkila, Finland	98.2	98.2
Kiinteistö Oy Pietarsaaren Tehtaankatu 13	Pietarsaari, Finland	100.0	-

Kiinteistö Oy Ylä-Emali	Karkkila, Finland	100.0	100.0
Pietarsaaren Vanha Valimo Oy	Pietarsaari, Finland	100.0	–
Uudenmaan Rakennustiimi Oy	Karkkila, Finland	100.0	100
Vanhan Ruukin Kiinteistöpalvelu Oy	Karkkila, Finland	100.0	100

Transactions with related parties

MEUR	2016	2015
Sale of goods and services to associated companies	0.1	–
Purchase of goods and services from associated companies	–0.2	–0.1

The continued operations did not have any associated companies in 2015 and 2016. All transactions with associated companies took place under discontinued operations.

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

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

2016, EUR	Salaries, fees & fringe benefits	Voluntary pension benefits	Total
Board of Directors	225,000	0	225,000
President and CEO Harri Suutari	463,600	35,700	449,300
Deputy CEO	34,073	992	35,065
Other members of CET	1,351,956	34,236	1,386,192
Total	2,074,629	70,928	2,145,557

2015, EUR	Salaries, fees & fringe benefits	Voluntary pension benefits*)	Total
Board of Directors	245,000	0	245,000
President and CEO Heikki Lehtonen (until 16 Nov 2015)	259,434	13,510	272,944
President and CEO Harri Suutari (as of 16 Nov 2015)	57,905	0	57,905
Deputy CEO	221,379	25,627	247,006
Other members of CET	1,089,395	26,676	1,116,071
Total	1,873,113	65,813	1,938,626

*) Comparative figures have been adjusted.

Remuneration of the Board of Directors and executive management

Remuneration and fees, 1,000 EUR	2016	2015
President and CEO Harri Suutari	499	58 *)
President and CEO Heikki Lehtonen	–	273 *)
Deputy CEO	35	247
Members of Board of Directors		
Harri Suutari	–	40
Matti Ruotsala	60	40
Riitta Palomäki	35	35
Tommi Salunen	35	35
Olavi Huhtala	35	35
Olli Isotalo	30	30
Perttu Louhiluoto	30	30
Total, Board of Directors	225	245

*) Comparative figures have been adjusted.

The remuneration shown above for the President and person acting as deputy for the President include additional pension agreements in 2016 (2015) of EUR 35,700 (13,510) and 992 (25,627) a year. The retirement age of the President and CEO is 63 years. The retirement age for the deputy to the president and CEO is set in accordance with local legislation and at present is 65 years. The president and CEO is paid a supplementary pension each year, which is 6% of the basic annual earnings, but the payments executed by the company have been fallen behind from the targeted due to financial challenges of the Group. This supplementary pension agreement includes old age pension after reaching the age of retirement, paid up pension policy rights if the employment of the insured is terminated before reaching the age entitling to old age pension as stated in the insurance policy, disability insurance, and life insurance for the duration of employment, of the paid up pension policy and of pension. In addition the president and CEO has a separate pension capitalisation agreement, under which the pension begins at the age of 63 years and ends at the age of 68 years or when the savings in the capitalisation agreement have been used up. The payments executed by the company for the supplementary pension and for the pension capitalisation agreement with Harri Suutari were EUR 35,700 in 2016 and with Heikki Lehtonen EUR 13,510 in 2015. The actual pension is calculated annually by dividing the remaining amount of the savings by the remaining number of months for the pension. The annual payments by the company for the supplementary pension of the deputy to the president and CEO correspond to his gross total salary for one month. The company has had no deputy for president after 3 March 2016 onwards.

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

Other related party disclosures

Componenta Corporation's President and CEO Harri Suutari and CFO Markku Honkasalo subscribed to the EUR 40 million convertible capital loan issued on 16 May 2016. Suutari subscribed loan shares to the value of EUR 474,000 and Honkasalo EUR 60,000.

Componenta has granted loan receivables totalling EUR 0.1 (0.2) million to persons who are related parties in this or previous financial years. Of these receivables EUR 0.1 million is from the corporation controlled by the former President and CEO and EUR 0.0 million from the current and former members of the Corporate Executice Team.

37. Condensed Parent Company stand-alone IFRS financial information

These parent company condensed stand-alone financial information have been presented in accordance with IAS 27 in order to present the Company's shareholders with useful information considering the commencement of the restructuring proceedings for the parent and its operating subsidiaries. Information presented under note 37 are unaudited.

Condensed statement of financial position (IFRS) – Parent Company

Assets

MEUR	31.12.2016
Non-current assets	
Tangible non-current assets	0.5
Intangible non-current assets	0.2
Investments	0.0
Investments in group companies	14.2
Non-current receivables	8.9
	23.9
Current assets	
Trade receivables	0.8
Other current receivables	1.7
Cash and cash equivalents	0.3
	2.8
Total assets	26.7

Equity and liabilities

MEUR	31.12.2016
Equity attributable to owners of the parent	
Share capital	21.9
Share premium	15.1
Other reserves	200.2
Retained deficit	–335.0
Total equity	–97.7
Liabilities	
Non-current interest bearing debts	66.5
Current interest bearing debts	36.2
Trade payables	3.5
Other payables	18.3
Total liabilities	124.4
Total equity and liabilities	26.7

Condensed income statement (IFRS) – Parent Company

MEUR	1.1–31.12.2016
Sales	18.6
Other operating income	0.5
Operating expenses	–32.0
Depreciations and write-downs	–2.7
Operating loss	–15.6
Impairment charges on subsidiary shares and capital loan receivables	–220.1
Other financial income and expenses, net	–0.6
Finance costs (net)	–220.8
Loss before income taxes	–236.3
Income taxes (change in deferred taxes)	–1.1
Loss for the financial year	–237.4

Selected notes

Going concern
These financial statements have been prepared on a going concern basis. For further information please see the accounting principles of the Parent company and the Group.

Restructuring proceedings and the valuation of the payables
The final outcome of the restructuring proceedings is uncertain, therefore, in accordance with on the prudence principle, the value of Componenta Corporation's debts has not been reduced in the financial statements of 31 December 2016 and they are presented as such at their nominal value.

Valuation principles for investments in subsidiaries and receivables from subsidiaries
The company's Dutch subsidiary, Componenta B.V., was declared bankrupt in the third quarter, and control over the Turkish subsidiary, Componenta Documculuk Ticaret ve Sanayi A.S., was lost towards the end of 2016. Both the Dutch and the Turkish subsidiaries' balance sheet values amounted to EUR 1.The Finnish subsidiary Componenta Finland Oy and the Swedish subsidiaries it owns, namely Componenta Främmestad AB, Componenta Wirsbo AB and Arvika Smide AB, was filed for corporate restructuring for in accordance with local restructuring proceedings. Considerable uncertainty relates to the cash generating ability of these subsidiaries and to their ability to pay their debts and, in accordance with the above metioned uncertainty a reduction of value has been applied to investments in these companies and to receivables from them. The balance sheet value of the investments on 31 December 2016 is 0 and receivables are valued at the estimated recoverable amount taken in the consideration the local restructuring proceedings. Total impairments of the subsidiary shares and capital loan receivables were MEUR -220.1.

38. Events after end of period

On 20 January 2017 Componenta announced that from the convertible capital loan of EUR 40 million issued on 16 May 2017 200 shares of the loan have been used for the subscription of 400,000 new shares in Componenta Corporation. Following the registration of the new shares, the total number of the Company´s shares is 176,537,224.

On 26 January 2017 Componenta announced that the district court of Helsinki has decided at the request of the administrator to postpone the deadline for submitting the draft restructuring program of Componenta Corporation and Componenta Finland Oy till 31 March 2017. On 7 February 2017 Componenta announced that it will postpone the publishing of the Financial Statements Release and the Financial Statements for 2016 and the planned time of the Annual General Meeting, because the review relating to the impacts of the restructuring proceedings to the Financial Statements is still pending. In the same context the company announced that the Financial Statements Release for the year 2016 will be published on 30 March 2017 and the Annual Report for the year 2016 including the Financial Statements and the Report of the Board of Directors will be published on 7 April 2017 and Componenta's Annual General Meeting is planned to be held on Friday, 5 May 2017. In addition Componenta announced on 30 March 2017 that it will postpone the publishing of the Financial Statements, because additional time is required for the finalization of Notes to the Financial Statements related to corporate restructuring. According to the release, the company will publish the Financial Statements for the year 2016 including the Report of the Board of Directors, the Corporate Governance Statement including the Remuneration Statement and the Annual Report 2016 on 12 April 2017.

On 15 February 2017 Componenta announced that balance sheet consolidation of its Turkish subsidiary's Componenta Dökümcülük Ticaret ve Sanayi A.S. ended in the Group's financial statements on 31 December 2016. Since the end of 2016 the club loan banks in Turkey have taken a more active role in the process of selling the Componenta Dökümcülük shares owned by Componenta, and in practice the negotiations are being conducted under the leadership of the Turkish club loan banks. In addition, any involvement of Componenta representatives in the management of Componenta Dökümcülük has become increasingly restricted. Due to mentioned reasons the Company considers that it has lost control over the Turkish subsiadiary in accordance with IFRS, and for this reason the consolidation of the Turkish company and its subsidiary in the UK in the Group's financial statements ended on 31 December 2016.

On 6 March 2017 Componenta announced that Skaraborg district court has granted on 3 March 2017 extension for restructuring proceeding of Componenta Corporation's subsidiary Componenta Främmestad AB until 1 June 2017. Reaching an agreement relating to the internal debt between Componenta Främmestad AB and Componenta Dökümcülük Ticaret ve Sanayi A.S., which is still pending, is seen as a prerequisite for a viable composition proposal.

On 14 march 2017 Componenta announced that Pauliina Rannikko, SVP Legal and HR of Componenta Group and member of the executive team has resigned from her position in Componenta and she will as from 18 April 2017 move to new position outside Componenta.

On 30 March 2017 Componenta announced as part of the Notice to the Annual General Meeting that the Board of Directors proposes that out of the loss of EUR 336,419,172.22 related to the financial periods ended on or before 31 December 2016 (the loss of the financial period ended on 31 December 2016 being EUR 236,496,663.78), as shown in the financial statements of the company as per 31 December 2016, a total amount of EUR 233,487,815.06 will be covered as follows: by reducing the unrestricted equity reserve by EUR 197,476,971.36, by reducing the share premium reserve by EUR 15,114,467.70, by reducing the reserve fund by EUR 4,980 and by reducing the company's share capital of EUR 21,891,396 by EUR 20,891,396. The covering of the losses will be primarily directed to the losses of financial periods ended before 31 December 2016 and secondarily to the losses of the financial period that ended on 31 December 2016. After the suggested actions the sum of the unrestricted equity reserve, the share premium reserve and the reserve fund would be EUR 0.00 and the share capital of the company would be EUR 1,000,000.

On 4 April 2017 Componenta announced that The District Court of Helsinki has given interim decisions relating to the draft restructuring programmes of Componenta Corporation and Componenta Finland Ltd. The District Court has decided to continue processing the draft restructuring programmes filed by the administrator on 30 March 2017.

Componenta Corporation

Accounting principles for the financial statements

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

Corporate restructuring proceedings and going concern assumption

These financial statements have been prepared on the going concern basis. During 2016 the company implemented financial solutions described in more detail in the financial statements. The Group also sold non-core business operations during the financial year. Despite these measures the company's liquidity remained tight, and as a result of this weak liquidity the company was no longer able to meet all its financial obligations as they fall due. In consequence of this, on 1 September 2016 the company filed an application to begin corporate restructuring proceedings. On 30 September the district court of Helsinki in Finland took the decision to commence the restructuring process of Componenta Corporation. In Finland a restructuring programme will typically be approved within a year and a payment programme for restructuring debt may last for several years.

The total amount of Componenta Corporation's restructuring debt that is entered in the company's balance sheet and must be taken into account in the restructuring proceedings is some EUR 126 million, and this is at the same time non-preferential debt. Some EUR 95 million of Componenta Corporation's restructuring debt is to the Componenta Turkey sub-group, EUR 11 million to Group companies consolidated in the consolidated financial statements, and EUR 20 million to other parties. Componenta's Turkish subsidiary is the biggest creditor of Componenta Corporation. According to the proposed restructuring programme, the amount of non-preferential debt will be reduced by 96 per cent. According to the payment scheme for non-preferential debt, the company's non-preferential debt will be paid at six month intervals over a 5 year period [such that the first instalment will fall due for payment in 2019 and the last in 2023. Componenta Corporation gave a guarantee of a maximum of EUR 80 million as security for the club loan of its Turkish subsidiary in 2014. This debt is not recorded in the Group's balance sheet since, in the current view of the company, it would only be realized in a situation where after the end of the restructuring proceedings the club loan banks demanded that the guarantee be realized and cancellation of the guarantee had not been agreed before the end of the restructuring proceedings. The company also has EUR 4 million in lowest-priority debt. The amount of lowest priority debt will be cut in its entirely. Corporate restructuring proceedings have been described more precisely under Group accounting principles.

In their assessment of the going concern principle, the company's Board of Directors and management have stated that restructuring proceedings in Finland and Sweden make it possible to restore and develop business operations in the future, but considerable uncertainty still surrounds their ability to continue as a going concern. The Finnish and Swedish subsidiaries are filing for restructuring proceedings. Componenta Corporation provides administrative services to the Finnish and Swedish companies, for which corporate restructuring creates an opportunity to put the capital structure and business operations back on a healthy footing and through the restructuring proceedings makes it possible for profitable operations to continue. The company is also planning measures to achieve cost savings that will improve the company's profitability.

When assessing the going concern principle, company management has taken into account the uncertainties and risks related to the confirmed and draft restructuring programmes, available funding sources and the cash flow estimates for the coming 12 months of the companies under restructuring proceedings.

The Group's liquidity and its effect on the Group's financial performance are affected by significant uncertainty factors, which the Group management has taken into account when assessing the company's ability to continue as a going concern. If the ongoing restructuring procedures are not successful the Group will not have sufficient working capital required for the next 12 months. It is important for the continuity of Componenta Oyj's operations that the subsidiaries' restructuring procedures are successful, as Componenta Oyj's main sources of income consist of the brand and administrative services fees collected from the subsidiaries. It is possible that the restructuring is unsuccessful and the Group companies will file for bankruptcy.

The company recorded a significant losses in the 2016 and 2015 financial year periods, which was mainly due to write-downs on the value of subsidiary shares and of receivables from subsidiaries. On 31 December 2016 had cash funds and equivalents of EUR 0.3 million and other current assets of EUR 11.4 million. Current liabilities totalled EUR 59.0 million and long-term liabilities EUR 69.5 million. Most of the company's liabilities are internal debt within the Group that is included in the restructuring proceedings and falls due for payment according to the original payment schedule.

Valuation principles for investments in subsidiaries and receivables from subsidiaries

The company's Dutch subsidiary, Componenta B.V., was declared bankrupt in the third quarter, and control over the Turkish subsidiary, Componenta Documculuk Ticaret ve Sanayi A.S., was lost towards the end of 2016. Both the Dutch and the Turkish subsidiaries' balance sheet values amounted to EUR 1.

The Finnish subsidiary Componenta Finland Oy and the Swedish subsidiaries it owns, namely Componenta Främmestad AB, Componenta Wirsbo AB and Arvika Smide AB, was filed for corporate restructuring for in accordance with local restructuring proceedings. Considerable uncertainty relates to the cash generating ability of these subsidiaries and to their ability to pay their debts and, in accordance with the prudence concept, a reduction in value as prescribed in article 13 of chapter 5 of the Finnish Accounting Act has been applied to investments in these companies and to receivables from them. The balance sheet value of the investments on 31 December 2016 is EUR 12.4 million and receivables are valued at the estimated recoverable amount taken in the consideration the local restructuring proceedings.

Restructuring proceedings and the debts of Componenta Corporation

The final outcome of the restructuring proceedings is uncertain, therefore, in accordance with on the prudence principle, the value of Componenta Corporation's debts has not been reduced in the financial statements of 31 December 2016 and they are presented as such at their nominal value.

Foreign currency transactions

Business transactions in foreign currencies are recognized at the exchange rate on the date of the transaction. Forward contracts made to hedge foreign exchange risks are recognized in profit or loss at the same time as the commitment being hedged. Receivables and liabilities in foreign currency are translated into euros at the European Central Bank's average exchange rate on the balance sheet date. Exchange differences arising from translation are recognized in profit or loss under adjustments to sales or purchases or under financial items, depending on their nature.

Derivatives

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

Negative fair values for exchange rate differences for foreign exchange derivatives are recognized on the closing date in the income statement. Positive fair values for foreign exchange derivatives made for hedging purposes are only recognized in the income statement if the hedging has also proved to be effective when examined after the event.

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

Due to the missing limits the company had no open derivative contracts at the end of the reporting period 2016.

Inventories

Indirect acquisition and manufacturing costs have been added to the acquisition cost of inventories.

The lowest cost principle has been applied in valuing inventories, so stock has been valued at acquisition cost, repurchase cost or probable sales price, whichever gives the lowest value for stock. Inventory usage is recorded on the FIFO principle. The company does not have any inventories at the end of the interim financial statement period, since the Pistons operations were sold on 17 August 2016.

Non-current assets and depreciation

Non-current assets are recorded in the balance sheet at their historical cost less planned depreciation. Planned depreciation, except for production machinery and equipment, is calculated on a straight-line basis on the historical cost, based on the estimated useful economic life. As from 1 January 2009, the Group has applied the units-of-production method of depreciation for production machinery and equipment, in which the amount of depreciation is based on the actual output of production machinery and equipment. The units-of-production method gives a more precise picture of the actual economic wear on production machinery and equipment than straight-line depreciation, especially when capacity usage changes quickly.

Planned depreciation is calculated on a straight-line basis on the historical cost based on the probable useful life.

Intangible rights	3 - 10 years
Other long-term expenditure	3 - 10 years
Computing equipment	3 - 10 years
Other machinery and equipment	10 - 25 years
Other tangible assets	5 - 10 years

Leasing

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

Pensions

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

Income taxes

Taxes include taxes for the fiscal year calculated on the actual figures as well as taxes due for payment or refund from previous fiscal years that differ from the calculated taxes. Deferred tax assets have not been recorded for losses.

Extraordinary items

Due to a change in Finnish accounting standards the company does not disclose extraordinary items in the profit and loss statement anymore. The comparison period has not been restated as the company considers that this does not impact the true and fair view. The extraordinary items in the comparison period are group contributions which would be disclosed as a separate line item in the profit and loss statement according to the changed accounting standards.

Parent company income statement, balance sheet and cash flow statement 1.1.–31.12.

(according to Finnish Accounting Standards)

Parent company income statement 1.1.–31.12.

TEUR	Note	2016	2015
NET SALES	1	**18,565.2**	28,690.1
Other operating income	2	**523.7**	733.0
Operating expenses	3	**–30,959.1**	–25,691.9
Depreciation, amortization and write-down of non-current assets	4	**–2,694.9**	–11,677.4
OPERATING PROFIT/LOSS		**–14,565.2**	–7,946.1
Financial income and expenses in total	5	**–221,931.5**	–138,102.5
PROFIT/LOSS AFTER FINANCIAL ITEMS		**–236,496.7**	–146,048.7
Extraordinary items	6	**–**	384.0
PROFIT/LOSS AFTER EXTRAORDINARY ITEMS		**–236,496.7**	–145,664.7
Income taxes	7	**–**	–298.2
PROFIT/LOSS FOR THE FINANCIAL PERIOD		**–236,496.7**	–145,962.8

Parent company balance sheet 31.12.

TEUR	Note	2016	2015
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	8	510.4	6,773.3
Tangible assets	9	225.3	2,046.9
Investments	10	14,229.0	220,392.9
		14,964.8	229,213.1
CURRENT ASSETS			
Inventories	11	–	944.7
Non-current receivables	12	8,916.2	38,899.6
Current receivables	12	2,510.5	18,411.1
Cash and bank accounts		288.8	537.9
		11,715.5	58,793.4
TOTAL ASSETS		26,680.2	288,006.5
LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY	13		
Share capital		21,891.4	21,891.4
Share premium reserve		15,114.5	15,114.5
Unrestricted equity reserve		197,477.0	158,043.0
Reserve fund		5.0	5.0
Retained earnings		–99,922.5	46,040.3
Profit/loss for the financial period		–236,496.7	–145,962.8
Shareholders' equity		–101,931.4	95,131.3
LIABILITIES	14		
Non-current liabilities		69,540.0	78,610.0
Current liabilities		59,071.6	114,265.2
Liabilities		128,611.6	192,875.2
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		26,680.2	288,006.5

Parent company cash flow statement 1.1.–31.12.

TEUR	2016	2015
CASH FLOW FROM OPERATIONS		
Profit/loss after financial items	–236,497	–146,049
Depreciations according to plan	1,142	2,540
Write-downs of non-current assets	1,553	9,138
Other income and expenses, non-cash items	11,816	–127
Selling profit of non-current assets	886	–32
Financial income and expenses	221,931	138,103
Cash flow before changes in working capital	831	3,573
Changes in working capital		
Current non-interest bearing receivables increase (–)/decrease (+)	–6,043	–6,023
Inventories, increase (–)/decrease (+)	945	246
Current non-interest bearing liabilities increase (+)/decrease (–)	–4,343	1,640
Cash flow from operating activities before financial items and taxes	–8,610	–564
Interest and payments paid from other financial expenses of operations	–9,374	–17,409
Dividends received from operations	–	2,893
Interest received from operations	3,088	11,720
Paid income taxes	–	–298
Cash flow before extraordinary items	–14,896	–3,658
Cash flow from operations extraordinary items	–	818
CASH FLOW FROM OPERATING ACTIVITIES (A)	–14,896	–2,840
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure in tangible and intangible assets	–148	–382
Proceeds from current and non-current assets	5,371	36
Investments in shares of subsidiary companies	–	–74
Other investments	–	–
Loans receivables, decrease (+) / increase (–)	–6,613	–1,643
Proceeds from shares of associated companies	–	–
Proceeds from sale of investments	131	121
CASH FLOW FROM INVESTING ACTIVITIES (B)	–1,259	–1,942
CASH FLOW FROM FINANCING ACTIVITIES		
Share issue	–	–
Repayment of capital note	–	–
Draw-down of capital note	–	–
Draw-downs (+) and repayments (–) of current loans	–3,671	–953
Draw-downs (+) and repayments (–) of non-current loans	19,577	5,286
CASH FLOW FROM FINANCING ACTIVITIES (C)	15,906	4,333
CHANGE IN LIQUID ASSETS (A + B +C) increase (+)/decrease (–)	–249	–449
Cash and bank accounts at the beginning of the period	538	987
Cash and bank accounts at period end	289	538
Change during the period	–249	–449

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF PARENT COMPANY

Figures are in thousands of euros unless otherwise stated.

NOTES TO THE INCOME STATEMENT

1. Net sales by market area

TEUR	2016	2015
Finland	**6,125.9**	10,345.6
Other Nordic countries	**2,136.2**	1,871.9
Central Europe	**2,804.8**	6,013.2
Other countries	**7,498.3**	10,459.4
Net sales total	**18,565.2**	28,690.1

2. Other operating income

TEUR	2016	2015
Rental income	**393.3**	635.5
Sales gains of fixed assets	**99.7**	32.2
Other operating income	**30.7**	65.3
Other operating income total	**523.7**	733.0

3. Operating expenses

	2016	2015
Change in inventory of finished goods and work in progress	**–104.8**	–219.8

TEUR	2016	2015
Materials, supplies and products		
Purchase of goods during the period	**–716.6**	–2,043.6
Change in inventory	**–87.0**	–26.2
Total	**–803.5**	–2,069.7

External services	**–47.7**	–122.3

TEUR	2016	2015
Rents	**–1,283.9**	–1,566.0
Other operating expenses *)	**–21,715.1**	–13,388.7
Other operating expenses total	**–22,999.0**	–14,954.7

*) Other operating expenses include significant write downs of group receivables.

Personnel expenses	**–7,004.1**	–8,325.3

Total operating expenses	**–30,959.1**	–25,691.9

Audit fees	**–158.6**	–136.6
Other fees	**–57.0**	–23.4
Total fees paid to auditors	**–215.6**	–160.1

Personnel expenses and number of personnel		
Salaries and fees	**–5,650.8**	–6,650.8
Pension costs	**–1,109.0**	–1,331.9
Other personnel costs	**–244.3**	–342.6
Total	**–7,004.1**	–8,325.3
Salaries and other remuneration of the Corporate Executive Team	**–2,057.5**	–991.6
Fringe benefits of the Corporate Executive Team	**–17.2**	–23.2
Additional pension agreements, see note 36 on the consolidated financial statements.		
Average number of personnel	**88**	132

4. Depreciation and write-downs

TEUR	2016	2015
Intangible assets		
Development expenditure	**–8.0**	–4.4
Intangible rights *)	**–5.0**	–7.6
Goodwill	**–469.4**	–1,846.3
Other long-term expenditure *)	**–458.5**	–528.2
Tangible assets		
Machinery and equipment *)	**–200.8**	–152.9
Write-downs on non-current assets	**–1,553.3**	–9,138.0
Total depreciation and write-downs	**–2,694.9**	–11,677.4

*) Comparative figures have been restated due to an error in the classification.

5. Financial income and expenses

TEUR	2016	2015
Interest and other finance income		
Group companies	**5,000.6**	9,290.5
Others	**45,034.1**	8,467.2
Total	**50,034.7**	17,757.8
Interest and other finance expenses		
Group companies	**–7,337.8**	–10,633.3
Others	**–19,207.2**	–8,921.7
Total	**–26,545.0**	–19,555.0
Write-downs on investments of non-current assets *)	**–220,753.6**	–136,305.2

*) Includes significant write downs of group company shares and convertible loans.

Write downs of current asset investments *)	**–24,667.6**	–

*) Includes significant write downs of loans granted to group companies.

Financial income and expenses, total	**–221,931.5**	–138,102.5
Financial income and expenses include exchange gains/losses (net)		
Group companies	**2,444.8**	–218.3
Others	**–709.0**	988.0
Total	**1,735.8**	769.7

6. Extraordinary items

TEUR	2016	2015
Extraordinary income		
Group contributions received	**–**	384.0
Total	**–**	384.0

7. Income taxes

TEUR	2016	2015
Direct taxes from current period	**–**	–298.2
Direct taxes from previous periods	**–**	–
Total	**–**	–298.2
Taxes in income statement	**–**	–298.2

NOTES TO THE STATEMENT OF FINANCIAL POSITION

Non-current assets

8. Intangible assets

TEUR	2016	2015
Development expenditure		
Acquisition cost at 1 Jan	**83.1**	22.5
Additions	**–**	60.6
Transferred with business acquisition	**–83.1**	–
Acquisition cost at 31 Dec	**–**	83.1
Accumulated planned amortization at 1 Jan	**–26.6**	–22.1
Accumulated amortization on business acquisition	**34.6**	–
Amortization during the period	**–8.0**	–4.4
Accumulated amortization at 31 Dec	**–**	–26.6
Book value at 31 Dec	**–**	56.5

Capitalized development expenditure consists of new product family development costs.

TEUR	2016	2015
Intangible rights		
Acquisition cost at 1 Jan	**96.6**	96.6
Transferred with business acquisition	**–73.9**	–
Acquisition cost at 31 Dec	**22.7**	96.6
Accumulated planned amortization at 1 Jan	**–79.7**	–72.1
Accumulated depreciation of divested business	**62.0**	–
Amortization during the period	**–5.0**	–7.6
Accumulated amortization at 31 Dec	**–22.7**	–79.7
Book value at 31 Dec	**–**	16.9

TEUR	2016	2015
Goodwill		
Acquisition cost at 1 Jan	25,031.0	25,031.0
Acquisition cost at 31 Dec	25,031.0	25,031.0
Accumulated planned amortization at 1 Jan	-10,260.8	-8,414.5
Amortization during the period	-469.4	-1,846.3
Accumulated amortization at 31 Dec	-10,730.2	-10,260.8
Accumulated write-downs at 1 Jan	-9,138.0	-
Write-downs during the period	-5,162.9	-9,138.0
Accumulated write-downs at 31 Dec	-14,300.9	-9,138.0
Book value at 31 Dec	-	5,632.2

TEUR	2016	2015
Other long-term expenditure		
Acquisition cost at 1 Jan	5,433.0	5,313.5
Additions	-	43.1
Transferred with business acquisition	-640.0	-
Re-classifications	216.7	76.5
Acquisition cost at 31 Dec	5,009.7	5,433.0
Accumulated planned amortization at 1 Jan	-4,403.2	-3,874.9
Accumulated depreciation of divested business	362.3	-
Amortization during the period	-458.5	-528.2
Accumulated amortization at 31 Dec	-4,499.3	-4,403.2
Book value at 31 Dec	510.4	1,029.9

TEUR	2016	2015
Advance payments and assets under construction		
Acquisition cost at 1 Jan	37.8	36.6
Additions	-	1.2
Disposals	-18.7	-
Re-classifications	-19.1	-
Acquisition cost at 31 Dec	-	37.8
Total intangible assets	510.4	6,773.3

9. Tangible assets

TEUR	2016	2015
Machinery and equipment		
Acquisition cost at 1 Jan	3,304.9	2,955.8
Additions	-	3.6
Disposals	-0.5	-
Transferred with business acquisition	-2,302.1	-
Re-classifications	-	345.6
Acquisition cost at 31 Dec	1,002.3	3,304.9
Accumulated planned depreciation at 1 Jan	-2,624.8	-2,471.9
Depreciation during the period	-200.8	-152.9
Accumulated depreciation on business acquisition	1,879.9	-
Accumulated depreciation at 31 Dec	-945.6	-2,624.8
Book value at 31 Dec	56.7	680.1
Book value of production machinery and equipment at 31 Dec	-	502.4

TEUR	2016	2015
Other tangible assets		
Acquisition cost at 1 Jan	168.7	168.7
Acquisition cost at 31 Dec	168.7	168.7
Book value at 31 Dec	168.7	168.7

TEUR	2016	2015
Assets under construction		
Acquisition cost at 1 Jan	1,198.1	1,319.3
Additions	148.1	334.5
Disposals	–	–33.5
Re-classifications	–197.7	–422.1
Transferred with business acquisition	–1,148.6	–
Acquisition cost at 31 Dec	–	1,198.1
Total tangible assets	225.3	2,046.9

10. Investments

TEUR	2016	2015
Shares in group companies		
Acquisition cost at 1 Jan	338,187.3	338,113.1
Additions	–	74.2
Disposals	–	–
Acquisition cost at 31 Dec	338,187.3	338,187.3
Accumulated write-downs at 1 Jan	–137,769.8	–1,439.8
Write-downs during the period	–186,192.8	–136,330.0
Accumulated write-downs at 31 Dec	–323,962.6	–137,769.8
Book value at 31 Dec	14,224.8	200,417.5

TEUR	2016	2015
Other shares		
Acquisition cost at 1 Jan	680.7	769.7
Disposals	–9.7	–89.0
Acquisition cost at 31 Dec	671.0	680.7
Write-downs during the period	–666.7	–
Book value at 31 Dec	4.2	680.7

TEUR	2016	2015
Capital note investments in group companies		
Acquisition cost at 1 Jan	19,268.3	–
Additions	14,655.0	19,268.3
Write-downs during the period	–33,923.3	–
Acquisition cost at 31 Dec	–	19,268.3

TEUR	2016	2015
Other investments		
Acquisition cost at 1 Jan	26.4	28.4
Disposals	-26.4	-2.0
Acquisition cost at 31 Dec	-	26.4
Investments total	14,229.0	220,392.9

Current assets

11. Inventories

TEUR	2016	2015
Materials and supplies	-	311.8
Work in progress	-	208.9
Finished goods	-	424.0
Total inventories	-	944.7

12. Receivables

TEUR	2016	2015
Non-current receivables		
Loan receivables from group companies	8,916.2	38,844.2
Loan receivables from others	-	55.5
Total non-current receivables	8,916.2	38,899.6

TEUR	2016	2015
Current receivables		
Trade receivables	34.3	9.8
Loan receivables	92.2	253.7
Other receivables	131.5	1,018.5
Prepayments and accrued income	170.4	1,580.6
Total	428.3	2,862.6

TEUR	2016	2015
Receivables from group companies		
Trade receivables	747.9	11,980.0
Loan receivables	-	2,100.8
Other receivables	27.2	387.2
Prepayments and accrued income	1,307.1	1,080.5
Total	2,082.1	15,548.5
Total current receivables	2,510.5	18,411.1

TEUR	2016	2015
Prepayments and accrued income		
Interest receivables	**460.7**	88.0
Amortized arrangement fees of the loan agreements	**22.4**	1,363.0
Exchange rate gains	**–**	168.5
Rents	**23.3**	25.3
National Emergency Supply Organisation related receivable from Componenta Finland Oy	**840.0**	834.8
Insurance payments	**94.8**	80.0
Others	**36.2**	101.5
Total	**1,477.4**	2,661.1

13. Shareholders' equity

TEUR	2016	2015
Share capital at 1 Jan	**21,891.4**	21,891.4
Share capital at 31 Dec	**21,891.4**	21,891.4

Share capital
The share capital of the company was EUR 21,891,396 on 31 Dec 2016 and the number of shares was 176,137,224.

TEUR	2016	2015
Share premium reserve at 1 Jan	**15,114.5**	15,114.5
Share premium reserve at 31 Dec	**15,114.5**	15,114.5

TEUR	2016	2015
Unrestricted equity reserve at 1 Jan	**158,043.0**	158,043.0
Additions and share issue	**39,434.0**	–
Unrestricted equity reserve at 31 Dec	**197,477.0**	158,043.0

TEUR	2016	2015
Reserve fund at 1 Jan	**5.0**	5.0
Reserve fund at 31 Dec	**5.0**	5.0

TEUR	2016	2015
Retained earnings at 1 Jan	**–99,922.5**	46,040.3
Profit/loss for the financial period	**–236,496.7**	–145,962.8
Retained earnings total	**–336,419.2**	–99,922.5
Shareholders' equity	**–101,931.4**	95,131.3

TEUR	2016	2015
Calculation of distributable equity at 31 Dec		
Retained earnings	**–99,922.5**	46,040.3
Profit/loss for the financial period	**–236,496.7**	–145,962.8
Unrestricted equity reserve at 31 Dec	**197,477.0**	158,043.0
Total	**–138,942.2**	58,120.5

The Restructuring of Corporate Act forbids the payment of dividend to shareholders during restructuring proceedings. Restructuring proceedings is expected to continue on until year 2023.

14. Liabilities

TEUR	2016	2015
Interest bearing liabilities	**105,693.2**	178,705.4
Non-interest bearing liabilities	**22,918.4**	14,169.7
	128,611.6	192,875.2

TEUR	2016	2015
Non-current interest bearing liabilities		
Capital notes	**–**	–
Hybrid loans	**2,586.0**	2,586.0
Bonds	**343.0**	–
Convertible bonds	**566.0**	–
Liabilities to group companies	**65,968.7**	76,024.0
Other non-current liabilities	**76.3**	–
Non-current interest bearing liabilities total	**69,540.0**	78,610.0
Non-current liabilities fall due as follows		
Not later than one year	**–**	–
Later than one year but not later than five years	**69,540.0**	38,610.0
Later than five years	**–**	40,000.0
Terms of the capital notes, see note 36 on the consolidated financial statements.		

TEUR	2016	2015
Current interest bearing liabilities		
Loans from financial institutions	**–**	64,909.2
Bonds	**–**	6,343.0
Other current interest bearing liabilities from group companies	**36,153.1**	28,843.2
Current interest bearing liabilities total	**36,153.1**	100,095.4

TEUR	2016	2015
Current non-interest bearing liabilities		
Trade payables	**3,075.6**	2,411.1
Other liabilities	**12,679.6**	713.8
Accured liabilities	**3,077.5**	4,506.4
Reserved repayments	**237.5**	147.5
Total	**19,070.2**	7,778.8

TEUR	2016	2015
Liabilities to group companies		
Trade payables	**414.2**	2,255.3
Accrued expenses and deferred income	**3,434.0**	4,135.7
Total	**3,848.2**	6,390.9
Current non-interest bearing liabilities total	**22,918.4**	14,169.7
Current liabilities total	**59,071.6**	114,265.2

TEUR	2016	2015
Accrued expenses and deferred income		
Interests	4,919.8	5,744.6
Annual salaries with social security	303.7	1,132.7
Exchange rate losses	–	562.9
Pensions	271.6	256.5
Parent company's liability towards National Emergency Supply Organisation	840.0	834.8
Others	176.5	110.6
Total	6,511.5	8,642.0
Total liabilities	128,611.6	192,875.2

15. Restructuring debt included in the balance sheet

TEUR	2016	2015
Non-current interest bearing liabilities		
liabilities to group companies	65,968.7	–
liabilities to third party	3,571.3	–
	69,540.0	–
Current interest bearing liabilities		
liabilities to group companies	36,153.1	–
Current interest free liabilities		
Trade payables to group companies	304.7	–
Trade payables to third party	2,679.8	–
Accrued expenses to group companies	3,434.0	–
Accrued expenses to third party	1,235.7	–
Other liabilities to third party	12,607.2	–
	20,261.4	–
Restructuring debt total	125,954.5	–

16. Secured liabilities, contingent liabilities and other commitments

TEUR	2016	2015
Pledges		
For own debts	–	406,924.0
	–	406,924.0

TEUR	2016	2015
Guarantees		
On behalf of group companies	80,082.7	10,962.3
	80,082.7	10,962.3

Other commitments		
Future payments of the lease liabilities		
Not later than one year	**446.7**	528.5
Later than one year	–	451.1
	446.7	979.6
Other commitments on behalf of group companies	**475.5**	824.7

Other commitments

TEUR	2016	2015
Liabilities secured with mortgages		
Loans from financial institutions	–	69,823.5
	–	69,823.5

The company has pledged its holding on Componenta Dökümcülük shares EUR 1 as collateral against Componenta Dökümcülük's liabilities on 16 August 2016.
Commitments indicate the maximum amount of the quarantees related to accounts payables. Guarantee used can fall below the maximum liability amount.

17. Financial risk management and derivative instruments

TEUR	2016	2015
Foreign exchange rate derivatives		
Foreign exchange rate forwards		
Nominal value	–	7,500.0
Fair value	–	-168.4
Foreign exchange rate swaps		
Nominal value	–	9,801.9
Fair value	–	-391.8
Commodity derivatives		
Electricity derivatives		
Nominal value	–	3,058.4
Fair value	–	-773.7
Foreign exchange rate derivatives inside the group		
Foreign exchange rate forwards		
Nominal value	–	7,500.0
Fair value	–	165.7

The fair value of derivative instruments corresponds to the gain or loss that would be recognized in the income statement if the contract were closed on the balance sheet date.
Nominal values of the derivative instruments do not necessary correspond with the payments of the contracting parties, hence the nominal values do not provide unambigous general view of the risk position.

Deferred tax assets and liabilities not recored in the statement of the financial position
Unutilized tax losses for which the company has not recorded any deferred tax assets totalled EUR 91,753,134.51 (EUR 73,597,250.01). The related deferred tax receivable of these losses is EUR 18,350,626.90 (EUR 14,719,450.00).

Signatures of the board of directors and CEO

Helsinki, 12 April 2017

Matti Ruotsala Chairman of the Board	**Olavi Huhtala**	**Olli Isotalo**
Perttu Louhiluoto	**Riitta Palomäki**	**Tommi Salunen**
	Harri Suutari CEO	

Auditor's report *(Translation of the Finnish Original)*

To the Annual General Meeting of Componenta Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion
- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

What we have audited

We have audited the financial statements of Componenta Oyj (business identity code 1635451-6) for the year ended 31 December 2016. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainties related to going concern

We draw attention to the accounting principles of the consolidated financial statements and of the financial statements of the parent company, according to which Componenta Group's liquidity situation became critical in August 2016 due to the weak turnover and profitability developing more negatively than estimated. The Company could not negotiate the additional financing necessary and due to this situation continuation of the business without restructuring proceedings was impossible. Componenta filed for restructuring of the parent company and its most significant subsidiaries in Finland and Sweden. The status and contents of the restructuring proceedings have been described in the accounting principles of the consolidated financial statements.

The Board of Directors and Management of Componenta Group have assessed the company's ability to continue as going concern taking into consideration the company's liquidity situation and the impact of the restructuring proceedings to the financial situation and cash flows of the Group and Group companies. The Board of Directors and Management have concluded that if the ongoing restructuring proceedings are not successful the Group will not have sufficient working capital required for the next 18 months. It is possible that the restructuring proceedings are unsuccessful and the Group companies will file for bankruptcy. The most significant factors with uncertainty affecting the restructuring proceedings have been described in the accounting principles of the consolidated financial statements. These include the approval of the restructuring programme proposals that have not yet been approved, getting support from creditors for the restructuring programme proposals, and being able to provide external financing to certain group companies to pay their restructuring debt in accordance with approved payment schedules. In addition, the accounting principles of the consolidated financial statements note that the cash flow forecasts and financing include significant management's estimates and assumptions as well as uncertainties.

As described in more detail in the accounting principles of the consolidated financial statements, the Board of Directors and Management consider that the company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future considering the corporate restructuring programmes. As such, the Board of Directors and Management believe that going concern basis of presentation in the financial statements is appropriate. In our opinion, the success of the restructuring programmes as well as the outcome of the cash flow forecasts and obtaining external financing in a manner described in the accounting principles to the consolidated financial statements are such uncertainties that may cast significant doubt on the Componenta Group's and its subsidiaries' ability to continue as a going concern.

Our opinion is not qualified in respect of this matter.

Our Audit Approach

Overview

- Overall group materiality: € 4 100 000, which represents approx. 1 % of group's continued and discontinued operations' net sales (financial year 2016)
- Audit scope: The group audit scope has included the parent company and its subsidiaries in Finland, Turkey and Sweden. In addition to this we performed specified procedures in relation to the subsidiary in UK.

Key audit matters in audit:

- Timing of revenue recognition
- The scope of the consolidated financial statements
- Valuation of assets taking into consideration the corporate restructuring proceedings and reorganisation of the business operations
- The effect of the corporate restructuring proceedings and reorganising of the business operations to the parent company's financial statements.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality

€ 4 100 000

How we determined it

Overall group materiality is determined by using approx. 1 % of the group's FY2016 net sales including net sales of continued and discontinued operations.

Rationale for the materiality benchmark applied

We chose net sales as the benchmark because, in our view, it is the appropriate benchmark, which the users of the financial statements use to evaluate the performance of the group. It is also a generally accepted benchmark when the profit for an accounting period varies greatly between accounting periods. We chose 1 % which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates. The scope included the parent company and its subsidiaries in Finland, Sweden and Turkey and additionally we performed specified procedures in relation to the subsidiary in UK. The Board of Directors and Management of the Componenta Group consider that Componenta Group has lost control over the Turkish subsidiary Componenta Dökümcülük Ticaret ve Sanayi A.S and its British subsidiary during the last quarter of 2016 and for this reason these entities are not consolidated to the group's financial statements for the period ended 31 December of 2016. In addition the Dutch subsidiary Componenta B.V. was filed for bankruptcy in the third quarter and for this reason it is not consolidated to the group's financial statements for the period ended 31 December of 2016.

We have predefined the audit focus areas of financial information to each group component. When a task was to be performed by a component auditor we have guided the component auditor with audit instructions that have included among other things our risk assessment, materiality, audit approach and centralised audit procedures. We have communicated with the component auditors continuously during the accounting period.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

In addition to matter described in paragraph above "Material uncertainties related to going concern" we have concluded that the matters listed below are key audit matters.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Revenue recognition Refer to Accounting principles of the consolidated financial statements and note 1 Operating segments in the consolidated financial statements Componenta Group's net sales comprises revenue from the sale of products, services, raw materials, goods and energy, adjusted by indirect taxes and sales adjustments which primarily comprise annually calculated bulk discounts and product returns. Group's most significant revenue streams from products involve sales of castings and machined castings. Revenue streams from services primarily include rental income and possible minor machining and assembly work performed on a subcontracting basis. Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. This normally means when a product has been delivered to the customer in accordance with agreed delivery terms. Revenue from the sale of services is recognised when the service is rendered to the customer. The risk for revenue being recognised in an incorrect period presents a key audit matter due to the financial significance and nature of net sales in the financial statements.	**Our audit procedures included for example the following procedures:** – Evaluation of internal control activities over revenue recognition and testing of key controls. – Analysis of significant sales contracts to verify correct IFRS accounting treatment. – Testing timeliness of revenue recognition by comparing individual sales transactions to delivery documents and by checking significant credit notes issued after year-end. – Analysis of revenue transactions using computer-aided audit and data analysis techniques. – Testing of accounts receivables by requesting confirmations from the company's customers and by reconciling cash payments received after the year end against the accounts receivable balances at the year end.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
The scope of the consolidated financial statements Refer to Accounting principles of the consolidated financial statements Restructuring proceedings and reorganization of business operations might affect parent company´s ability to exercise control over subsidiaries. Componenta Group´s Board of Directors and Management have concluded that despite the limitations of the ongoing restructuring proceedings to the company's ability to use power (as discussed in IFRS 10), the parent company retains control in Componenta Finland Oy, Componenta Främmestad Ab, Componenta Wirsbo Ab and Componenta Arvika Ab and consolidation of above mentioned companies in group´s consolidated financial statements is justified from the perspective of true and fair view. Componenta Group´s Board of Directors and Management consider that the parent company lost control as defined in IFRS 10 in its Turkish sub-group during the last quarter of 2016 and that parent company lost control over its Dutch subsidiary during the third quarter of 2016 due to reasons which are described in the accounting principles for the consolidated financial statements. Business operations of above mentioned entities have been classified as discontinued operations in the consolidated financial statements. Determining the scope of the consolidated financial statements includes management judgement as to the effect of the restructuring proceedings and reorganization of business operations to the parent company´s ability to use its power in subsidiaries. For this reason the scope of the consolidated financial statements was considered a key audit matter in the group audit.	**Our audit procedures included for example the following procedures:** – We read the draft restructuring programmes and made enquiries to administrators to understand the factual content of the restructuring programmes. – We went through analyses prepared by management and verified the facts in these analyses and evaluated the conclusions made.
Valuation of assets taking into consideration the corporate restructuring proceedings and reorganising of the business operations Refer to accounting principles of the consolidated financial statements The Componenta Group has filed for corporate restructuring for its parent company Componenta Corporation and its substantial subsidiaries in Finland and Sweden. The subsidiary in the Netherlands that were filed for bankruptcy and the sub-group in Turkey have been classified as discontinued operations in the consolidated financial statements as described in more detail in the accounting principles of the consolidated financial statements. The uncertainties described above cast significant doubt on the group's ability to continue as a going concern. The Board of Directors and Management have used significant judgment in assessing the effect of above mentioned matters in valuation of assets. For this reason the valuation of assets taking into consideration the corporate restructuring proceedings and reorganising of the business operations was considered a key audit matter in the group audit.	**Our audit procedures included for example the following procedures:** – We read the draft restructuring programmes and made enquiries to administrators to understand the factual content of the restructuring programmes. – We read the analyses of alternative outcomes of restructuring programs prepared by management and approved by the board of directors. – We read relevant contracts and documents to verify facts and circumstances stated in management´s analysis. – We read and assessed the external valuator´s reports used by the company, specifically those related to valuation of properties.

Key audit matter in the audit of the parent company	How our audit addressed the key audit matter
The effect of the corporate restructuring proceedings and reorganising of the business operations to the parent company's financial statements. Refer to the accounting principles of the consolidated financial statements and the parent company's financial statements The Componenta Corporation's Dutch subsidiary Componenta B.V. was filed for bankruptcy and the Swedish subsidiaries Componenta Främmestad AB, Componenta Wirsbo AB and Componenta Arvika AB and the Finnish subsidiary Componenta Finland Oy were filed for corporate restructuring. In October 2016 the company announced the plan to sell its shareholding in the Turkish subsidiary and later came to a conclusion that the company has no control over the sales process and has lost control over the Turkish subsidiary. The assets on Componenta Corporation's balance sheet consist mostly of subsidiary shares and loan receivables from subsidiaries. Management have used significant judgment in assessing the valuation of subsidiary shares and loan receivables. As described in more detail in the accounting principles of the parent company's financial statements the Management when making the assessment have considered among other things the effect of the parent company's and subsidiaries' restructuring proceedings, loss of control over the Turkish sub-group, covenant breaches of loans of Turkish sub-group and effect of guarantees given by the parent company. The Management have used significant judgment and estimations of future development in assessing the effect of above mentioned matters in Componenta Corporations financial statements. For this reason these were considered key audit matters in the audit of the parent company.	**Our audit procedures included for example the following procedures:** – We read the analyses of alternative outcomes of restructuring programs prepared by management and approved by the board of directors. – We read relevant contracts and documents to verify facts and circumstances stated in management´s analysis. – We read the draft restructuring programmes and made enquiries to the Componenta Corporations administrator to understand the factual content of the restructuring programmes. – We assessed cash flow analysis prepared by management used as a basis of valuation of assets. – We read assessment prepared by management related to estimated outcomes of guarantees given by the company. – We read and assessed the external valuator´s reports used by the company, specifically those related to valuation of properties.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our auditor's report thereon. We obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the information included in the report of the Board of Directors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 12 April 2017

PricewaterhouseCoopers Oy
Authorised Public Accountants

Samuli Perälä
Authorised Public Accountant (KHT)

Group development 2012 – 2016

Group development tables are not part of official financial statements.

Group development 2012 – 2016

MEUR	2012	2013	2014	2015****)	2016****)
Net sales	544.8	510.5	495.2	210.1	**183.6**
Operating profit	4.0	14.9	2.2	-18.5	**-46.0**
Financial income and expenses	-29.4	-24.5	-30.9	-16.6	**29.5**
Profit/loss after financial items	-25.4	-9.6	-28.7	-35.1	**-16.5**
Profit for the financial period	-24.0	-15.5	-28.6	-62.2	**-23.7**
Profit for the financial period, Discontinued operations				-20.4	**-191.8**
Order book at period end	82.9***)	87.3**)	88.9*)	31.4	**30.8**
Change in net sales, %	-5.5	-6.3	-3.0	-57.6	**-12.6**
Share of export and foreign activities in net sales, %	92.0	91.6	91.7	91.3	**93.0**

*) Order book on 8 January 2015
**) Order book on 6 January 2014
***) Order book on 13 January 2013
****) The figures for 2015 & 2016 include only Continued operations. The figures for 2012 – 2014 include whole group.

Group development 2012 – 2016 excluding items affecting comparability

MEUR	2012	2013	2014	2015*)	2016*)
Net sales	544.8	510.5	495.2	210.1	**183.6**
Operating profit	10.0	18.2	15.1	0.4	**-5.8**
Financial income and expenses	-27.7	-24.4	-27.3	-16.6	**-11.3**
Profit/loss after financial items	-17.6	-6.2	-12.2	-16.2	**-17.0**

*) The figures for 2015 & 2016 include only Continued operations. The figures for 2012 – 2014 include whole group.

Key ratios

	31.12.2012	31.12.2013	31.12.2014	31.12.2015	31.12.2016
Statement of financial position total, MEUR	460	452	469	402	**84**
Net interest bearing debt, MEUR	236	230	216	237	**90**
Invested capital, MEUR	340	325	339	262	**-35**
Return on investment, %	2.0	4.9	0.8	-7.2	**-61.7**
Return on equity, %	-32.9	-18.6	-29.1	-92.6	**n/a**
Equity ratio, %	18.1	18.9	23.7	4.6	**-165.3**
Net gearing, %	283.5	269.6	194.4	1,273.0	**n/a**
Investments in non-current assets, MEUR	19.2	18.9	22.6	31.5	**19.9**
Number of personnel at period end	4,104	4,154	3,981	3,979	**878*)**
Average number of personnel	4,249	4,153	4,111	3,982	**3,614**

*) Personnel at period end in 2016 exclude unconsolidated Turkey sub-group.

Group development

Net sales by market area, continued operations

MEUR	1–12/2015	1–12/2016
Sweden	81.6	**74.9**
Finland	42.8	**28.2**
Benelux countries	30.1	**25.0**
Germany	16.3	**17.5**
Other European countries	31.1	**30.4**
Other countries	8.2	**7.6**
Continued operations	210.1	**183.6**
Discontinued operations	342.3	**265.9**
Eliminations	–57.6	**–45.4**
Total	494.8	**404.1**

Quarterly net sales development by market area, continued operations

MEUR	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	Q3/16	Q4/16
Sweden	22.6	24.4	15.2	19.4	**20.2**	**21.0**	**15.7**	**18.0**
Finland	11.8	11.4	8.2	11.3	**8.8**	**9.2**	**5.0**	**5.2**
Benelux countries	7.7	8.9	6.6	7.0	**7.4**	**6.1**	**4.8**	**6.7**
Germany	5.1	3.8	2.5	4.8	**3.8**	**5.3**	**4.3**	**4.1**
Other European countries	7.4	8.2	9.3	6.3	**6.6**	**8.8**	**6.1**	**8.9**
Other countries	2.4	1.1	0.9	3.9	**2.8**	**3.2**	**0.3**	**1.3**
Continued operations	57.0	57.8	42.6	52.7	**49.6**	**53.5**	**36.2**	**44.3**
Discontinued operations	90.9	89.1	82.0	80.4	**82.8**	**86.0**	**47.3**	**49.8**
Eliminations	–14.8	–14.9	–14.1	–13.8	**–14.2**	**–14.7**	**–8.4**	**–8.2**
Total	133.1	132.0	110.5	119.2	**118.2**	**124.8**	**75.1**	**85.9**

Reconciliation of consolidated EBITDA

MEUR	1.1.–31.12.2016	1.1.–31.12.2015
EBITDA excluding items affecting comparability and operative exchange rate differences of continued operations	**5.4**	7.5
Operative exchange rate differences	**–2.3**	0.8
Adjusted EBITDA of continued operations	**3.1**	8.3
Items affecting comparability, continued operations *)	**–19.2**	–4.4
EBITDA of continued operations, incl. items affecting comparability	**–16.1**	3.9

*) Items affecting comparability in EBITDA of continued operations in 2016 relate to capital loss of divestment in Suomivalimo EUR –6.1 million, the sales profit of Pistons business unit EUR +1.0 million, impairments and write-downs of investment property in Finland EUR –7.0 million and inventory write-downs of forging operations in Sweden EUR –1.7 million. The expenses related to restructuring measures were EUR –3.3 million and other items affecting comparability as a net totalled EUR –2.1 million.

Reconciliation of consolidated operating profit

MEUR	1.1.–31.12.2016	1.1.–31.12.2015
Operating profit excluding items affecting comparability and operative exchange rate differences of continued operations	**–3.4**	–0.4
Operative exchange rate differences	**–2.4**	0.8
Adjusted operating profit of continued operations	**–5.8**	0.4
Items affecting comparability, continued operations *)	**–40.2**	–18.9
Operating profit of continued operations, IFRS	**–46.0**	–18.5

*) Items affecting comparability in operating profit of continued operations in 2016 relate to capital loss of divestment in Suomivalimo EUR –6.1 million, the sales profit of Pistons business unit EUR +1.0 million, the write-downs of production machinery and intangible assets in Sweden iron business EUR –17.8 million and inventory write-downs of forging operations in Sweden EUR –1.7 million. Impairments, write-downs and fair valuation losses of investment properties and production properties in Finland recorded EUR –10.0 million. The expenses related to restructuring measures were EUR –3.3 million and other items affecting comparability as a net totalled EUR –2.3 million.

Reconciliation of consolidated result after financial items

MEUR	1.1.–31.12.2016	1.1.–31.12.2015
Result after financial items excluding items affecting comparability and operative exchange rate differences of continued operations	**–14.7**	–17.0
Operative exchange rate differences	**–2.4**	0.8
Adjusted result after financial items of continued operations	**–17.0**	–16.2
Items affecting comparability, continued operations *)	**0.5**	–19.0
Result after financial items of continued operations, IFRS	**–16.5**	–35.1

*) Items affecting comparability in the result after financial items of continued operations in 2016 are the same than in the operating profit of continued operations. In addition, they include a gain of EUR 43.3 million since the secured debt was discharged at an amount lower than the balance sheet value. In connection to the restructuring proceedings, EUR –2.2 million of claims related to parent company guarantees were recorded in financial items of continued operations. Other items affecting comparability as a net were EUR –0.4 million.

Items affecting comparability

MEUR	1.1.–31.12.2016	1.1.–31.12.2015
Continued operations:		
Restructuring expenses	**–3.3**	–3.6
Write-downs of tangible and intangible assets	**–29.2**	–15.3
Capital gains and losses of divestments	**–5.4**	0.0
Other items affecting comparability in operating profit	**–2.3**	–0.1
Total in operating profit, continued operations	**–40.2**	–18.9
Items affecting comparability in financial items	**40.7**	–0.1
Total in result after financial items, continued operations	**0.5**	–19.0
Tax items affecting comparability	**–6.9**	–27.9
Total in net profit, continued operations	**–6.4**	–46.9
Total in net profit, discontinued operations *)	**–181.0**	–17.6
Total in net profit	**–187.4**	–64.5

Reconciliation of net sales

MEUR	1.1.–31.12.2016	1.1.–31.12.2015
Continued operations total	**183.6**	210.1
Discontinued operations total	**265.9**	342.3
Internal items/eliminations	**–45.4**	–57.6
Componenta total	**404.1**	494.8

Group continued operations development excluding items affecting comparability

MEUR	1–12/2015	1–12/2016
Net sales	210.1	**183.6**
Operating profit	0.4	**–5.8**
Net financial items *)	–16.6	**–11.3**
Profit after financial items	–16.2	**–17.0**

*) Net financial items are not allocated to business segments

Group continued operations development by business segment excluding items affecting comparability

Operating profit, MEUR *)	1–12/2015	1–12/2016
Iron Business	–1.4	**–8.2**
Other Business	1.7	**2.4**
Internal items	0.1	**0.0**
Componenta total	0.4	**–5.8**

*) Figures for the comparative period have been adjusted as described in Accounting principles.

Group continued operations development by quarter excluding items affecting comparability

MEUR	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	Q3/16	Q4/16
Net sales	57.0	57.8	42.6	52.7	**49.6**	**53.5**	**36.2**	**44.3**
Operating profit	2.8	0.8	–1.0	–2.2	**–2.1**	**0.1**	**–3.1**	**–0.7**
Net financial items *)	–4.3	–3.7	–3.4	–5.2	**–2.6**	**–3.3**	**–3.3**	**–2.0**
Profit after financial items	–1.5	–2.9	–4.4	–7.4	**–4.8**	**–3.1**	**–6.4**	**–2.7**

*) Net financial items are not allocated to business segments

Quarterly development by continued operations business segment excluding items affecting comparability

Operating profit, MEUR	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	Q3/16	Q4/16
Iron Business	1.6	–0.1	–2.1	–0.8	**–2.6**	**–0.6**	**–3.4**	**–1.6**
Other Business	1.0	0.9	1.1	–1.4	**0.4**	**0.7**	**0.4**	**0.9**
Internal items	0.1	0.0	0.0	0.0	**0.0**	**0.1**	**–0.1**	**0.0**
Componenta total	2.8	0.8	–1.0	–2.2	**–2.1**	**0.1**	**–3.1**	**–0.7**

Group continued operations development

MEUR	1–12/2015	1–12/2016
Net sales	210.1	**183.6**
Operating profit	–18.5	**–46.0**
Net financial items *)	–16.6	**29.5**
Profit after financial items	–35.1	**–16.5**

*) Net financial items are not allocated to business segments

Group development by business segment

Net sales, MEUR	1–12/2015	1–12/2016
Iron Business, continued operations		
External sales	192.2	**171.7**
Internal sales	1.6	**1.7**
Total sales	193.8	**173.4**
Other Business, continued operations		
External sales	2.2	**1.5**
Internal sales	22.7	**16.3**
Total sales	25.0	**17.8**
Internal items/eliminations, continued operations	–8.6	**–7.6**
Continued operations total	210.1	**183.6**
Iron Business, discontinued operations	241.0	**180.6**
Aluminium Business, discontinued operations	93.0	**80.5**
Other Business, discontinued operations	31.5	**26.3**
Internal items/eliminations, discontinued operations	–23.2	**–21.5**
Discontinued operations total	342.3	**265.9**
Internal items/eliminations, Group	–57.6	**–45.4**
Componenta total	494.8	**404.1**

Reconciliation of operating profit, MEUR	1–12/2015	1–12/2016
Iron Business, continued operations	–1.4	**–8.2**
Other Business, continued operations	1.7	**2.4**
Items affecting comparability, continued operations	–18.9	**–40.2**
Internal items	0.1	**0.0**
Continued operations total	–18.5	**–46.0**

	1–12/2015	1–12/2016
Operating profit, discontinued operations excluding items affecting comparability, MEUR	6.7	**5.3**

Group continued operations development by quarter

MEUR	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	Q3/16	Q4/16
Net sales	57.0	57.8	42.6	52.7	**49.6**	**53.5**	**36.2**	**44.2**
Operating profit	2.3	0.4	-1.7	-19.5	**-2.3**	**-6.7**	**-8.5**	**-28.6**
Net financial items *)	-4.3	-3.7	-3.4	-5.2	**-2.6**	**40.3**	**-3.4**	**-4.7**
Profit after financial items	-2.1	-3.3	-5.2	-24.7	**-4.9**	**33.6**	**-11.8**	**-33.4**

*) Net financial items are not allocated to business segments

Quarterly development by business segment

Reconciliation of net sales, MEUR	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	Q3/16	Q4/16
Iron Business, continued operations	52.7	53.7	38.7	48.6	**45.9**	**50.3**	**34.1**	**43.2**
Other Business, continued operations	6.5	6.2	5.9	6.3	**6.1**	**4.9**	**3.6**	**3.2**
Internal items/eliminations	-2.3	-2.1	-2.0	-2.2	**-2.3**	**-1.6**	**-1.5**	**-2.1**
Continued operations total	57.0	57.8	42.6	52.7	**49.6**	**53.5**	**36.2**	**44.3**
Discontinued operations	90.9	89.1	82.0	80.4	**82.8**	**86.0**	**47.3**	**49.8**
Internal items/eliminations	-14.8	-14.9	-14.1	-13.8	**-14.2**	**-14.7**	**-8.4**	**-8.2**
Componenta total	133.1	132.0	110.5	119.2	**118.2**	**124.8**	**75.1**	**85.9**

Reconciliation of operating profit, MEUR	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	Q3/16	Q4/16
Iron Business, continued operations	1.6	-0.1	-2.1	-0.8	**-2.6**	**-0.6**	**-3.4**	**-1.6**
Other Business, continued operations	1.0	0.9	1.1	-1.4	**0.4**	**0.7**	**0.4**	**0.9**
Items affecting comparability, continued operations	-0.5	-0.4	-0.8	-17.2	**-0.1**	**-6.8**	**-5.3**	**-28.0**
Internal items/eliminations	0.1	0.0	0.0	0.0	**0.0**	**0.1**	**-0.1**	**0.0**
Continued operations total	2.3	0.4	-1.7	-19.5	**-2.3**	**-6.7**	**-8.5**	**-28.6**

	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	Q3/16	Q4/16
Operating profit, discontinued operations excluding items affecting comparability, MEUR	2.7	5.4	2.6	-4.1	**1.9**	**-1.4**	**1.6**	**3.2**

Order book at period end , MEUR	Q1/15*)	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	Q3/16	Q4/16
Iron Business, continued operations	34.9	37.2	31.3	31.4	**32.4**	**34.5**	**31.4**	**30.8**
Other Business, continued operations	0.0	0.0	0.0	0.0	**0.0**	**0.0**	**0.0**	**0.0**
Internal items	0.0	0.0	0.0	0.0	**0.0**	**0.0**	**0.0**	**0.0**
Continued operations total	34.9	37.2	31.3	31.4	**32.4**	**34.5**	**31.4**	**30.8**
Discontinued operations	66.2	71.8	57.4	52.0	**58.2**	**53.6**	**45.3**	**0.0**
Internal items	-3.5	-3.7	-2.6	-2.8	**-2.8**	**-2.2**	**-1.8**	**0.0**
Discontinued operations total	62.7	68.1	54.9	49.3	**55.4**	**51.4**	**43.5**	**0.0**
Internal items, continued/discontinued operations	-5.2	-8.4	-4.0	-3.8	**-5.1**	**-7.8**	**-7.6**	**0.0**
Componenta total	92.3	96.8	82.1	76.9	**82.7**	**78.2**	**67.3**	**30.8**

*) Order book on 6 April 2015

Reconciliation of comparative net sales given under Componenta's guidance, MEUR

	1–12/2015	1–12/2016
Net sales, continued operations total, IFRS	210.1	**183.6**
Adjustment, Suomivalimo & Pistons net sales in 2015 and 2016 before divestment	-18.0	**-8.1**
Adjustment, trademark licence fees and management fees from the Netherlands and Turkey in 2015 and 2016	-14.2	**-8.8**
Comparative net sales under Componenta's guidance	177.9	**166.8**

Shareholders and shares

Largest registered shareholders on 31 December 2016

	Shareholder	Shares	Share of total voting rights %
1	Etra Capital Oy	24,808,673	14.08
2	Keskinäinen työeläkevakuutusyhtiö Varma	16,688,771	9.47
3	Keskinäinen eläkevakuutusyhtiö Ilmarinen	13,952,281	7.92
4	Mandatum Life Unit-Linked	9,599,987	5.45
5	Keskinäinen Työeläkevakuutusyhtiö Elo	8,901,288	5.05
6	Riikantorppa Oy	7,500,000	4.26
7	Tiiviste-Group Oy	4,000,000	2.27
8	Suomen Kulttuurirahasto Sr	3,129,223	1.78
9	Suutari Harri Yrjö Kalevi	2,499,000	1.42
10	Nordea Pankki Suomi Oyj	2,351,731	1.34
Nominee-registered shares		2,948,018	1.67
Other shareholders		79,758,252	45.28
Total		176,137,224	100.00

Breakdown of share ownership on 31 December 2016

Number of shares	Shareholders	%	Shares	%
1 – 100	490	9.04	29,546	0.02
101 – 500	837	15.43	261,143	0.15
501 – 1 000	667	12.30	570,077	0.32
1 001 – 5 000	1 537	28.34	4,392,442	2.49
5 001 – 10 000	717	13.22	5,836,307	3.31
10 001 – 50 000	876	16.15	21,786,706	12.37
50 001 – 100 000	157	2.90	11,804,908	6.70
100 001 – 500 000	119	2.19	25,493,977	14.47
500 001 –	23	0.42	105,962,118	60.16
Total = total issued	5,423	100.00	176,137,224	100.00

Shareholders by sector on 31 December 2016

	%
Finnish Companies	26.42
Financial institutions and insurance companies	5.92
General government bodies	22.45
Households	40.16
Non-profit institutions	3.13
Nominee-registered shares and other foreign shareholders	1.82
	100.00

Per share data

	2016	2015
Earnings per share (EPS), EUR	**–1.64**	–0.86
Earnings per share, with dilution (EPS), EUR	**–1.64**	–0.86
Cash flow per share, EUR	**0.00**	0.11
Equity per share, EUR	**–0.74**	0.11
Dividend per share, EUR	**0.00*)**	0.00
Payout ratio, %	**0.00**	0.00
Effective dividend yield, %	**0.00**	0.00
P/E multiple	**neg.**	neg.
Share price at year end, EUR	**0.18**	0.69
Average trading price, EUR	**0.17**	0.82
Lowest trading price, EUR	**0.10**	0.63
Highest trading price, EUR	**0.71**	1.13
Market capitalization at year end, MEUR	**31.7**	66.6
Trading volume, 1,000 shares	**208,889**	11,947
Trading volume, %	**165.7**	12.3
Weighted average of the number of shares, 1,000 shares	**126,054**	97,269
Number of shares at year end, 1,000 shares	**176,134**	97,269

*) The company cannot distribute a dividend due to ongoing restructuring process.
In addition to this Componenta Oyj's negative distributable earnings prevent dividend distribution.

Calculation of key financial ratios

Return on equity, % (ROE)	=	Profit (Group) after financial items – income taxes x 100 / Shareholders' equity without preferred capital notes + non-controlling interest (quarterly average)
Return on investment, % (ROI)	=	Profit (Group) after financial items + interest and other financial expenses x 100 / Shareholders' equity + interest bearing liabilities (quarterly average)
		Adjusted return on equity and adjusted return on investment are computed similarly as above mentioned, except that the income statement items included in the numerator are excluding items affecting comparability.
Equity ratio, %	=	Shareholders' equity, preferred capital notes excluded + non-controlling interest x 100 / Balance sheet total – advances received
Earnings per share, EUR (EPS)	=	Profit after financial items – income taxes +/– non-controlling interest – deferred and paid interest on hybrid loan / Average number of shares during the financial period
Earnings per share with dilution, EUR	=	As above, the number of shares has been increased with the possible 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 possible convertible loan has been added to the profit of the period. Number of shares that can be subscribed by the loan has been added to the number of total shares.
Cash flow per share, EUR (CEPS)	=	Net cash flow from operating activities / Average number of shares during the financial period
Average trading price, EUR	=	Trading volume / Number of shares traded during the financial period
Equity per share, EUR	=	Shareholders' equity, preferred capital notes excluded / Number of shares at period end
Dividend per share, EUR	=	Dividend / Number of shares at period end
Payout ratio, %	=	Dividend x 100 / Earnings (as in Earnings per share)
Effective dividend yield, %	=	Dividend per share x 100 / Market share price at period end
Market capitalization, MEUR	=	Number of shares x market share price at period end
P/E multiple	=	Market share price at period end / Earnings per share
Net interest bearing debt, MEUR	=	Interest bearing liabilities + preferred capital notes – cash and bank accounts
Net gearing, %	=	Net interest bearing liabilities x 100 / Shareholders' equity, preferred capital notes excluded + non-controlling interest
EBITDA, EUR	=	Operating profit + Depreciation, amortization and write-downs +/– Share of the associated companies' result

COMPONENTA

Casting Future Solutions