

Componenta Corporation Business Review January-March 2018

Net sales and operating result increased from last year for current continued operations.

The information presented in this financial statement release relates to the development of continued operations of Componenta Group in January-March 2018 and in the corresponding period in 2017, unless otherwise stated. Continued operations in the review period were the foundry operations in Pori and Karkkila, Finland, and the machine shop in Främmestad, Sweden. In alternative performance measures, 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 net sales for 2017 include trademark and administration service fees charged to companies that were divested in 2017, namely the forges that filed for bankruptcy in Sweden.

This is not an interim report as specified in the IAS 34 standard. The company complies with half-yearly reporting according to the Finnish Securities Markets Act and discloses business reviews for the first three and nine-month periods of the year, in which key information regarding the company's financial situation and development will be presented.

The financial information presented in this business review is unaudited.

January – March 2018

- Net sales increased by 3.1% to EUR 33.3 million (EUR 32.3 million). The adjusted net sales were in the reporting period EUR 33.3 million and the comparable adjusted net sales in the comparison period amounted to EUR 32.2 million.
- EBITDA increased by 280.2% to EUR 1.4 million (EUR 0.4 million). The adjusted EBITDA increased by 32.4% in the reporting period to EUR 1.5 million while the comparable adjusted EBITDA in the comparison period amounted to EUR 1.1 million.
- Operating result was EUR 0.9 million (EUR -0.3 million). The adjusted operating result increased by 107.3% to EUR 1.0 million, while the comparable adjusted operating result in the comparison period amounted to EUR 0.5 million.

Key figures

MEUR	IFRS 1-3/2018	IFRS 1-3/2017	Change	IFRS 1-12/2017
Net sales, continued operations	33.3	32.3	3%	122.4
EBITDA, continued operations	1.4	0.4	280%	29.8
Operating result, continued operations	0.9	-0.3	-	26.3
Operating result, continued operations, %	2.8	-0.8	-	21.5
Result after financial items, continued operations	0.9	-0.3	-	128.3
Items affecting comparability after financial items, continued operations	0.0	0.0	-	120.4
Net result, continued operations	0.7	-0.1	-	128.8
Basic earnings per share, EUR	0.00	0.06	-93%	0.70
Interest bearing net debt, continued operations **	-4.0	90.2	-	-3.0
Return on equity, %	14.8	-	-	-
Return on investment, %	18.4	-	-	-
Equity ratio, %	34.2	-148.5	-	34.8
Gross investment incl. finance leasing, continued operations	0.4	0.1	300%	1.6
Cash flow from operations, continued operations	1.4	0.6	120%	2.8

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Group's restructuring debt	16.1	149.2	-89%	19.0
Average number of personnel during review period, incl. leased personnel, continued operations	697	662	5%	680
Number of personnel at end of quarter, incl. leased personnel, continued operations	694	669	4%	691
Order book, continued operations	23.6	22.4	5%	23.6

*) The comparative figures from 2017 have been adjusted because the Wirsbo sub-group operations have been classified as discontinued operations.

***) Only interest bearing restructuring debts included.

The company will change the calculation of the following key figures in 2018. These figures have been calculated previously by calculating the denominator with quarterly averages.

$$\text{Return on equity, \%} = \frac{\text{Result after financial items} - \text{income taxes} \times 100}{\text{Shareholders' equity without preferred capital notes} + \text{non-controlling interest (average of the figures for the accounting period)}}$$

$$\text{Return on investment, \%} = \frac{\text{Result after financial items} + \text{interest and other financial expenses} \times 100}{\text{Shareholders' equity} + \text{interest bearing liabilities (average of the figures for the accounting period)}}$$

Alternative performance measures

Componenta publishes alternative performance figures to describe its financial development of business and to improve the comparability between reporting periods. Management has evaluated which alternative performance measures gives the best presentation and has decided to report adjusted net sales, adjusted EBITDA and adjusted operating result as alternative performance measures

Continued operations, MEUR *)	1-3/2018	Comparable adjusted 1-3/2017	Change
Adjusted net sales	33.3	32.2	3.1%
Adjusted EBITDA	1.5	1.1	32.4%
Adjusted operating result	1.0	0.5	107.3%

*) Reconciliation of IFRS figures are presented in the end of this report.

Harri Suutari, CEO:

The strong demand for Componenta products continued in the first quarter of the year. Due to cost reducing activities the profitability increased from previous year.

In the beginning of the year, Componenta has already paid its restructuring debt that fall due in July 2018. There are no restructuring debts left, which fall due in 2018.

Financial development in the reporting period

In the first quarter of the year, Group net sales increased by 3% due to higher sales volumes. A decrease of administrative costs improved the profitability, adjusted EBITDA was EUR 1.5 million (EUR 1.2 million, IFRS: EUR 0.4 million). Accordingly, the adjusted operating result was EUR 1.0 million (EUR 0.6 million, IFRS: EUR -0.3 million). The adjusted operating profit margin was 3.1% (1.8%) and calculated with the IFRS figures the operating result margin was 2.8% (-0.8%). Cash flow from operations increased to EUR 1.4 million (EUR 0.6 million). The increase is mainly affected by the increased net result. Working capital, which includes inventories, current non-interest bearing receivables reduced with non-interest bearing liabilities, remained on the same level as the last financial statement, being EUR 8.4 million (31 December 2017: EUR 8.3 million).

Restructuring proceedings

The implementations of restructuring programmes have proceeded as planned. Componenta Främmestad AB paid its restructuring debts in March, which fall due in July 2018. The payment programmes for Componenta Corporation and Componenta Finland Ltd will commence in 2019 and end in 2023. The payment programme ends in the Group in 2024. The Group restructuring debts on 31 March 2018, were EUR 16.1 million (31 December 2017: EUR 19.0 million).

Repayment schedule for external restructuring debts to be paid

MEUR	2018	2019	2020	2021	2022	2023	2024	Total
Componenta Corporation	-	0.7	0.7	0.7	0.7	5.2	-	7.8
Componenta Finland Ltd	-	1.0	1.0	1.0	1.0	2.0	-	5.8
Componenta Främmestad AB	-	0.4	0.4	0.4	0.4	0.4	0.4	2.4
Total	-	2.0	2.0	2.0	2.0	7.5	0.4	16.1

According to the restructuring programmes, the companies should sell its real estate properties which are unrelated to the core business. One real estate and two parcels of land were sold in Pietarsaari on 23 February 2018. The real estate and both parcels were sold at market value and the total cash flow impact of all sales on the Group were EUR 0.2 million, with no considerable effect on result.

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). Foreign currency loans, deposits and other natural hedging relationships are used in order to protect from exchange rate fluctuations. Due to the restructuring proceedings, at the moment the company cannot obtain the credit facilities it would need for signing hedging derivatives.

Regarding the ability of Componenta to continue as a going concern, the main risks and factors causing uncertainty are related to the ability of Componenta Corporation and Componenta Finland to pay the restructuring debts accordingly with the payment programmes. Uncertainties and other business risks related to the Company's ability to continue as a going concern have been described in the financial statement published on 30 April 2018.

Events after the end of the period

Componenta sold all shares of its wholly-owned subsidiary Kiinteistö Oy Pietarsaaren Tehtaankatu 13 on 5 April 2018. The shares were sold at market value and the total cash flow impact on the Group was EUR 0.4 million.

The shareholders' equity in both Componenta Corporation and Componenta Finland Ltd were negative in the financial statements of 2016, but turned positive in 2017. The companies have filed a notification to the trade register in order to remove the entries regarding loss of share capital.

Guidance for 2018 intact

Componenta expects continued operations to have net sales of EUR 110 - 130 million in 2018 and adjusted EBITDA excluding items affecting comparability is expected to be EUR 4 - 6 million. Net sales for continued operations in 2017 were EUR 122.4 million and adjusted EBITDA EUR 4.8 million. Componenta's business outlook is based on the business outlook of its largest customers and the market outlook of the industry. Potential fluctuations in exchange rates, higher raw material prices and the general competitive climate may affect the business outlook. Changes to new accounting principles are not estimated to have a significant impact on future financial statements.

Reconciliation to IFRS figures

MEUR	1-3/2018
EBITDA, continued operations	1.4
Items affecting comparability	0.1
Adjusted EBITDA, continued operations	1.5

Items affecting comparability in 2018 of continued operations EBITDA in the first quarter of the year relate to restructuring and reorganisation costs EUR -0.1 million and sales profit of sold parcels of land in Pietarsaari EUR +0.1 million. Other items affecting comparability net totalled EUR -0.1 million.

MEUR	1-3/2018
Operating result, continued operations	0.9
Items affecting comparability	0.1
Adjusted operating result, continued operations	1.0

Items affecting adjusted operating result are identical to items affecting adjusted EBITDA.

Reconciliation of comparable adjusted net sales, continued operations, MEUR	1-3/2017
Net sales, IFRS	32.3
Adjusted net sales	32.3
Adjustment of administration service fee from the Wirsbo sub-group in 2017	-0.1
Comparable adjusted net sales	32.2

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Reconciliation of comparable adjusted EBITDA, continued operations, MEUR	1-3/2017
EBITDA, continued operations, IFRS	0.4
Write-downs of tangible and intangible assets and receivables	0.7
Restructuring and reorganisation costs	0.2
Other items	-0.1
Adjusted EBITDA	1.2
Adjustment of administration service fee from the Wirsbo sub-group in 2017	-0.1
Comparable adjusted EBITDA	1.1

Reconciliation of comparable adjusted operating result, continued operations, MEUR	1-3/2017
Operating result, IFRS	-0.3
Write-downs of tangible and intangible assets and receivables	0.7
Restructuring and reorganisation costs	0.2
Other items	-0.1
Adjusted operating result	0.6
Adjustment of management fee from the Wirsbo sub-group in 2017	-0.1
Comparable adjusted operating result	0.5

Helsinki, 18 May 2018

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.