

Componenta Corporation Business Review January – September 2017

Comparable net sales corresponding to current continued business operations increased 1% to EUR 91.3 million (EUR 90.7 million) (IFRS EUR 106.7 million) and comparable adjusted EBITDA increased from the previous year to EUR 3.7 million (EUR 0.5 million) (IFRS EUR 3.4 million). The adjusted comparable operating profit increased from the previous year to EUR 2.1 million. The comparable adjusted operating profit during the corresponding period last year was EUR -4.2 million and the adjusted operating profit in accordance with IFRS in the period for comparison was EUR -2.3 million.

The information presented in this business review relates to the continued operations of Componenta Group in the January – September period in 2017 and in the corresponding period in 2016, unless otherwise stated. For the comparison periods, Componenta publishes alternative key figures (comparable adjusted figures in tables and text) to describe the financial development of the business and to improve the comparability between different periods. In comparable key figures, certain value adjustment items not related to the ordinary business, items related to the sold and discontinued operations and other items with impact on comparability, have been adjusted. The figures are unaudited.

January-September 2017 in brief

- Continued operations in the review period were the foundry operations in Pori and Karkkila, Finland, and the machine shop in Främmestad, Sweden.
- Comparable net sales for continued operations in the review period increased 1% to EUR 91.3 million. Comparable adjusted net sales during the corresponding period last year were EUR 90.7 million and net sales according to IFRS for continued operations in the period for comparison were EUR 106.7 million. The comparable adjusted figure means the continued operations in the review period, from which the figures for the divested units Suomivalimo and Pistons have been eliminated as well as the impact of the trade mark and administration service fees charged to the Netherlands and Turkey. Componenta Wirsbo AB and Componenta Arvika AB were classified as discontinued operations in July 2017. The IFRS figures for 1–9/2016 refer to all of the Group's continued operations, including Suomivalimo and Pistons, and the impact of the trade mark and administration service fees charged to the Netherlands and Turkey has not been eliminated from these figures.
- Adjusted EBITDA for continued operations in the review period increased from the previous year to EUR 3.7 million. Comparable adjusted EBITDA during the corresponding period last year was EUR 0.5 million and adjusted EBITDA calculated from figures in accordance with IFRS in the period for comparison was EUR 3.4 million.
- The adjusted operating profit for continued operations in the review period increased from the previous year to EUR 2.1 million. The comparable adjusted operating profit during the corresponding period last year was EUR -4.2 million and the adjusted operating profit calculated from continued operations in accordance with IFRS in the period for comparison was EUR -2.3 million. The operating profit from continued operations, including items affecting comparability, was EUR 25.6 million (EUR -14.2 million).
- Componenta Wirsbo AB and Componenta Arvika AB, both located in Sweden, were declared bankrupt on 17 July 2017 on their own petition. The companies failed to obtain financing for the payment of restructuring debts.
- The local district court gave its ruling regarding restructuring of Componenta Främmestad AB and approved the composition on 3 July 2017. The court's decision became final on 24 July 2017.
- The District Court of Helsinki confirmed the restructuring programmes for Componenta Corporation and its subsidiary Componenta Finland Ltd on 23 August 2017. The unsecured debts of Componenta Corporation were cut by 94% and the debts with lowest priority were cut in their entirety in the restructuring proceedings. The impact on the result from the debt cuts of Componenta Corporation and Componenta Finland Ltd has been recorded in the third quarter of the year. The payment programme will commence in May 2019 and end in November 2023.
- Componenta Corporation completed the sale of shareholding in the Turkish company, Componenta Dökümcülük Ticaret ve Sanayi A.S., to Döktaş Metal Sanayi ve Ticaret A.Ş. The parties signed the sale and purchase agreement on 4 August 2017 and the transaction was completed on 27 September 2017. The transaction has no cash flow impact. In connection with the closing of the sale of the shareholding

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the Turkish club loan banks discharged Componenta Corporation from all liabilities and obligations based on the club loan agreement, including the discharge from a loan guarantee of EUR 80 million.

July-September 2017 in brief

- The net sales for continued operations in the review period increased 4% to EUR 25.9 million. Comparable net sales in the period for comparison were EUR 24.9 million and net sales according to IFRS in the period for comparison were EUR 26.8 million. The comparable figure means the current continued operations in 2017, from which the figures for the divested units Suomivalimo and Pistons have been eliminated as well as the impact of the trade mark and administration service fees charged to the Netherlands and Turkey.
- The adjusted EBITDA for current continued operations increased from the previous year to EUR 0.8 million. Comparable adjusted EBITDA in the period for comparison was EUR -0.4 million and adjusted EBITDA calculated from continued operations in accordance with IFRS in the period for comparison was EUR 0.2 million.
- The adjusted operating profit for continued operations increased from the previous year to EUR 0.3 million. The comparable adjusted operating profit in the period for comparison was EUR -2.3 million and the adjusted operating profit calculated from continued operations in accordance with IFRS in the period for comparison was EUR -2.3 million. The operating profit for continued operations taking into account items affecting comparability was EUR 28.7 million (EUR -7.4 million).

Key figures

	1-9/2017 IFRS	Comparable adjusted 1-9/2016 (1)	Change (1-9/2017 vs. comp. adj. 1-9/2016)	1-9/2016 IFRS	Change (1-9/2017 vs. 1-9/2016)	2016 IFRS
Net sales, continued operations, MEUR	91.3	90.7	1 %	106.7	-14 %	138.9
Adjusted EBITDA, continued operations, MEUR	3.7	0.5	680 %	3.4	10 %	4.6
Adjusted operating profit, continued operations, MEUR	2.1	-4.2	-	-2.3	-	-2.6
Operating profit, continued operations, MEUR	25.6	-	-	-14.2	-	-32.3
Adjusted result after financial items, continued operations, MEUR	1.7	-	-	-10.3	-	-12.3
Result after financial items, continued operations, MEUR	126.9	-	-	21.3	495 %	0.8
Items affecting comparability after financial items, continued operations, MEUR	125.2	-	-	31.6	296 %	13.1
Net result, MEUR	122.9	-	-	-20.6	-	-215.5
Earnings per share, euro	0.68	-	-	0.18	-	-1.64
Adjusted return on investment, %	-	-	-	-1.5	-	-0.2
Adjusted return on equity, %	-	-	-	-83.6	-	-
Gross investment in continued operations incl. finance leasing, MEUR	0.6	-	-	0.6	-	0,8
Cash flow from operations, continued operations, MEUR	-1.0	-	-	-13,7	-	-10.9
Group's restructuring debt, MEUR	18.8	-	-	-	-	-

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Number of personnel at end of quarter, incl. leased personnel, continued operations	694	681	2 %	681	2 %	664
Average number of personnel during review period, incl. leased personnel, continued operations	676	694	-3 %	794	-15 %	763
Order book, continued operations, MEUR	25.1	-	-	21.8	15 %	20.4

(¹ The comparable adjusted figure means the current continued operations in 2017, from which the figures for the divested units Suomivalimo and Pistons have been eliminated as well as the impact of the trade mark and administration service fees charged to the Netherlands and Turkey as well as figures of Wirsbo subgroup. Suomivalimo was sold on 30 June 2016 and Pistons on 17 August 2016. The operations in the Netherlands were declared bankrupt in the third quarter of 2016. Consolidation of the operations in Turkey as part of Componenta Group ended at the end of 2016. Wirsbo subgroup was declared bankrupt on 17 July 2017.

Harri Suutari, CEO of Componenta Corporation:

“In the third quarter, the comparable business of Componenta’s continued operations grew slightly year-on-year. The reduction of fixed costs substantially improved comparable profitability.

During the review period, significant steps were taken in Componenta’s reorganization and restructuring process. The parent company and its operative subsidiaries in Finland and Sweden were issued the final restructuring rulings during the review period. These rulings helped to reduce their debt burden to the manageable level by cash flow from operations. In addition, the temporary cancellation of the energy tax refund ended after the district court confirmed the restructuring programmes on 23 August 2017.

To ensure the continuity of operations, it has been necessary to prune the Group’s business operations by discontinuing excessively indebted units. During the review period, the forge companies in Sweden were filed for bankruptcy and the shares of the Turkish subsidiary were sold. In this connection, the Turkish club loan banks discharged Componenta Corporation from all liabilities and obligations based on the club loan agreement, including the discharge from a loan guarantee of EUR 80 million.

Restructuring activities have substantially decreased the Group’s debt burden. The Group has a total of EUR 18.8 million in external restructuring debt, of which Componenta Främmestad AB, operating in Sweden, holds roughly EUR 2.7 million and the Finnish group companies the rest. In addition, the EUR 18.8 million external restructuring debt includes Främmestad AB’s debt of approximately EUR 2.5 million to Componenta’s former Turkish subsidiary, for which a long-term result-related payment schedule has been agreed on. In addition, Componenta had approximately EUR 0.4 million of advance payment financing, granted by customers, in use in Finland and Sweden at the end of September.

Furthermore, Componenta Främmestad AB has a EUR 27 million item, classified as a capital loan, from its former Turkish subsidiary. This item is included in the company’s equity. The loan must be fully paid before Componenta Främmestad’s potential distribution of dividends.

The Group’s cash funds and bank receivables at the end of the review period totaled approximately EUR 2.8 million. In addition, the administrator for Componenta Främmestad AB has control over funds of EUR 0.6 million. For the time being, Componenta’s customers pay their purchase invoices in an accelerated manner. Similarly, Componenta pays most of the purchase invoices in an accelerated manner. Our goal is to gradually normalise payment terms.”

Developments in business operations in the review period

Continued operations in the review period were the foundry operations in Pori and Karkkila, Finland, and the machine shop in Främmestad, Sweden. The shareholding in the Turkish company, Componenta Dökümcülük, has been sold and the transaction was completed on 27 September 2017. Componenta Wirsbo AB and Componenta Arvika AB, both located in Sweden, were declared bankrupt on 17 July 2017. According to the terms of the restructuring rulings the companies should have paid restructuring debts of

some EUR 4.9 million in July 2017. The main goal was to agree with creditors on postponing payment of the restructuring debts and to arrange refinancing by January 2018. In July 2017 it became clear that arranging external financing and postponing payment of restructuring debts until January 2018 was unlikely due to insufficient support from creditors. At the same time Componenta was negotiating with potential buyers for the forge operations, but the negotiations ended without a result.

During the review period the consolidation of the balance sheets of Componenta Wirsbo AB and Componenta Arvika AB has ended and any impact on the result have been presented as discontinued operations. At the end of the previous review period the net assets of the companies affecting the Group have been recorded at about zero, but the ending of consolidation and classification as discontinued operations had an impact of EUR -1.0 million on the result in the third quarter of the year.

Comparable net sales corresponding to continued operations in 2017 increased 1 % and were EUR 91.3 million (EUR 90.7 million). Comparable adjusted EBITDA corresponding to continued operations in 2017 was EUR 3.7 million (EUR 0.5 million). At the end of September the order book for continued operations was EUR 25.1 (EUR 21.8 million).

The profitability of continued operations improved during the review period, particularly due to the reduction in fixed costs and a better liquidity situation compared to the reference period, which enabled more effective planning and implementation of production and logistics. Profitability was weakened, however, by the temporary cancellation of the energy tax refund in Finland, the impact of rising material costs for foundries and extra freights cost related to delivery problems in Turkish iron foundry.

The adjusted comparable operating profit for continued operations in the review period increased from the previous year to EUR 2.1 million (EUR -4.2 million). The operating profit for continued operations for the period January-September 2016, including the profit of Suomivalimo and Pistons as well as trade mark and administrative service fees charged to the Netherlands and Turkey and the impact of income from product licencing fees, was EUR -2.3 million. In addition to the improved EBITDA, the adjusted operating profit improved due to a reduction of EUR 4.1 million in depreciation on machinery and equipment. The operating profit according to IFRS for continued operations during the review period, including items affecting comparability, was EUR 25.6 million (EUR -14.2 million). The items affecting comparability in the operating profit were EUR 23.6 million (EUR -11.8 million) positive as a consequence of cuts in the restructuring debts EUR 29.8 million, impairments in the property of service companies EUR -3.1 million and in restructuring and reorganization costs EUR -1.7 million. The items affecting comparability in their entirety in the review period, EUR 125.5 million, consist mainly of cuts in the restructuring debts in the Finnish and Swedish companies, EUR 134.7 million, and, in addition to the previously mentioned, of recordings made in Componenta Corporation's guarantee liabilities, EUR -3.2 million which resulted from the particularization of the restructuring debts. The guarantee liability and other debts that have been considered as a conditional and maximum amount had earlier been taken into account in liabilities outside the balance sheet.

Comparable net financial costs in the review period declined considerably and totalled EUR -0.4 million (EUR -8.0 million). Financial costs decreased due to the restructuring processes and financial arrangements. No transferred interest costs were recorded in the review period for non-preferential interest-bearing debts under the restructuring process. This is because they have been treated as lowest priority debt whereupon the accrued transferrable interest has been cut by 100 percent after the beginning of the restructuring process.

Financial status 30 September 2017

At the end of the review period Componenta's external restructuring debts were EUR 18.8 million of which Componenta Corporation's share was EUR 7.8 million, Componenta Finland Ltd's share was EUR 5.7 million and Componenta Främmestad AB's share EUR 5.2 million. Out of the restructuring debts outside the Group, EUR 18.8 million, in all EUR 2.7 million was short-term debt. In addition, there are short-term account payables, accrued debts and other debts, EUR 15.7 million. The external restructuring debt includes EUR 0.8 million interest-bearing debt that is long-term in its entirety.

The equity in all Group companies is positive: EUR 18.1 million in Componenta Corporation, EUR 9.4 million in Componenta Finland Ltd and EUR 14.6 million in Componenta Främmestad AB. The equity of the Group is EUR 17.5 million positive. The group's equity was also improved by the fact that the EUR 27 million capital notes received from the former Turkish subsidiary were classified as a capital loan in the third quarter. Interest is not paid and no defined repayment date has been set according to the terms of the capital loan. Capital loan must be fully paid before any dividend payment from Componenta Främmestad AB.

At the end of the review period Componenta's cash funds and bank receivables totalled EUR 2.8 million (EUR 7.3 million). In addition, the administrator of Componenta Främmestad AB has control over EUR 0.6 million, which has been recorded as receivables. At the end of September, Componenta had approximately EUR 0.4 million of advance payment financing, granted by customers, in use in Finland and Sweden.

Restructuring proceedings

The District Court of Helsinki confirmed the restructuring programmes for Componenta Corporation and its subsidiary Componenta Finland Ltd on 23 August 2017. In accordance with the restructuring programme the unsecured debts of Componenta Corporation were cut by 94% due to the exclusion of guarantee liability and the debts with lowest priority were cut in their entirety. The secured debts of Componenta Finland Ltd will be paid in their entirety, whereas unsecured debts will be cut by 75%. The payment programmes for both companies will commence in May 2019 and end in November 2023. By confirmation of the restructuring programmes of Componenta Corporation and Componenta Finland Ltd the debt cuts in accordance with the programmes will come into effect. By reason of the debt cuts Componenta Group's debts that are recorded in balance sheet are reduced approximately by EUR 132 million, which strengthens the equity through the result.

Componenta signed on 4 August 2017 an agreement to sell its shareholding in Componenta Dökümcülük Ticaret ve Sanayi A.S., amounting to 93.6% of the company's shares and votes, to Döktaş Metal Sanayi ve Ticaret A.Ş. The transaction was completed on 27 September 2017. The agreement covered all of the company's iron, machine shop and aluminium business in Turkey. The transaction had no cash flow impact. In connection with the closing of the sale of the shareholding the Turkish club loan banks have discharged Componenta Corporation from all liabilities and obligations based on the club loan agreement, including the discharge from a loan guarantee of EUR 80 million.

The completion of sale of shareholding in the Turkish company has some effect on the fulfilment of the restructuring programme of Componenta Corporation, confirmed by the District Court of Helsinki on 23 August 2017. The loan guarantee of EUR 80 million to the Turkish club loan banks has been taken into account as a conditional and maximum amount in the confirmed restructuring programme since the Turkish club loan banks had not yet discharged Componenta Corporation from the loan guarantee by the time of confirmation of the restructuring programme. As the sale of shareholding has been completed the guarantee liability of EUR 80 million will be excluded from Componenta Corporation's debts that have been taken into account as a conditional and maximum amount in the restructuring programme.

On grounds of the supplementary payment obligation included in the restructuring programme the company's unsecured creditors are entitled to a proportion corresponding payment to the restructuring debt of EUR 80 million i.e. a supplementary payment of total EUR 3.2 million in the last payment date of the payment programme in November 2023. The supplementary payment will be paid to the unsecured creditors in accordance with the restructuring programme in proportion to their receivables. The restructuring programme of Componenta Corporation still contains approximately EUR 7.3 million other debts that have been taken into account as a conditional and maximum amount, for which the payments of approximately EUR 0.3 million have been allocated in accordance with the payment programme included in the restructuring programme. The total external restructuring debts in the balance sheets of Componenta Corporation and Componenta Finland Ltd will after the debt cuts be EUR 13.5 million as the supplementary payment obligation following the exclusion of the guarantee liability of EUR 80 million and the payments allocated for the debts considered as a conditional and maximum amount have been taken into account. The guarantee liability and other debts that have been considered as a conditional and maximum amount had earlier been taken into account in liabilities outside the balance sheet.

The restructuring programme for Componenta Främmestad AB was confirmed by the ruling of the District Court of Skaraborg on 3 July 2017. In accordance with the court ruling, the company is to pay restructuring debts of around SEK 20 million to creditors outside the Componenta Group and salary guarantee of EUR 0.7 million to Swedish government within 12 months. The sufficient support by the creditors was a prerequisite for the confirmation of the restructuring programme and it was obtained as Componenta Främmestad and Componenta Turkey signed in May 2017 a separate agreement regarding EUR 10 million restructuring debt receivable of Componenta Turkey. According to the agreement, the debt is cut by 75% and the remaining EUR 2.5 million shall be paid back within a period of six years, after the repayment of the other restructuring debt. The repayment is tied to the EBITDA of Componenta Främmestad.

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 in working capital.

Componenta's possible risks related to working capital and 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 restructuring proceedings, at the moment the company cannot obtain the credit facilities it would need for signing hedging derivatives.

Concerning the continuity of operations, the significant estimates and assumptions made by the company and management as well as uncertainties are as follows:

- Componenta Finland Ltd and Componenta Corporation are able to make payments stipulated in the restructuring programme.
- Componenta Främmestad AB will be able to pay its restructuring debts in accordance with the agreed payment schedules in July 2018. In accordance with the ruling of the local court, the company is to pay some SEK 20 million of its debts outside the Group and approximately SEK 6 million salary guarantee to the state of Sweden by July 2018. The company believes that Componenta Främmestad AB will be able to pay these debts when they fall due from operational income.
- Componenta Wirsbo AB and Componenta Arvika AB filed for bankruptcy at the local district courts in July. In Componenta's opinion, the failure of the restructuring proceedings for Componenta Wirsbo AB and Componenta Arvika AB is not estimated to have a significant impact on the restructuring proceedings for other Group companies or on the ability of the parent company to continue as a going concern.
- When analysing cash flow and liquidity forecasts for the companies over the next 12 months, the management has estimated the companies' future sales volumes, net sales, operating margins, capital expenditure and working capital needs.

Guidelines for 2017 remain unchanged

The company expects continued operations excluding Componenta Wirsbo AB and Componenta Arvika AB to have net sales of EUR 110 - 130 million in 2017. Corresponding EBITDA excluding items affecting comparability is expected to be EUR 4 - 6 million. In 2016 corresponding comparable net sales was some EUR 122 million and EBITDA EUR 0.8 million.

Alternative performance measures

Reconciliation to IFRS figures is presented below.

Reconciliation of comparative net sales of review period continued operations	1-9/2016	7-9/2016
Net sales, continued operations total, IFRS	106.7 Me	26.8 Me
Adjustment, Suomivalimo & Pistons net sales	-8.0 Me	-0.3 Me
Adjustment, trademark license fees and management fees from Turkey & Netherlands	-8.0 Me	-1.5 Me
Comparative net sales of review period continued operations	90.7 Me	24.9 Me
Review period continued operations reconciliation of comparative EBITDA	1-9/2016	7-9/2016
Adjusted EBITDA, continued operations total	3.4 Me	0.2 Me
Adjustment, Suomivalimo & Pistons EBITDA	0.1 Me	0.0 Me
Adjustment, trademark license fees and management fees from Turkey & Netherlands and production license fees from Turkey	-3.0 Me	-0.7 Me
Comparative adjusted EBITDA of review period continued operations	0.5 Me	-0.4 Me
Review period continued operations reconciliation of comparative operating profit	1-9/2016	7-9/2016
Adjusted operating profit, continued operations total,	-2.3 Me	-2.3 Me
Adjustment, Suomivalimo & Pistons operating profit	1.2 Me	0.8 Me
Adjustment, trademark license fees and management fees from Turkey & Netherlands and production license fees from Turkey	-3.0 Me	-0.7 Me
Comparative adjusted operating profit of review period continued operations	-4.2 Me	-2.3 Me

Helsinki, 16 November 2017

COMPONENTA CORPORATION

Harri Suutari
President and CEO

Componenta is an international technology company. Componenta specializes in supplying cast and machined components to its global customers, who are manufacturers of vehicles, machines and equipment. The company's share is listed on Nasdaq Helsinki.