

# FINANCIAL STATEMENTS 2014



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# Report on 2014 by the Board of Directors

At the beginning of 2014 market prospects were relatively stable and many economic indicators were pointing in a positive direction. Investments in machinery and equipment, and with them market demand, took a slight upward turn in the first half of the year, although the uncertainty in the economy had not totally disappeared. The situation changed rapidly, however, at the start of the second half of the year in consequence of the crisis in Ukraine and the resulting sanctions and counter-sanctions imposed by the EU and Russia.

During 2014 Componenta put its efforts into carrying out steps in support of its strategy and rearranging the Group's financing, with the objectives of strengthening the company's financial position and improving liquidity, extending loan maturities and reducing borrowing costs, and strengthening the company's shareholders' equity.

Improving the efficiency of production, competitiveness and profitability were the objectives of the efficiency improvement program underway in all the countries where the Group has operations, and implementing these measures is the first necessary step towards achieving the strategic targets. In the program, numerous development projects and measures were carried out as planned, and thanks to these the Group will be reaching the targets set for the efficiency improvement program. The program that began in 2012 and was expanded in 2013 and further in December 2014 is aiming to a profitability improvement of EUR 45 million in total by the end of 2016.

Componenta's competitive edge and capability to create added value for customers are based on offering the full supply chain of cast components with related services. Key positions in the whole value chain, in addition to casting and machining, are engineering, product development, logistics and quality. Measures to develop quality of products and operations and engineering cooperation with customers continued in 2014.

Componenta's strategic short-term targets for 2015 to fulfil the Group's vision were clarified at the beginning of 2015. The company's mission remains "Casting Future Solutions" and its vision is "to be the preferred casting solutions provider for our customers locally and globally". The basis for the strategy lies in the diversity of Componenta's production capabilities, in a broad range of products, services covering the whole supply chain, and long-term customer relationships. In 2015 the measures will continue

to carry out the efficiency improvement program and ensure the Group's competitiveness. Componenta is focusing on strengthening customer service and quality management, achieving outstanding product management, increasing and deepening the cooperation with customers, leading to an increased sales.

## Rearrangement of financing

In January 2014 the rearrangement of Componenta's financing began. The objectives were to sign new loan agreements with Turkish financiers, to complete negotiations with Nordic financiers on replacing short-term financing with long-term credit facilities, and to reach agreement with investors in the company to strengthen the company's shareholders' equity.

While the refinancing negotiations were in progress, the company decided to postpone the payment of the interest on the Group's hybrid bonds in February, with the purpose of strengthening the company's financial position and liquidity.

The negotiations with financiers resulted in the signing of new loan agreements in August. On 13 August 2014 Componenta's Turkish subsidiary, Componenta Dökümcülük A.S., signed a new seven year EUR 90 million club loan with four Turkish banks. On 14 August 2014 Componenta Corporation signed a new three year EUR 61.8 million syndicated loan and a EUR 7 million revolving credit facility. The company also has an option to extend the syndicated loan by one year after the end of the three year period.

The bondholders' meetings in July and August amended the terms of the Bonds issued by Componenta in 2013. The meeting of the bondholders of Componenta Corporation Bonds 2013 on 14 July 2014 resolved, in accordance with the company's proposal, to amend clause 5 of the terms and conditions of the 2013 Bonds and the redemption date defined pursuant to clause 5 of the terms and conditions of the 2013 Bonds, to enable the Board of Directors

of the company to decide on a premature redemption of the 2013 Bonds. The meeting of bondholders of Componenta Corporation Bonds 2013 on 25 August 2014 resolved, in accordance with the company's proposal, to postpone payment of the interest on the 2013 Bonds falling due on 2 September 2014, and to amend clause 4 (Interest), clause 5 (Redemption) and clause 9 (Special Undertakings) of the 2013 Bonds. The amendments of the terms and conditions were conditional on the successful implementation of a share issue to the public at a later date.

To strengthen the company's shareholders' equity, Componenta executed two share issues in August and September. In the first share issue directed to a limited group of selected investors on 15 August 2014, a total of 15,000,000 new shares were subscribed. In the second share issue directed to private individuals and corporations in Finland, in the period 8 - 12 September 2014 a total of 53,000,000 new shares were subscribed. Altogether 68,000,000 new shares were subscribed, and as a result the number of shares in the company rose to 97,269,224. The company obtained a total of EUR 98.6 million in equity financing in the share issues and improved its liquidity position and equity ratio.

### Efficiency improvement program

Componenta's group-wide efficiency improvement program, started in 2012 and expanded in 2013 has the target of improving the Group's profitability from its level in 2012 by EUR 35 million by the end of 2015. The program has made progress in accordance with expectations during the financial year and the cost savings target in total was reached despite the fact that targets in the fourth quarter were not fully achieved.

At the beginning of December 2014 the Group expanded the efficiency improvement program, with the target of a further EUR 10 million improvement in profitability by the end of 2016. A part of the new development measures will already have a positive impact on the result in 2015. The goal of the measures to improve efficiency in production and in common functions is to increase the capacity utilisation rate at the foundries and to reduce fixed costs, and their combined cost saving impact is estimated in total at a minimum of EUR 6 million by 2016. The company will further concentrate foundry production by closing 2 to 3 casting lines during 2015 - 2016. By improving efficiency in the Group's internal processes and ways of working, the company is aiming at cost savings of EUR 4 million by the end of 2016, but with approximately EUR 3 million will impact positively already on the result in 2015.

The 2014 EBITDA excluding one-time items and exchange rate differences of balance sheet items was EUR 35.8 million. Of this an estimated EUR 27.5 million comprises savings achieved in the efficiency improvement program. In addition to the savings visible in 2014 EBITDA, further cost savings and efficiency improvement measures were carried out during the year but the positive impacts of these measures totalling EUR 7.5 million are only expected to be visible in the 2015 EBITDA. In addition, the measures in

the expansion of the efficiency improvement program that began in December 2014 are expected to bring additional cost savings and improve EBITDA by a further EUR 3.0 million in 2015. The remaining EUR 7.0 million of the cost savings are expected to be achieved in 2016.

### Developments in Componenta's business environment and markets in 2014

The economic uncertainty in Europe and the economic sanctions imposed by the EU countries and Russia to each others had the effect of weakening demand prospects from the summer 2014 onwards. The Group's order book increased slightly in the first quarter, but levelled off in the second quarter and took a downward turn in the second half of the year. The order books varied from one customer sector to another, which evened out developments in the total order book. The Group's order book at the beginning of 2015 was 2% higher than one year earlier, at EUR 89 (87) million.

Demand from the heavy trucks industry in the first part of the year was almost the same as in the previous year. Demand in the sector declined in Europe in 2014. The decline in Componenta's order book was less than in the overall market due to the growth in new products for truck manufacturers. At the beginning of 2015 the order book for Componenta's heavy trucks customer business sector was 12% higher than at the same time in 2014. Demand in the heavy trucks industry in Europe is expected to stay at the same level as in the previous year or to improve slightly in 2015.

Demand for construction and mining machinery was higher in the first half of 2014 than in the previous year. Towards the end of the year demand from end customers was clearly growing in North America, but in Europe demand was slack. At the beginning of 2015 the order book for Componenta's construction and mining customer sector was 19% lower than at the same time in the previous year. In 2015 demand in North America is expected to increase and in Europe to stabilize. Mining industry prospects are still weak due to low raw material prices. As a whole, the demand is expected to be lower than in the previous year.

Demand from the machine building customer segment remained firm throughout 2014. At the beginning of 2015 the order book for the segment was on the same level than at the same time in the previous year. Prospects for the segment are expected to pick up during 2015.

In the first half of 2014 demand from the agricultural machinery customer sector was at the same level as in the previous year. In the second half of the year demand for agricultural machinery took a clear downward turn, as prices for agricultural products fell in consequence of the sanctions and counter sanctions imposed by the western countries and Russia. At the beginning of 2015, the order book for the customer sector was 8% lower than at the same time in the previous year. Due to the economic sanctions and

worldwide crop prospects, the prices of the agricultural products in Europe have decreased clearly and therefore, the demand for agricultural machinery is expected to further decrease in 2015.

In 2014 demand from Componenta's automotive customer segment remained at almost the same level as in the previous year, improving slightly towards the end of the year. At the beginning of 2015 the order book for the segment was 26% higher than in the previous year. Demand in 2015 is expected to improve from the previous year.

## Order book and net sales

The Group's order book at the end of the year was 2% higher than in the previous year, standing at EUR 89 (87) million. Improvement of the order book is due to increased market shares. However, increased uncertainty in Europe, mainly due to the economic sanctions imposed by western countries on Russia, has had a negative impact on the order book recently. This shows particularly in the order book for agricultural machinery. In addition, the order book has been negatively impacted by the decreased prices of raw materials which can be clearly seen particularly in orders from mining industry. The order book comprises orders confirmed to customers for the next two months.

Consolidated net sales declined 3% in the year to EUR 495 (511) million. The Group's capacity utilization rate in the period was 58% (59%).

Componenta's net sales in the financial year by customer sector were as follows: heavy trucks 33% (31%), construction and mining 17% (19%), machine building 19% (18%), agricultural machinery 14% (17%) and automotive 17% (15%).

## Result

EBITDA for the 2014 financial year excluding one-time items and exchange rate differences of balance sheet items improved from the previous year to EUR 35.8 (32.5) million. The improvement in the Group's EBITDA from the previous year was due to the efficiency improvement measures carried out.

The consolidated operating profit excluding one-time items and of balance sheet items improved from the previous year to EUR 17.8 (14.5) million. The improvement from the previous year was due to the cost-saving measures carried out in the efficiency improvement program, EUR +13 million. The operating profit was negatively impacted by the decline in volumes, EUR -4 million, quality problems in Orhangazi, EUR -4 million and the decline of productivity in the Dutch operations, EUR -3 million.

One-time items related to the operating profit of the financial year were EUR -12.9 (-3.3) million. The figure includes write-downs of fixed assets mainly in the Netherlands, EUR -4.9 million, expenses related to the closure of production units in Finland and Sweden, EUR -3.9 million, reorganizing in Turkey and the Netherlands, EUR -2.7 million and other one-time items, EUR -1.3 million.

Exchange rate differences of operative balance sheet items of the financial year totalled EUR -2.7 (3.7) million, mainly due to strengthening of the Turkish lira.

Operating profit including above-mentioned one-time items and exchange rate differences of operative balance sheet items was MEUR 2.2 (MEUR 14.9).

The Group's net financial costs for the financial year, excluding one-time items, were EUR -27.3 (-24.4) million. Net financial costs increased from the previous year because of exchange rate losses, EUR -1.1 million, interest and fair valuation differences of interest rate derivative contracts, EUR -0.9 million and the rescheduling of arrangement fees for the syndicated loan taken in 2012, EUR -0.6 million.

The Group's result for the period after financial items, excluding one-time items and exchange rate differences of operative balance sheet items, was EUR -9.5 (-9.9) million and including these items EUR -28.7 (-9.6) million.

One-time items related to financial income and expenses were EUR -3.7 (-0.1) million. They are related to expenses of the refinancing the Group's loans, to the cancellation of loans and to writing off their arrangement fees, in total EUR -6.5 million and to profit obtained from the conversion of bonds and notes in connection with the share issue in September EUR 2.8 million.

Income taxes were EUR +0.2 (-6.0) million. Due to prudence reasons some tax receivables have not been recorded in the financial year. The high income taxes in the previous year were mainly due to the cut in Finland's corporate tax rate in 2014 from 24.5% to 20.0%, which resulted in a reduction in the value of deferred tax assets in Finland. Other reasons for higher income taxes in 2014 were the supplementary taxes imposed following the tax audit in Turkey and the increase in deferred tax liabilities arising from the weakening of the Turkish lira.

The net result for the financial period was EUR -28.6 (-15.5) million.

Basic earnings per share were EUR -0.63 (-0.75).

The return on investment excluding one-time items was 4.8% (5.9%) and after one-time items 0.8% (4.9%).

The return on equity excluding one-time items was -14.8% (-12.8%) and after one-time items -29.1% (-18.6%).

## Balance sheet, financing and cash flow

The rearrangement of Componenta's interest-bearing debts, the project that the company began in January 2014 was carried out as planned in August and September.



Componenta subsidiary Componenta Dökümcülük A.S. signed a new seven year EUR 90 million credit facility agreement with Turkish banks on 13 August 2014. This agreement refinanced the loans of the Turkish subsidiary. In addition, on 14 August 2014 Componenta Corporation signed an agreement with Nordic banks for a EUR 61.8 million long-term credit facility and for a new EUR 7 million revolving credit facility. This long-term credit facility extended Componenta Corporation's previous short-term credit facility by 3 + 1 years.

Through these refinancing arrangements the average maturity for Componenta's interest bearing debts lengthened from about one year to four and a half years. Thanks to the refinancing the company's annual borrowing costs for its interest bearing debts will fall by some EUR 8 million.

As part of these refinancing arrangements, in August and September, Componenta carried out share issues for a total of 68,000,000 shares in two phases. In the first share issue which was executed as a private placement on 15 August 2014, Componenta offered 15,000,000 new company shares to a limited number of selected investors at a subscription price of EUR 1.00 a share. In the other share issue on 8 - 12 September 2014, 53,000,000 new company shares were offered to the public. In this share issue the price varied, depending on the form of payment. Holders of the company's 2009 and 2010 Capital Notes, 2012 and 2013 Hybrid Bonds, 2013 Unsecured Bond and 2013 Secured Bond had the right to use the loan principal and interest receivables from the company to pay the share subscription price. Through these share issues the company obtained altogether EUR 98.6 million in equity financing, with subscriptions in cash accounting for EUR 28.4 million of this. A further approximately EUR 70.2 million in loan principal and interest receivables was used for the share subscriptions. The company also improved its liquidity position and equity ratio with the funds received in the share issues.

After the conversions carried out in the share issue, the total outstanding amount of the company's capital notes, corporate bonds and hybrid bonds was EUR 11.3 million.

At the end of the financial year, Componenta's cash and bank receivables totalled EUR 12.1 (10.2) million. The Group's interest-bearing net debt, including the outstanding capital notes of EUR 2.0 (2.9) million, totalled EUR 216 (230) million. The company's net debt as a proportion of shareholders' equity was 194% (270%). At the end of the financial year the Group's equity ratio was 23.7% (18.9%).

Net cash flow from operations during the year was EUR -20.6 (2.2) million, and within this the changes in working capital were EUR -16.8 (2.6) million. Net cash flow from operations weakened from the previous year mainly because of increase of inventories and receivables. Amount of capital tied up in the inventories was EUR 11.9 million higher than at the same time in the previous year

due to the Pietarsaari foundry closure related buffer stocks and the higher raw material stocks than in the previous year. VAT net receivables in Turkey increased when export grew and purchases stayed unchanged. In addition, short-term loan receivables increased during the year as the remaining part of the capital note of Albin AB, which was sold in 2007, was transferred from the long-term loan receivables to short-term loan receivables.

Componenta 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 of recourse. At the end of December the company had sold trade receivables totalling EUR 88.9 (82.4) million.

At the end of 2014, the invested capital of the company was EUR 339 (325) million.

Loans, commitments and contingent liabilities given by the parent company to Group companies classified as related parties on 31 December 2014 totalled EUR 69.9 (91.5) million. Loans, commitments and contingent liabilities given by the company to private persons classified as related parties on 31 December 2014 totalled EUR 0.1 (0.4) million.

## Investments

Componenta's investments in production facilities during the year totalled EUR 22.6 (18.9) million, of which finance lease investments accounted for EUR 6.2 (2.5) million. EUR 6 million of the investments are also decreasing environmental impact of the production. The net cash flow from investments was EUR -13.4 (-15.7) 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.

## Research and development

At the end of the financial year 99 (106) people worked in research and development at Componenta, which corresponds to 2% (3%) of the company's total personnel. Componenta's research and development expenses in 2014 totalled EUR 2.8 (2.6) million, the equivalent of 0.6% (0.5%) of the Group's total net sales.

## Environment

The objectives of Componenta's quality, environmental, and occupational health and safety policy are to fulfil customer requirements and to comply with all essential legal requirements relating to the environment, occupational health and safety. Componenta ensures that all its business locations have sufficient competent resources and relevant knowledge to be successful and continuously improves its own production processes to guarantee the best possible results. The programmes implemented for continuous improvement aim at achieving the principle of zero defects in quality, zero accidents and zero illness in health and safety, and at meeting agreed environmental targets.

Componenta is committed to continuous improvement and to reducing the environmental impact of its production. The most significant environmental aspects have been identified as the use of energy, preventing the creation of waste, and utilising waste instead of dumping it at waste disposal sites.

In 2014 the Group's production units used 666 GWh (671 GWh) of energy. Most of the energy used, 68% (67%), was electricity. The foundries consume about 90% of all the energy, since especially the melting processes at the foundries utilise much energy. In 2014 energy consumption in proportion to output at Componenta's iron foundries rose 2%, which was due to the lower capacity utilisation rate.

Componenta uses recycled material as raw material and delivers part of the waste for reuse. 71% (71%) of the main raw material used in Componenta's iron foundries in 2014 was recycled steel. 60% (63%) of the waste went for beneficial reuse. EUR 6 million of the investments in 2014 are also decreasing environmental impact of the production. The implemented changes and renewals will reduce amount of waste and use of raw materials and emissions of the product. Impacts of the investments will realize mainly in 2015.

## Personnel

The Group had on average 4,438 (4,464) employees during the financial year, including 326 (311) leased employees. The number of Group personnel at the end of the year was 4,238 (4,431), which includes 257 (277) leased employees. At the end of the year 61% (60%) of the personnel were in Turkey, 16% (17%) in Finland, 13% (13%) in the Netherlands, and 10% (10%) in Sweden.

## Shares and share capital

The shares of Componenta Corporation are quoted on NASDAQ OMX Helsinki. At the end of the financial year the company had a total of 97,269,224 (29,269,224) shares. The share capital increased during the year first by 15,000,000 shares to 44,269,224 shares as a result of the share issue carried out on 15 August 2014 and later by 53,000,000 shares to 97,269,224 shares as a result of the share issue carried out during 8 - 12 September 2014. The company's share capital at the end of the financial year stood at EUR 21.9 (21.9) million. The quoted price on 31 December 2014 stood at EUR 0.72 (EUR 1.63). The average price during the year was EUR 1.09, the lowest price was EUR 0.67, and the highest EUR 2.15. At the end of the financial year the share capital had a market capitalization of EUR 69.5 (47.7) million and the volume of shares traded during the period was equivalent to 21.6% (10.1%) of the share stock.

## Flagging notices

Componenta began to rearrange its interest-bearing debts in January 2014 and this rearrangement and two share issues were completed during August and September. In consequence of these share issues the holdings of several shareholders exceeded or fell below flagging thresholds. Details about flagging notices are available on Componenta's website, which contains the stock

exchange releases about flagging notices for the period 15 August - 23 September 2014.

## Decisions of the General Meetings

The Annual General Meeting of Componenta Corporation, held on 13 March 2014, adopted the annual accounts for the financial period 1 January - 31 December 2013 and discharged the members of the Board of Directors and the President and CEO from liability concerning the financial period. In accordance with the proposal of the Board of Directors, the General Meeting resolved that no dividend be distributed for the 2013 fiscal year.

The General Meeting elected Olavi Huhtala, Heikki Lehtonen, Riitta Palomäki, Matti Ruotsala, Tommi Salunen and Harri Suutari as members of the Board of Directors. The General Meeting elected Authorised Public Accounting firm PricewaterhouseCoopers Oy as the company's auditor.

The AGM authorized the Board to decide to issue shares and grant special rights with an entitlement to shares for a maximum of 6,000,000 shares in one or more issues, either against payment or free of charge.

Componenta's Extraordinary General Meeting held on 27 June 2014 authorized the Board to decide to issue shares and grant special rights for a maximum of 9,000,000 shares in one or more issues, either against payment or free of charge.

Both authorizations, which are valid until the next Annual General Meeting, empowered the Board of Directors to decide on all the terms and conditions for a share issue and for granting special rights with an entitlement to shares, and included the right to disapply the pre-emption rights of shareholders. The authorization could be used to strengthen the company's balance sheet and financial position.

The company made use of the above authorisations in the share issue on 15 August 2014. At the end of 2014 Componenta's Board of Directors held no current authorisations to issue shares, options or convertible bonds, or to purchase or dispose of the company's own shares.

In addition to the Board authorisations to issue shares, Componenta's Extraordinary General Meeting held on 5 September 2014 resolved to carry out a share issue to the public, in which the company offered in total a maximum of 53,000,000 new shares for subscription by private individuals and corporations in Finland, disapplying the pre-emption rights of the shareholders. The purpose of the share issue carried out on 8 - 12 September 2014 was to safeguard the continuity of the company's operations by considerably strengthening the financial position of the company, so there were weighty financial grounds for the company to disapply the pre-emption subscription rights of the shareholders.

## Share-based incentive scheme 2014

The Board of Directors of Componenta Corporation resolved on 17 February 2014 to set up a new share-based incentive scheme for key personnel. The objective of the plan was to bring together the goals of the owners and key personnel so as to raise the value of the company, to commit key personnel to the company, and to offer them a competitive bonus scheme based on share ownership.

The scheme had one earning period, the 2014 calendar year. The earning criterion for the 2014 earning period was Componenta Group's result after financial items.

Under the terms of the scheme, any bonus for the 2014 earning period is paid as a combination of company shares and cash. The part to be paid in cash is intended to cover the taxes and tax-related costs incurred by key personnel from the bonus. The shares may not be disposed of during a two-year restriction period. 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.

The target group for the scheme contained 18 people at the end of 2014. The Board of Directors decided not to allocate shares for the 2014 earning period, so the scheme's impact on the Group's result before tax at the end of 2014 was EUR 0.0 million. The maximum bonuses to be paid on the basis of the incentive scheme responded the value of 400,000 Componenta Corporation shares, including the part to be paid in cash.

## Board of Directors and Management

After the AGM on 13 March 2014, the Board of Directors held its organization meeting and elected Harri Suutari as its chairman and Matti Ruotsala as vice chairman. The Board met 26 times in 2014. The average attendance rate of Board members at its meetings was 98%. The Board assessed its performance in 2014, under the leadership of its chairman, in February 2015.

Componenta has two Board committees: the Audit Committee and the Nomination Committee.

At its organization meeting the Board elected Riitta Palomäki to be chairman of the audit committee and Olavi Huhtala and Tommi Salunen as the other members of the committee. The audit committee met 5 times in 2014 and its average attendance rate was 100%. The audit committee assessed its performance in 2014, under the leadership of its chairman, in February 2015.

On 2 June 2014 Componenta's Board of Directors established a nomination committee for preparing matters pertaining to the nomination and remuneration of directors. The members of the nomination committee represent the major shareholders in the company. Those elected to the nomination committee were Harri Suutari (Chairman of the Board of Directors), Heikki Lehtonen,

Juuso Puolanne from Suomen Teollisuussijoitus Oy (Finnish Industry Investment Ltd), and Reima Rytsölä from Keskinäinen työeläkeyhtiö Varma (Varma Mutual Pension Insurance Company). The nomination committee met once in 2014 and the attendance rate at the meeting was 100 %.

Heikki Lehtonen is President and CEO of Componenta. At the end of 2014 the Corporate Executive Team comprised: President and CEO Heikki Lehtonen; Juha Alhonoja, Senior Vice President, Machine Shop Division; CFO Mika Hassinen; Olli Karhunen, Senior Vice President, Foundry Division; Anu Mankki, Senior Vice President, HR and Internal Communications; Pauliina Rannikko, Senior Vice President, Legal and Risk Management; Furio Scolaro, Senior Vice President, Sales and Product Development and Sabri Özdogan, Senior Vice President, Aluminium Division.

In December Maurice Ruitter was appointed Senior Vice President, Quality and Engineering at Componenta and a member of the Corporate Executive Team as from 1 January 2015.

## Risks and business uncertainties

The most significant risks for Componenta's business operations are risks related to the business environment (competition and price risk, commodity and environmental risks), operational risks (customer and supplier risks, productivity, production and process risks, labour market disruptions, contract and product liability risks, personnel risks, and data security risks) as well as financial risks (financing and liquidity risk, currency, interest rate and credit risks).

In order to manage the Group's business operations it is essential to secure the availability of certain raw materials, such as recycled metal and pig iron, and of energy, at competitive prices. The cost risk relating to raw materials is mainly managed with price agreements, and under these agreements the prices of products are adjusted in line with the changes in raw material prices. Increases in prices for raw materials may tie up more funds in working capital than estimated.

The financial risks relating to Componenta's business operations are managed in accordance with the treasury policy approved by the Board of Directors. The objective is to protect the Group against unfavourable changes in the financial markets and to secure the Group's financial performance and financial position. More detailed information about the management of financial risks are given in the 2014 financial statements.

## Re-financing and liquidity risks

The Group aims to ensure the availability of financing by spreading the repayment schedules, sources of funding and financial instruments in the loan portfolio. The proportion of one source of funding may not exceed a limit set in the Group Treasury Policy. The most important sources of finance used in the Group are the club loan from Turkish banks, trade receivables financing without



recourse right, the syndicated loan, other bilateral short- and long-term loan agreements with Turkish banks, lease financing, bonds, pension reborrowing loans and capital notes.

Componenta will refinance the instalments maturing in 2015 partly with cash flow from operations and partly with new long-term loans. Componenta plans to refinance the remaining part of maturing loans from Turkish banks due in 2015 with new bilateral or similar long-term loans from Turkish banks.

## Currency risk

During the year Componenta's Board of Directors changed the hedging policy for the transaction position for Componenta's currency denominated income and expense items in Turkey. Under the new policy, the level of hedging for Turkey may be in the range 0 - 100 per cent, at the discretion of the President and CEO. Under the old policy, the level of hedging for Turkey could be in the range 70-130 per cent, at the discretion of the President and CEO. According to the company's opinion the Turkish lira will weaken against the euro and other main currencies in long-term based on the big inflation difference. In addition, with the open unhedged Turkish currency position, the purpose was to get rid of the cash flow based settlement payments at the end of the hedging periods.

More detailed information about the risks to which Componenta is exposed and risk management is given in the notes to the 2014 financial statements.

## Business environment

The demand outlook in all the Group's customer sectors remains uncertain.

The order book for Componenta's heavy trucks customer sector was at the end of the year 12% higher than at the same time in the previous year. Demand in the heavy truck industry in Europe is expected to stay at the same level as in the previous year or to improve slightly in 2015. Componenta's sales to heavy trucks industry customers are expected to increase more than the market due to growth in introduction of new products.

The order book for Componenta's construction and mining customer sector was at the end of the year 19% lower than at the same time in the previous year. Demand in North America is expected to increase and in Europe to stabilize. Mining industry prospects are still weak due to low raw material prices. Cancellations of orders at the beginning of the previous year weaken the comparability of order books (impact approximately 10%). As a whole, the demand is expected to be lower than in previous year. Componenta's sales to the customers in the construction and mining sector are expected to stay at the same level as in the previous year or to improve slightly as a result of new products.

At the end of the review period, the order book for Componenta's machine building customer segment was on the same level as at the same time in the previous year. Componenta's sales to the machine building industry are expected to rise during 2015.

The order book for Componenta's agricultural machinery customer sector was at the end of the year 8% lower than at the same time in the previous year. Due to worldwide crop prospects and reciprocal economic sanctions by EU and Russia, the prices of the agricultural products in Europe have decreased clearly. Due to these reasons the demand is expected to decrease further in 2015. Componenta's sales to manufacturers of agricultural machinery are expected to decline from previous year.

The order book for Componenta's automotive customer sector was at the end of the year 26% higher than at the same time in the previous year. Demand in 2015 is estimated to improve from previous year. Componenta's sales to automotive industry are expected to increase from previous year.

## Prospects for Componenta in 2015

The prospects for Componenta in 2015 are based on general external economic indicators, delivery forecasts given by customers, and on Componenta's order intake and order book.

Componenta's order book at the beginning of 2015 was EUR 89 (87) million. Componenta expects the operating profit for 2015 excluding one-time items and exchange rate differences of operative balance sheet items to improve from the previous year due to the efficiency improvement program being carried out.

## Dividend proposal by the Board of Directors

On 31 December 2014 the parent company had distributable equity of EUR 204.1 (102.3) million. The Board of Directors proposes to the Annual General Meeting to be held on 11 March 2015 that no dividend be paid for the 1 January - 31 December 2014 financial period.

## Annual General Meeting

Componenta Corporation's Annual General Meeting of Shareholders will be held at 10.00 am on 11 March 2015 in Helsinki. Notice of the annual general meeting will be published in a separate stock exchange release.

## Corporate Governance Statement

Componenta Corporation is publishing its Corporate Governance Statement for 2014 as a separate report from the Report by the Board of Directors. After publication the statement will be available on the company's website at [www.componenta.com](http://www.componenta.com).

**CONSOLIDATED INCOME STATEMENT 1.1. – 31.12.**

MEUR	Note	2014	%	2013	%
NET SALES	1	495.2	100.0	510.5	100.0
Other operating income	4	-0.1		5.9	
Operating expenses	5,6,7	-470.1		-483.2	
Depreciation, amortization and write-down of non-current assets	8	-22.9		-18.4	
Share of the associated companies' result		0.1		0.1	
<b>OPERATING PROFIT</b>	1	<b>2.2</b>	<b>0.4</b>	14.9	2.9
Financial income	9	7.7		7.5	
Financial expense	9	-38.7		-32.0	
Financial income and expenses in total		-30.9		-24.5	
<b>PROFIT/LOSS AFTER FINANCIAL ITEMS</b>		<b>-28.7</b>	<b>-5.8</b>	-9.6	-1.9
Income taxes	10	0.2		-6.0	
<b>PROFIT/LOSS FOR THE FINANCIAL PERIOD</b>		<b>-28.6</b>		-15.5	
Allocation of net profit for the period					
To equity holders of the parent		-29.2		-15.8	
To non-controlling interest		0.6		0.2	
		-28.6		-15.5	
Earnings per share calculated on the profit attributable to the shareholders of the parent company					
Earnings per share, EUR	11	-0.63		-0.75	
Earnings per share with dilution, EUR	11	-0.63		-0.75	

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 1.1. – 31.12.**

MEUR	2014	2013
Net profit	-28.6	-15.5
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Revaluation of land and property	0.0	-1.8
Items that may be reclassified subsequently to profit or loss		
Translation differences	0.4	-1.2
Actuarial gains and losses	-1.0	-1.7
Cash flow hedges	0.4	-0.3
Other items	0.0	0.0
Total items that may be reclassified to profit or loss subsequently	-0.2	-3.2
Income tax on other comprehensive income	0.1	0.9
Other comprehensive income, net of tax	-0.1	-4.1
<b>Total comprehensive income</b>	<b>-28.6</b>	<b>-19.6</b>
Allocation of total comprehensive income		
To equity holders of the parent	-29.2	-19.7
To non-controlling interest	0.6	0.0
	-28.6	-19.6

The notes are an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION 31.12.**

MEUR	Note	2014	2013
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Tangible assets	12	251.5	253.3
Goodwill	13	29.1	29.1
Intangible assets	14	8.2	9.7
Investment properties	15	8.3	11.6
Shares in associated companies	16	1.2	1.3
Financial assets	17	0.9	0.9
Receivables	18	1.4	4.2
Deferred tax assets	19	37.4	34.0
		<b>338.0</b>	<b>344.1</b>
<b>CURRENT ASSETS</b>			
Inventories	20	75.0	63.1
Receivables	21	43.5	34.4
Tax receivables	21	0.2	0.1
Cash and cash equivalents	23	12.1	10.2
		<b>130.8</b>	<b>107.8</b>
<b>TOTAL ASSETS</b>		<b>468.9</b>	<b>452.0</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		21.9	21.9
Share premium reserve		15.0	15.0
Unrestricted equity reserve		152.3	58.1
Other reserves		27.2	63.2
Cash flow hedges		-0.4	-0.7
Translation differences		-36.3	-36.8
Retained earnings		-47.3	-27.2
Profit/loss for the financial period		-29.2	-15.8
Equity attributable to equity holders of the parent company	24	103.1	77.7
Non-controlling interest		8.0	7.4
<b>Shareholders' equity</b>		<b>111.2</b>	<b>85.2</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Capital loans	28	0.0	2.3
Other interest bearing	28	159.1	134.2
Other non-interest bearing	33	0.1	0.6
Provisions	27	9.7	8.5
Deferred taxes	19	12.9	12.6
<b>Current liabilities</b>			
Capital loans	28	2.0	0.6
Other interest bearing	28	67.1	102.7
Other non-interest bearing	29	102.2	101.8
Tax liability		0.1	0.4
Provisions	27	4.5	3.3
		<b>357.7</b>	<b>366.8</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>468.9</b>	<b>452.0</b>

The notes are an integral part of these financial statements.

**CASH FLOW STATEMENT 1.1. – 31.12.**

<b>MEUR</b>	<b>2014</b>	<b>2013</b>
Cash flow from operations		
Result after financial items	-28.7	-9.6
Depreciation, amortization and write-down	22.9	18.4
Net financial income and expenses	30.9	24.5
Other income and expenses, adjustments to cash flow	-0.8	-4.7
Change in net working capital		
Inventories	-12.5	-4.4
Current non-interest bearing receivables	-7.1	-2.3
Current non-interest bearing liabilities	2.0	10.9
Other working capital items	0.8	-1.7
Interest received	0.3	0.5
Interest paid	-23.0	-23.6
Other financial income and expenses	-3.0	-0.2
Dividends received	0.0	0.0
Taxes paid	-2.4	-5.7
<b>Net cash flow from operations</b>	<b>-20.6</b>	<b>2.2</b>
Cash flow from investing activities		
Acquisition of subsidiaries, net of cash acquired	-0.3	-0.1
Capital expenditure in tangible assets	-15.7	-13.2
Capital expenditure in intangible assets	-0.6	-3.2
Proceeds from tangible and intangible assets	2.9	0.6
Other investments and loans granted	0.0	0.0
Proceeds from other investments and repayments of loan receivables	0.3	0.1
<b>Net cash flow from investing activities</b>	<b>-13.4</b>	<b>-15.7</b>
Cash flow from financing activities		
Dividends paid	-	-1.1
Interest paid, hybrid bond	-	-3.3
Proceeds from share issue	28.4	4.2
Expenses of share issue	-1.9	-0.3
Proceeds from the issue of hybrid bond	-	0.1
Repayment of finance lease liabilities	-4.1	-3.8
Draw-down (+)/ repayment (-) of current loans	33.4	13.6
Draw-down of non-current loans	7.0	30.3
Repayment of non-current loans and other changes	-26.8	-36.7
<b>Net cash flow from financing activities</b>	<b>36.0</b>	<b>3.0</b>
Change in liquid assets	2.0	-10.5
Cash and bank accounts at the beginning of the period	10.2	20.6
Effects of exchange rate changes on cash	0.0	0.0
Cash and bank accounts at period end	12.1	10.2

The notes are an integral part of these financial statements.

## Statement of changes in consolidated shareholders' equity

MEUR	Share capital	Share premium reserve	Unrestricted equity reserve	Revaluation reserve of land and buildings	Other reserves	Cash flow hedges	Translation differences	Retained earnings	Total	Non-controlling interest	Shareholders' equity total
Shareholders' equity 1.1.2013	21.9	15.0	47.1	24.2	23.4	-0.4	-35.6	-20.9	74.6	8.8	83.4
Net profit								-15.8	-15.8	0.2	-15.5
Translation differences							-1.2		-1.2	0.0	-1.2
Actuarial gains and losses								-1.2	-1.2	-0.1	-1.3
Cash flow hedges						-0.3			-0.3		-0.3
Revaluation of buildings and land areas				-1.8				0.4	-1.4	0.0	-1.4
The impact of the change in Finland's tax rate on items presented in the statement of comprehensive income				0.2					0.2		0.2
Other comprehensive income items					0.0				0.0		0.0
Total comprehensive income				-1.6	0.0	-0.3	-1.2	-16.6	-19.7	0.0	-19.6
Interest, hybrid bond								-2.5	-2.5		-2.5
Share issue			11.0						11.0		11.0
Issue of hybrid bond					17.2				17.2		17.2
Dividend									0.0	-1.1	-1.1
Items decreased directly from equity *)								-2.9	-2.9	-0.2	-3.2
Shareholders' equity 31.12.2013	21.9	15.0	58.1	22.7	40.6	-0.7	-36.8	-42.9	77.7	7.4	85.2

\*) Prior year 2004 the subsidiary in Turkey has recorded the inflation related value increase adjustments directly in equity in accordance with IAS 29. The inflation adjustments have been reclassified in equity and the tax charges of the reclassification have been recorded directly in equity, hence the value adjustments were also recorded directly in equity at the time.

MEUR	Share capital	Share premium reserve	Unrestricted equity reserve	Revaluation reserve of land and buildings	Other reserves	Cash flow hedges	Translation differences	Retained earnings	Total	Non-controlling interest	Shareholders' equity total
Shareholders' equity 1.1.2014	21.9	15.0	58.1	22.7	40.6	-0.7	-36.8	-42.9	77.7	7.4	85.2
Net profit								-29.2	-29.2	0.6	-28.6
Translation differences							0.4		0.4	0.0	0.4
Actuarial gains and losses								-0.8	-0.8	0.0	-0.8
Cash flow hedges						0.3			0.3		0.3
Revaluation of buildings and land areas				-0.4				0.4	0.0		0.0
Other comprehensive income items					0.0				0.0		0.0
Total comprehensive income				-0.4	0.0	0.3	0.4	-29.6	-29.2	0.6	-28.6
Interest, hybrid bond								-3.8	-3.8		-3.8
Share issue			94.3		-35.6				58.6		58.6
Minority share acquisition								-0.3	-0.3		-0.3
Shareholders' equity 31.12.2014	21.9	15.0	152.3	22.2	4.9	-0.4	-36.3	-76.5	103.1	8.0	111.2



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Accounting Principles

#### 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 (business identity code 1635451-6), whose shares are quoted on the NASDAQ OMX 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](http://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 2014.

The Board of Directors of Componenta Corporation has at its meeting on 10 February 2015 approved these financial statements for publication. According to the Finnish Companies Act, shareholders have the opportunity to approve or reject the financial statements at the General Meeting of Shareholders held after publication. It is also possible to amend the financial statements at the General Meeting of Shareholders.

#### Basis for preparing consolidated financial statements

Componenta's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), applying the IAS and IFRS standards in force on 31 December 2014 and SIC and IFRIC interpretations. The term 'IFRS standards' refers to standards and interpretations of these in Finnish legislation and provisions based on this approved for applying in the EU in accordance with the procedure established in EU regulation (EY) 1606/2002. The notes to the consolidated financial statements also conform to Finnish accounting and corporate legislation.

The consolidated financial statements have been prepared based on the historical cost, except that the following items have been assessed at fair value: investment properties, financial assets and liabilities recognized in the income statement, derivative financial instruments, and items hedged at fair value. The buildings and land areas included in the revaluation are also presented at their fair value deducted by the post revaluation depreciation related to buildings. For mergers of business operations that took place before 2004, goodwill, as stated in IFRS 1, corresponds to the book value as defined under the previous financial statement standards, and this has been used as the deemed cost.

The preparation of the financial statements in accordance with IFRS standards requires management to make estimates and

judgments in applying the accounting principles. Information about the judgments made by management in the application of the accounting principles employed by the Group and which have the biggest impact on the figures given in the financial statements is given in the chapter "Accounting principles requiring judgments by management and key sources of estimation uncertainty".

#### Accounting principles for consolidated financial statements

##### 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 remeasured. 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 balance sheet. 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.

#### **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 balance sheet. 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.

### **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 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. Translation differences from before 1 January 2004 are recorded, in accordance with the exception permitted by IFRS 1, under retained earnings. After the transition date, translation differences arising during the preparation of the consolidated financial statements are presented as a separate item of equity. 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 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 writedowns, 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 3 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. On 31 December 2013 and on 31 December 2014 the properties in Pietarsaari were revalued since the company announced towards the end of 2013 that foundry operations were being terminated in Pietarsaari, a change that will have a significant impact on the valuation. The manufacturing operations in Pietarsaari foundry were closed down in July 2014.

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 computer software, capitalized development costs and capitalized costs for obtaining customers. 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 costs	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 Group's share of the net fair value on the date of acquisition of the identifiable assets, liabilities and contingent liabilities of a company acquired after 1 January 2004. For mergers of business operations that took place before 2004, goodwill corresponds to the book value as defined under the previous financial statement standards, and this has been used as the deemed cost in accordance with IFRS.

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 practise, so impairment testing is not carried out on land areas, buildings and constructions included in property, plant and equipment and investment properties. The fair values are principally measured by using the income approach method.

## 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.

## 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.

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

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.

### **Employee benefits/Share-based payments**

The Group has applied the IFRS 2 standard to the share-based incentive scheme for key personnel which was decided on 17 February 2014.

A share-based incentive scheme has been set up for senior management for the year 2014. Possible bonuses are paid partly in shares and partly in cash in the early part of year 2015. 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 2014 no bonuses were paid in relation to the previous share-based incentive scheme for the year 2013.

### **Operating segments**

Componenta has four business segments which are Foundry Division, Machine Shop Division, Aluminium Division and Other Business. The current segment reporting model has been applied from 1 January 2013 onwards.

Foundry Division comprise the iron foundry in Orhangazi, the iron foundries in Iisalmi, Karkkila, Pietarsaari and Pori in Finland and iron foundries in Heerlen and Weert, the machine shop operations in Weert in the Netherlands. The manufacturing operations in Pietarsaari foundry were closed down in July 2014. The Machine Shops Division comprise the Främmostad machine shop in Sweden, the production unit for pistons in Pietarsaari and the machine shop in Orhangazi. The operations in Aluminium Division comprise the aluminium foundry and production unit for aluminium wheels in Manisa Turkey. Other Business comprises the operations outside the core business, which includes the Wirsbo and Arvika Smide forges, the sales and logistics company Componenta UK Ltd in Great Britain, service and real estate companies in Finland, the Group's administrative functions and associated company Kumsan A.S. in Turkey. The operating business segments are based on the Group's internal organizational structure and internal financial reporting.

Supreme authority at Componenta is exercised by the shareholders at the General Meeting of Shareholders. The highest operational decision making body at Componenta is the company's Board of Directors together with the President and CEO. The Board and the President and CEO decide on strategy, the selection of key personnel, major development projects, company acquisitions, investments, the organisational structure and financing. The Group's Corporate Executive Team and other management assist and support the President and CEO in his work.



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 Turkey, Finland, the Netherlands, Sweden and other countries. In addition the net sales by market area is monitored in more detail.

### One-time items and exchange rate differences of operative balance sheet items

One-time items, described in the Report by the Board of Directors, are exceptional transactions that are not related to normal business operations. The most common one-time items 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. The Group's management exercises its discretion when taking decisions regarding the classification of one-time items. The Group also monitors the development of the normal business operations with operating profit measures which are excluding operative exchange rate differences. Operative exchange rate differences are arising, for example, from foreign currency trade payables and trade receivables and also from foreign currency denominated other operative receivables and payables. The result impact of the derivatives, which are hedging operative foreign currency positions, are also included by definition for 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. A deferred tax liability is recognised 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%.

Deferred tax liabilities and assets are presented in the balance sheet as a net figure where they apply to the same tax authority and when they can offset each other.

### Revenue recognition

Net sales comprises revenue from the sale of products, services, raw materials, goods and energy, adjusted by indirect taxes 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 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. Trade receivables without any right to recourse have been transferred and derecognised from the statement of financial position.



**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. They are recognized at fair value using market prices on the balance sheet date. Realized and unrealized profit and loss resulting from changes in fair value are recognized in the 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 comprise cash in hand and in bank accounts and deposits held at call with banks.

**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.

**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. 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. The equity loans have no maturity dates but the Group is entitled but not obliged to pay back the loans four years after they were issued, ie. in 2016 and 2017. 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 share-holders' 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 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, cash flow hedge accounting is applied when hedging against future changes in electricity spot market prices.

### Earnings per share

The basic earnings per share are 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.

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

To prepare the consolidated financial statements in accordance with International Financial Reporting Standards, management has to make estimates and assumptions about the future.

The Group's management exercises its discretion when taking decisions about the choice of accounting principles for the financial statements and their application. Estimates have been used when determining in the financial statements for example the realizable value of certain assets like deferred tax assets, the amount of provision related to pension obligations, impairments of trade receivables, the useful economic life of tangible and intangible assets, assumptions of the income approach method, fair values of financial assets and liabilities including derivatives, income tax, the value of inventories, provisions and contingent liabilities, and for tests for impairment. In addition the management exercises its discretion when evaluating, during financial statements preparation, possible uncertainties in relation to going concern. When preparing the financial statements, management also assesses any uncertainties concerning the company's ability to continue as a going concern. In its assessment, management takes into account all available information about future cash flows and other factors, such as current and forecast profitability, debt repayment schedules, and potential sources of replacement financing.

### 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 2014 the Group has applied the following new and revised standards and interpretations.

IFRS 10 Consolidated Financial Statements (effective for financial periods beginning on or after 1 January 2014). In line with existing principles, the standard establishes control as the basis for consolidation. The standard also sets out how to apply the principle of control to identify whether an investor controls an investee. The standard did not have an impact on the Group's financial statements.

IFRS 11 Joint Arrangements (effective for financial periods beginning on or after 1 January 2014). The standard emphasises the importance of the rights and obligations arising from joint arrangements in accounting rather than the legal structure of such arrangements. There are two types of joint arrangements: joint operations and joint ventures. The standard also requires the equity method to be used in reporting on joint ventures in place of the previously allowed proportionate consolidation method. The standard did not have an impact on the Group's financial statements.

IFRS 12 Disclosure of Interests in Other Entities (effective for financial periods beginning on or after 1 January 2014). The standard covers the disclosure of information regarding interests in other entities, including associated companies, joint arrangements, special purpose entities and unconsolidated structured entities. The standard did not have material impact on the Group's financial statements.

IAS 28 Investments in Associates and Joint Ventures (revised in 2011, effective for financial periods beginning on or after 1 January 2014). The revised standard sets out requirements for using the equity method of accounting for associates and joint ventures as a result of the publication of IFRS 11. The amendment did not have material impact on the Group's financial statements.

IAS 32 (Amendment) Financial instruments (effective for financial periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria. The standard did not have a material impact on the Group's financial statements.

### New and amended standards and interpretations not yet effective in 2014

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 2014 or later periods and which the Group has not yet applied:

IAS 19 (Amendment) Employee benefits (effective for financial periods beginning on or after 1 July 2014). The amendment applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The

standard will not have a material impact on the Group's financial statements.

Annual Improvements to IFRS 2010–2012 and 2011–2013 (effective mainly for financial periods beginning on or after 1 July 2014), and 2012–2014 (effective mainly for financial periods beginning on or after 1 January 2016). Minor and not urgent changes to standards are collected together and will be put in force annually through Annual Improvements procedure. The nature of the changes is varying between different standards and the changes can be considered to be not significant.

IFRIC 21 Levies (effective for financial periods beginning on or after 1 July 2014). This is an interpretation of IAS 37, 'Provisions, contingent liabilities and contingent assets.' IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation addresses what the obligating event is that gives rise to the payment of a levy and when a liability should be recognised. The standard will not have a material impact on the Group's financial statements.

IFRS 15 Revenues from contracts with customers (effective for financial periods beginning on or after 1 January 2017). 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 have not yet been approved for application in the EU. The Group is currently evaluating the impact of the standard.

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 have not yet been approved for application in the EU. The Group is currently evaluating the impact of the standard.

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.

### 1. Operating segments

Componenta's business operations are divided into four operational segments, Foundry Division, Machine Shop Division, Aluminium Division and Other Business. The current segment reporting model has been in use from 1 January 2013 onwards.

The operations in the Foundry Division comprise the iron foundry in Orhangazi in Turkey, the iron foundries in Iisalmi, Karkkila and Pori in Finland, and the iron foundries in Heerlen and Weert and the machine shop in Weert in the Netherlands. Production operations at the Pietarsaari foundry ceased in the summer of 2014. The operations in the Machine Shop Division comprise the Främmostad machine shop, the production unit for pistons in Pietarsaari and the machine shop in Orhangazi. The operations in the Aluminium Division comprise the aluminium foundry and production unit for aluminium wheels in Manisa in Turkey. Other Business comprises the operations outside the core business, which includes the forges of Wirsbo and Arvika Smide, the sales and logistics company Componenta UK Ltd in the UK, service and real estate companies in Finland, the Group's administrative functions and associated company Kumsan A.S. in Turkey. 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 the Foundry Division are non-machined iron cast components. The main products sold by the Machine Shop Division are machined and painted iron cast components. The main products sold by the Aluminium Division are machined and non-machined aluminium cast components. The main business of Other Business consists of the production of forged components, the production of logistic services and the rental of office and industrial premises. In addition, Group service units are included in Other Business. Machined and non-machined iron castings and forged products account for 83% (85%) of the Group's external net sales. Machined and non-machined aluminium components account for 16% (14%) of the Group's external net sales. Rental income and property services account for 1% (1%) of the Group's external net sales.

The highest operational decision making body at Componenta is the company's Board of Directors together with the President and CEO. The Board and the President and CEO decide on strategy, the selection of key personnel, major development projects, company acquisitions, investments, the organisational structure and financing. 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.

## Business segments 2014

MEUR	Foundry division	Machine shop division	Aluminium division	Other business	One-time items *)	Eliminations and unallocated items of normal operations	Group
External sales	212.0	109.6	72.4	101.2			495.2
Internal sales	95.7	12.1	7.1	28.7		-143.7	0.0
Total sales	307.8	121.7	79.5	129.9		-143.7	495.2
Share of the associated companies' result				0.1			0.1
Segment operating profit	3.7	3.2	7.9	0.5	-12.9	-0.2	2.2
Unallocated items					-1.2	-29.6	-30.8 **)
Net profit							-28.6
Segment assets	271.0	67.8	51.5	78.1		-52.6	415.7
Shares in associated companies				1.2			1.2
Unallocated assets							52.0
Total assets							468.9
Segment liabilities	75.4	39.9	5.5	50.9		-55.1	116.6
Unallocated liabilities							241.1
Total liabilities							357.7
Capital expenditure in production facilities	12.4	6.0	2.8	1.5			22.6
Depreciation and write-downs	-8.1	-3.4	-2.9	-3.8	-4.7		-22.9

\*) One-time items in operating profit in 2014 relate to the transfer of the smaller production line from the Pietarsaari foundry and the closure of the foundry, EUR -2.2 million, the costs for the transfer of the DISA production line to the Pori foundry and for starting it up, EUR -1.2 million, write-downs and the loss recorded on the sale of the Nisamo property, EUR -0.6 million, write-downs on machinery and equipment at Heerlen Foundry, EUR -4.2 million, restructuring measures in the Netherlands, EUR -1.5 million, running down the Smedjebacken forge, EUR -0.8 million, the temporary closure of the forge in Virsbo due to the forest fire, EUR -0.4 million and to the restructuring measures and extra waste disposal costs at Orhangazi foundry EUR -1.6 million. Other one-time items were EUR -0.4 million. Classifications regarding one-time items are unaudited.

\*\*) Includes EUR -29.6 million financial and tax items of normal operations.



## Business segments 2013

MEUR	Foundry division	Machine shop division	Aluminium division	Other business	One-time items ***)	Eliminations and unallocated items of normal operations	Group
External sales	223.4*)	104.0*)	70.8	112.3			510.5
Internal sales	105.6*)	11.5*)	2.0	29.6		-148.7	0.0
Total sales	329.0	115.5	72.8	141.9		-148.7	510.5
Share of the associated companies' result				0.1			0.1
Segment operating profit	4.6	2.7	9.7	1.6	-3.3	-0.3	14.9
Unallocated items					-1.5	-28.9	-30.5 ****)
Net profit							-15.5
Segment assets	245.6**)	61.9	47.6**)	83.7		-37.6	401.3
Shares in associated companies				1.3			1.3
Unallocated assets							49.4
Total assets							452.0
Segment liabilities	73.8	25.9	8.2	44.7		-38.0	114.5
Unallocated liabilities							252.3
Total liabilities							366.8
Capital expenditure in production facilities	6.6	6.4	1.7	4.2			18.9
Depreciation and write-downs	-8.6	-2.8	-2.5	-4.1	-0.4		-18.4

\*) The split between the external and internal sales have been changed regarding the comparative financial year 2013. The change in question did not have any impact to the Group consolidated external sales and neither to the total sales of Foundry Division and Machine Shop Division. The change of comparative figures was done in order to synchronize the Group internal delivery registration for the year 2013 with the registration model in use in 2014.

\*\*\*) Previously released allocations of assets between Foundry division and Aluminium division have been changed. The internal allocation principles of the VAT receivables and other public authority items within Turkish subsidiary have been changed between Orhangazi iron foundry unit and Manisa aluminium business units. 31 December 2013 assets have been revised to correspond the new allocation principles.

\*\*\*\*) One-time items in operating profit in 2013 relate to shut down of Pietarsaari Foundry, EUR -1.8 million, structural changes and adaptation measures in Wirsbo, EUR -0.7 million, legal dispute and compensation for damages in Holland, EUR -0.7 million and to Orhangazi Foundry in Turkey, EUR -0.2 million. Other one-time items were EUR +0.1 million. Classifications regarding one-time items are unaudited.

\*\*\*\*\*) Includes EUR -28.9 million financial and tax items of normal operations.

**Geographical areas 2014**

MEUR	Turkey	Finland	The Netherlands	Sweden	Other countries	Total
Non-current assets *)	153.9	75.6	28.5	39.3	1.0	298.4
Capital expenditure in production facilities	12.7	4.0	3.1	2.7	0.0	22.6

**Geographical areas 2013**

MEUR	Turkey	Finland	The Netherlands	Sweden	Other countries	Total
Non-current assets *)	148.6	80.6	31.3	43.6	1.0	305.1
Capital expenditure in production facilities	9.4	2.3	2.1	5.0	0.0	18.9

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

**External net sales by market area**

MEUR	2014	2013
Germany	103.1	107.4
Sweden	89.1	97.6
Turkey	60.6	64.8
UK	45.1	56.3
Finland	41.0	42.7
Benelux countries	40.2	37.2
Italy	30.9	27.6
France	30.5	32.9
Other European countries	20.8	17.5
Other countries	33.9	26.6
External net sales total	495.2	510.5

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

**2. Business acquisitions**

There were no business acquisitions in 2013 and in 2014.

**3. Business divestments**

Componenta did not sell any business operations in 2013 and in 2014.

The statutory personnel negotiations at the Pietarsaari foundry were completed in November 2013. As a result of the negotiations, it was decided to transfer the operations of the smaller production line in Pietarsaari to the Pori foundry and close down the Pietarsaari foundry in phases by the end of October 2014. In addition it was decided that the larger production line would be continuing to operate up until the foundry is closed down. In consequence of the decision to close the foundry, the following write-downs were made in 2013: on buildings EUR 2.2 million, on machinery and equipment EUR 0.0 million, and on inventories EUR 0.5 million. In addition to the write-downs, extra personnel costs of EUR 0.2 million were recorded in Pietarsaari relating to future personnel costs that are based on work done previously.

The smaller production line in Pietarsaari was transferred to the Pori foundry in May 2014 and the larger production line was closed down in July 2014. In consequence of the closure of the foundry, and in addition to the previous year write-down, an additional write-down of EUR 0.5 million was recorded on buildings in 2014. Furthermore, in year 2012 recorded impairment of EUR 0.4 million related to larger production line machinery and equipment was reversed in 2014, since the larger production line was transferred to Organgazi foundry in Turkey by the end of the year 2014.

## 4. Other operating income

MEUR	2014	2013
Rental income	0.7	0.8
Profit from sale of non-current assets	0.0	0.0
Exchange gains and losses of trade receivables and payables, incl. hedges	-2.7	3.7
Increase in fair value of investment properties	0.0	0.2
Release of negative goodwill	0.2	-
Other operating income	1.7	1.2
Other operating income total	-0.1	5.9
Rental income from investment property included in net sales	0.5	0.5

## 5. Operating expenses

MEUR	2014	2013
Change in inventory of finished goods and work in progress	10.6	1.7
Production for own use	0.5	0.6
Materials, supplies and products	-204.8	-209.1
External services	-28.9	-28.3
Personnel expenses	-126.1	-128.2
Rents	-4.8	-5.0
Maintenance costs of investment properties	-0.3	-0.4
Waste, property and maintenance	-23.5	-25.0
Energy	-36.5	-39.1
Sales and marketing	-0.2	-1.1
Computer software	-4.8	-4.4
Tools for production	-5.6	-6.2
Freights	-14.6	-12.5
Decrease in fair value of investment properties	-0.4	0.0
Other operating expenses	-30.7	-26.2
Total operating expenses	-470.1	-483.2
Audit fees	-0.4	-0.4
Other fees*)	-0.9	-0.2
Total fees paid to auditors	-1.3	-0.6

\*) Some of these fees paid to the auditors are presented in financial expenses.

## 6. Personnel expenses

MEUR	2014	2013
Personnel expenses		
Salaries and fees	-104.1	-105.0
Pension costs	-10.7	-11.4
Other personnel costs	-11.3	-11.8
	-126.1	-128.2
Average number of personnel by segment, excluding leased personnel		
Foundry division	2,508	2,654
Machine shop division	353	328
Aluminium division	815	734
Other business	436	438
	4,111	4,153

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

## 7. Research and development costs

MEUR	2014	2013
The following amounts have been recognized in the income statement under research and development costs	-2.8	-2.6

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

MEUR	2014	2013
Depreciation and amortization		
Tangible assets		
Buildings and structures	-2.8	-3.0
Machinery and equipment *)	-12.1	-11.7
Other tangible assets	-0.5	-0.4
	-15.4	-15.1
Intangible assets		
Intangible rights	-1.2	-1.1
Computer software	-0.4	-0.4
Other capitalized expenditure	-1.3	-1.4
	-2.8	-2.9
Write-downs on tangible and intangible assets **)	-4.6	-0.4
Total depreciation, amortization and write-downs of non-current assets	-22.9	-18.4

\*) The units-of-production depreciation method is used for production machinery and equipment. Planned depreciation based on normal utilized capacity was EUR -15.7 (-16.6) million and capacity utilization correction was EUR 3.6 (4.9) million.

\*\*) Write-downs on machinery and equipment and intangible assets in 2014 relate to Heerlen Foundry in the Netherlands EUR -4.2 million and Smedjebacken forge belonging to Wirsbo business unit in Sweden EUR -0.3 million. Write-downs at Heerlen Foundry were recorded based on impairment testing because the present value of the recoverable amount was below the book value of machinery and equipment. Write-downs at Smedjebacken forge were related to the closure of the unit. EUR 0.4 million of the write-downs on machinery and equipment made in 2012 for the Pietarsaari foundry has been reversed in 2014. Write-downs recognized in the income statement in 2014 on buildings used in foundry operations in Pietarsaari totalled EUR -0.5 (-0.4) million, in connection with the closure of the foundry. In addition other receivables of EUR 0.1 million have been written off.

## 9. Financial income and expenses

MEUR	2014	2013
Interest income from loans and other receivables	0.3	0.5
Exchange rate gains from financial assets and liabilities recognized at amortized cost	0.8	1.2
Realized exchange rate gains from currency derivatives	3.5	4.7
Other financial income	3.1	1.2
Change in fair value of financial assets and liabilities held for trading	0.2	0.8
Effective interest expenses for financial liabilities recognized at amortized cost	-18.6	-17.9
Exchange rate losses from financial assets and liabilities recognized at amortized cost	-4.3	-2.4
Other charges on financial liabilities valued at amortized cost	0.0	0.0
Interest expenses and commissions for supplier factoring	-1.7	-1.5
Interest expenses and commissions for sold trade receivables	-6.0	-4.9
Interest expenses for interest rate swaps	-0.4	-1.0
Realized exchange rate losses from currency derivatives	-1.2	-3.5
Other financial expenses	-6.8	-1.5
Financial income and expenses, total	-30.9	-24.5

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 (8.2) million in exchange rate gains and losses arising from foreign currency denominated sales and purchases and EUR -0.2 (-4.5) million from foreign exchange derivatives designated to these items. EUR 2.8 million of financial income is related to the capital gain obtained from the conversion of bonds in connection with the share issue in September. Other financial expenses include one-time items of EUR -5.2 million and effective interest expenses for financial liabilities recognized at amortized cost include one-time items of EUR -1.3 million. These are related to costs in connection with the refinancing of the Group's loans, redemption of loans and write-offs of loan arrangement fees that were recognized as an expense at the end of the project. In addition, currency exchange losses and higher interest expenses before the reorganization of financing increased net financial expenses.

Interest income on interest rate swaps has been moved to compensate interest expenses. During 2014 the Group has not received any significant commissions from financial assets.

## 10. Income taxes

MEUR	2014	2013
Income taxes		
Income taxes for financial period	-1.6	-6.9
Change in deferred taxes (see note 19)	1.8	0.9
	0.2	-6.0
Income tax reconciliation between tax expense computed at statutory rates in Finland of 20.0% (24.5%) and income tax expense provided on earnings.		
MEUR	2014	2013
Profit before tax	-28.7	-9.6
Income tax using Finnish tax rate	5.7	2.3
Difference between Finnish tax rate and rates in other countries	0.6	0.4
Tax exempt income	0.7	0.3
Non-deductible expenses	-0.5	-0.7
Adjustments to the taxable income for previous years	0.2	-1.6
Tax losses from which no deferred tax assets have been recorded	-6.5	0.0
Re-assessment of deferred taxes	0.0	-2.1
Effect of the change in corporate income tax rate in Finland *)	-	-4.6
	0.2	-6.0

\*) The Finnish corporate income tax rate decreased from 24.5% to 20.0% in 2014. As a result, deferred tax assets and liabilities relating to Finnish operations presented in the statement of financial position dated 31 December 2013 were valued at the new tax rate of 20.0%. EUR -4.6 million of the impact of the change in tax rate on deferred tax assets and liabilities was recorded in the income statement and EUR +0.2 million in the statement of comprehensive 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.

MEUR	2014	2013
Basic and diluted earnings per share		
Numerator: Profit for the period attributable to the shareholders of the parent company, 1,000 EUR *)	-32,003	-18,337
Denominator: Weighted average number of outstanding shares during the financial year, 1,000 shares	50,921	24,507
Basic earnings per share, EUR	-0.63	-0.75
Earnings per share with dilution, EUR	-0.63	-0.75

\*) 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 2.8 million after deferred taxes in 2014 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 -29.2 million. Bond holders used EUR 2.5 million of unpaid interest, accumulated during year 2014, on hybrid bonds to subscribe shares in the September 2014 share issue.

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 of the share-based incentive scheme for employees (Note 25) will not be taken into account in 2014 and in 2013 since the dilution would increase the earnings per share.



## NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### 12. Tangible assets

MEUR	2014	2013
Land and water areas		
Acquisition cost at 1 Jan	36.9	36.9
Disposals	-0.2	-
Translation differences	0.0	0.0
Book value at 31 Dec	36.7	36.9
<b>MEUR</b>	<b>2014</b>	<b>2013</b>
Buildings and constructions		
Acquisition cost at 1 Jan	110.7	110.7
Additions	0.3	2.2
Disposals	-0.1	-0.1
Re-classifications	0.1	0.0
Revaluation on buildings *)	0.0	-1.8
Translation differences	-0.5	-0.3
Acquisition cost at 31 Dec	110.5	110.7
Accumulated depreciation at 1 Jan	-47.1	-44.0
Accumulated depreciation on decreases and re-classifications	0.0	-
Translation differences	0.3	0.1
Depreciation and write-downs during the period **)	-3.3	-3.2
Accumulated depreciation at 31 Dec	-50.1	-47.1
Book value at 31 Dec	60.4	63.7
<b>MEUR</b>	<b>2014</b>	<b>2013</b>
Buildings and constructions, finance leasing		
Acquisition cost at 1 Jan	0.3	0.3
Acquisition cost at 31 Dec	0.3	0.3
Accumulated depreciation at 1 Jan	-0.1	-0.1
Depreciation during the period	0.0	0.0
Accumulated depreciation at 31 Dec	-0.1	-0.1
Book value at 31 Dec	0.2	0.2
<b>MEUR</b>	<b>2014</b>	<b>2013</b>
Machinery and equipment		
Acquisition cost at 1 Jan	360.0	375.1
Additions	3.3	5.3
Disposals	-5.4	-21.3
Re-classifications	4.6	3.5
Companies acquired	0.0	0.0
Translation differences	-3.5	-2.6
Acquisition cost at 31 Dec	359.0	360.0
Accumulated depreciation at 1 Jan	-245.3	-256.5
Accumulated depreciation on decreases and re-classifications	5.3	20.0
Translation differences	2.5	1.4
Depreciation and write-downs during the period **)	-14.7	-10.3
Accumulated depreciation at 31 Dec	-252.2	-245.3
Book value at 31 Dec	106.8	114.7

MEUR	2014	2013
<b>Machinery and equipment, finance leasing</b>		
Acquisition cost at 1 Jan	23.9	22.9
Additions	6.2	2.5
Disposals	0.0	-0.9
Re-classifications	-1.0	-0.2
Translation differences	-0.6	-0.4
Acquisition cost at 31 Dec	28.5	23.9
Accumulated depreciation at 1 Jan	-8.4	-7.8
Accumulated depreciation on decreases	0.2	0.7
Translation differences	0.3	0.1
Depreciation during the period	-1.4	-1.4
Accumulated depreciation at 31 Dec	-9.4	-8.4
Book value at 31 Dec	19.1	15.5
<b>MEUR</b>	<b>2014</b>	<b>2013</b>
<b>Other tangible assets</b>		
Acquisition cost at 1 Jan	14.7	8.6
Additions	0.7	0.1
Disposals	-0.6	-0.2
Re-classifications	0.1	5.6
Translation differences	0.0	0.5
Acquisition cost at 31 Dec	14.9	14.7
Accumulated depreciation at 1 Jan	-7.1	-6.8
Accumulated depreciation on decreases and re-classifications	0.0	0.1
Translation differences	-0.5	0.0
Depreciation during the period	-0.4	-0.5
Accumulated depreciation at 31 Dec	-8.0	-7.1
Book value at 31 Dec	6.9	7.6
<b>MEUR</b>	<b>2014</b>	<b>2013</b>
<b>Advance payments and fixed assets under construction</b>		
Acquisition cost at 1 Jan	14.8	16.5
Additions	11.5	5.6
Disposals	-0.2	-0.4
Re-classifications	-4.7	-6.8
Translation differences	-0.1	-0.2
Book value at 31 Dec	21.3	14.8
<b>Total tangible assets</b>	<b>251.5</b>	<b>253.3</b>

\*) The accounting principles for the consolidated financial statements contain further information about the treatment of changes in the value of land and buildings. The value of the buildings used in foundry operations in Pietarsaari was reduced in 2014 by EUR 0.0 (-1.8) million in the statement of comprehensive income in connection with the closure of the foundry. Real estate is normally revalued at three year intervals, but the property in Pietarsaari was revalued in 2014 and 2013 as a result of the closure. The previous time property was valued throughout the Group was in connection with the 2012 financial statements. After tax EUR 22.4 (22.7) million was recorded in the revaluation fund in shareholders' equity. The net change in the revaluation of property in 2014 and in 2013 in land and water areas and buildings and constructions was EUR 0.0 (-1.8) million. The carrying value of land and water areas without revaluation would have been EUR 21.7 (21.9) million. The carrying value of buildings and constructions without revaluation would have been EUR 51.5 (54.2) 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 estimated yield method and determining the fair value involves considerable discretion.

\*\*) Write-downs on machinery and equipment and intangible assets in 2014 relate to Heerlen Foundry in the Netherlands EUR -4.2 million and Smedjebacken forge belonging to Wirsbo business unit in Sweden EUR -0.3 million. Write-downs at Heerlen Foundry were recorded based on impairment testing because the present value of the recoverable amount was below the book value of machinery and equipment. Write-downs at Smedjebacken forge were related to the closure of the unit. EUR 0.4 million of the writedowns on machinery and equipment made in 2012 for the Pietarsaari foundry has been reversed in 2014. Write-downs recognized in the income statement in 2014 on buildings used in foundry operations in Pietarsaari totalled EUR -0.5 (-0.4) million, in connection with the closure of the foundry.

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	2014	2013
Acquisition cost at 1 Jan	29.1	29.1
Translation difference	0.0	0.0
Book value at 31 Dec	29.1	29.1

#### Allocation of goodwill and impairment testing

Goodwill has been allocated to units generating cash flow. Most of the goodwill is allocated to the Orhangazi foundry, part of the Foundry Division segment, and the goodwill connected to this stood at EUR 27.6 (27.6) million at the end of 2014.

The future cash flows of the Orhangazi foundry, part of the Foundry Division 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 flows for the coming three years have been calculated based on detailed estimates of developments in costs and demand, and the following two years have been calculated using estimated growth. The average rate of EBITDA growth used for 2018–2019 is 2%. Cash flows beyond five years are calculated by using the residual value method. Stable annual growth of 1% in the EBITDA has been assumed when defining the residual value.

The discount rate used is the weighted average cost of capital before tax defined by Componenta. The factors in this are risk-free interest

rate, market risk premium, the Componenta's beta, weighted average of borrowing costs, and the target ratio for shareholders' equity and to interest bearing liabilities. Componenta has used a pre-tax weighted average cost of capital of 7.5% in its calculations related to Orhangazi foundry.

There was no need to record impairment losses on the basis of impairment testing in 2014 and in 2013.

#### Sensitivity analysis:

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 reducing profitability (EBITDA) 1–10%
- by raising the weighted average cost of capital 1–27%

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. However, none of these scenarios would have resulted in the need to recognize an impairment loss for goodwill. Raising the weighted average cost of capital 111% to a level of 15.8% or reducing the average EBITDA by 46% would have led into an impairment of goodwill.

### 14. Intangible assets

MEUR	2014	2013
Capitalized development costs		
Acquisition cost at 1 Jan	2.1	0.6
Additions	0.5	1.3
Disposals	-0.1	0.0
Re-classifications	0.6	0.3
Translation differences	-0.1	0.0
Acquisition cost at 31 Dec	3.0	2.1
Accumulated amortization at 1 Jan	-0.3	-0.1
Accumulated amortization on decreases and re-classifications	0.1	0.0
Translation differences	0.0	0.0
Amortization during the period	-0.4	-0.1
Accumulated amortization at 31 Dec	-0.5	-0.3
Book value at 31 Dec	2.4	1.8

MEUR	2014	2013
<b>Intangible rights</b>		
Acquisition cost at 1 Jan	7.7	2.8
Additions	0.0	1.4
Disposals	0.0	-0.1
Re-classifications	0.0	3.6
Translation differences	-0.1	0.0
Acquisition cost at 31 Dec	7.6	7.7
Accumulated amortization at 1 Jan	-2.6	-1.4
Accumulated amortization on decreases and re-classifications	0.0	0.1
Translation differences	0.1	-0.1
Amortization during the period	-1.2	-1.1
Accumulated amortization at 31 Dec	-3.7	-2.6
Book value at 31 Dec	4.0	5.1
<b>MEUR</b>	<b>2014</b>	<b>2013</b>
<b>Computer software</b>		
Acquisition cost at 1 Jan	6.6	5.6
Additions	0.0	0.3
Re-classifications	0.3	0.6
Acquisition cost at 31 Dec	6.9	6.6
Accumulated amortization at 1 Jan	-5.2	-4.5
Accumulated amortization on decreases and re-classifications	-0.1	0.0
Translation differences	0.0	-0.2
Amortization during the period	-0.6	-0.5
Accumulated amortization at 31 Dec	-5.9	-5.2
Book value at 31 Dec	1.0	1.4
<b>MEUR</b>	<b>2014</b>	<b>2013</b>
<b>Other capitalized expenditure</b>		
Acquisition cost at 1 Jan	10.1	9.7
Additions	0.0	0.0
Re-classifications	0.0	0.3
Acquisition cost at 31 Dec	10.1	10.1
Accumulated amortization at 1 Jan	-8.8	-7.6
Accumulated amortization on decreases and re-classifications	0.0	0.3
Amortization during the period	-0.6	-1.4
Accumulated amortization at 31 Dec	-9.3	-8.8
Book value at 31 Dec	0.8	1.3
<b>MEUR</b>	<b>2014</b>	<b>2013</b>
<b>Advance payments for intangible assets</b>		
Acquisition cost at 1 Jan	0.1	1.2
Additions	0.0	0.2
Re-classifications	-0.1	-1.3
Book value at 31 Dec	0.0	0.1
<b>Total intangible assets</b>	<b>8.2</b>	<b>9.7</b>

## 15. Investment properties

MEUR	2014	2013
Book value at 1 Jan	11.6	11.4
Additions	-	-
Disposals	-2.9	-
Transfers	-	-
Profit/loss from the fair valuation	-0.4	0.2
Book value at 31 Dec	8.3	11.6

The fair values of investment properties are based on assessment books prepared by an independent and professionally qualified evaluator and last updated in late autumn in 2013 and in 2014. In both years the evaluation was prepared by Kiinteistötieto Peltola & Co Oy, mainly by using the yield value methods. The reliability of the valuation of property is classified as Level 3 and transfers between levels have not occurred during the financial period.

## 16. Shares in associated companies

MEUR	2014	2013
Book value at 1 Jan	1.3	1.4
Disposals	-0.2	0.0
Share of results of associated companies	0.1	0.1
Translation differences	0.0	-0.2
Book value at 31 Dec	1.2	1.3

Associated companies 31 Dec 2014

	Assets, MEUR	Liabilities, MEUR	Net sales, MEUR	Profit/Loss, MEUR	Group share of holding,%
Kumsan A.S., Turkey	5.9	0.6	4.7	0.5	25.1

Associated companies 31 Dec 2013

	Assets, MEUR	Liabilities, MEUR	Net sales, MEUR	Profit/Loss, MEUR	Group share of holding,%
Kumsan A.S., Turkey	5.2	0.9	5.3	0.6	25.1
Kiinteistö Oy Niliharju, Helsinki	0.6	0.2	0.0	0.0	25.0

Kiinteistö Oy Niliharju was sold in February 2014 and the Group recorded a loss of EUR 0.1 million on the sale. The value of shares in associated companies does not include goodwill at 31 Dec 2014. All associated companies are unlisted.

## 17. Financial assets

MEUR	2014	2013
Available-for-sale financial assets		
Acquisition cost at 1 Jan	0.9	0.9
Additions	-	0.0
Disposals	-	-
Book value at 31 Dec	0.9	0.9

Available-for-sale financial assets consist of non-listed shares, the biggest investment being Majakka Voima Oy. As the fair value of these shares is difficult to determine reliably, they are recognized at acquisition cost less any impairment losses. According to Componenta's view the fair value and acquisition cost do not differ essentially. Other financial assets are classified in fair value valuation method level 3, please see additional information in note 22. There were no gains or losses from the sale of available-for-sale financial assets in 2014.

## 18. Non-current receivables

MEUR	2014	2013
From associates		
Loan receivables	0.0	0.1
Other non-current receivables		
Loan receivables	0.2	3.0
Other receivables	1.2	1.2
	1.4	4.1
Total non-current receivables	1.4	4.2

The Group's loan receivables are mainly related to investments.

## 19. Deferred tax assets and liabilities

### Changes in deferred taxes during the financial year 2014

MEUR	at 1 Jan 2014	Recognized in income statement	Recognized in equity	Translation differences	at 31 Dec 2014
Deferred tax assets					
Intercompany margin in inventory	0.1	0.0		0.0	0.1
Provisions and pension provisions	2.1	-0.2	0.2		2.1
Tax losses carried forward	41.9	1.7		-0.4	43.1
Fair valuation of investment properties	0.1	0.0			0.1
Revaluation of buildings and land areas	1.4	0.0		0.0	1.3
Other differences	1.7	0.5	0.4	0.0	2.6
Total	47.2	2.0	0.6	-0.5	49.4
Offset with deferred tax liabilities	-13.2				-12.0
Total	34.0				37.4

Deferred tax assets recognized for losses in Finland, in Sweden and in the Netherlands are based on the expected taxable income of the companies in these countries. It is estimated that these deferred tax assets can be utilized in 1-10 years. At the end of the 2014 fiscal year, the Group justifies being able to make use of the deferred tax assets recorded for losses on the impact, for example, of the lower interest costs resulting from the reorganization of financing, the closing of loss-making business units, and the efficiency Improvement program that is currently underway. A further factor is that the Group is going to expand production volumes of certain very profitable product families on the basis of new contracts confirmed by customers.

MEUR	at 1 Jan 2014	Recognized in income statement	Recognized in equity	Translation differences	at 31 Dec 2014
Deferred tax liabilities					
Valuing tangible assets at fair value when merging businesses	3.3	-0.2		0.0	3.1
Accelerated depreciation	8.1	-0.1		0.0	8.0
Fair valuation of investment properties	0.6	-0.3			0.3
Revaluation of buildings and land areas	5.7	-0.1	0.0	0.0	5.6
Finance leases	1.0	0.1		0.0	1.2
Other differences	7.0	0.9	-0.9	-0.1	6.9
Total	25.8	0.2	-0.9	-0.1	24.9
Offset with deferred tax assets	-13.2				-12.0
Total	12.6				12.9

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.



## Changes in deferred taxes during the financial year 2013

MEUR	at 1 Jan 2013	Recognized in income statement	Recognized in equity	Translation differences	at 31 Dec 2013
Deferred tax assets					
Intercompany margin in inventory	0.1	0.0		0.0	0.1
Provisions	2.3	-0.5	0.3		2.1
Tax losses carried forward	39.7	2.3		-0.2	41.9
Fair valuation of investment properties	0.1	0.0			0.1
Revaluation of buildings and land areas	1.5	-0.1		0.0	1.4
Other differences	2.0	-0.3	0.0	0.0	1.7
<b>Total</b>	<b>45.8</b>	<b>1.3</b>	<b>0.3</b>	<b>-0.2</b>	<b>47.2</b>
Offset with deferred tax liabilities	-14.4				-13.2
<b>Total</b>	<b>31.3</b>				<b>34.0</b>

MEUR	at 1 Jan 2013	Recognized in income statement	Recognized in equity	Translation differences	at 31 Dec 2013
Deferred tax liabilities					
Valuing tangible assets at fair value when merging businesses	3.6	-0.2		0.0	3.3
Accelerated depreciation	6.1	2.0		0.0	8.1
Fair valuation of investment properties	0.7	-0.1			0.6
Revaluation of buildings and land areas	6.9	-0.5	-0.6	-0.1	5.7
Finance leases	1.0	0.2		-0.1	1.0
Other differences	8.2	-1.0	-0.1	0.0	7.0
<b>Total</b>	<b>26.4</b>	<b>0.4</b>	<b>-0.7</b>	<b>-0.2</b>	<b>25.8</b>
Offset with deferred tax assets	-14.4				-13.2
<b>Total</b>	<b>12.0</b>				<b>12.6</b>

## 20. Inventories

MEUR	2014	2013
Raw materials and consumables	17.2	15.5
Work in progress	12.6	11.8
Finished products and goods	32.0	24.1
Other inventories	12.8	11.4
Advance payments	0.4	0.3
<b>Total inventories</b>	<b>75.0</b>	<b>63.1</b>

Other inventories include mainly tools, patterns, fixtures and spare parts.

During the financial year 2014 an expense of EUR -0.2 (-0.1) million was recognized to reduce the book value of inventories to their net realizable value.

## 21. Trade and other short-term receivables

MEUR	2014	2013
Trade receivables	23.5	22.4
Loan receivables	3.6	1.3
Derivative receivables	1.2	0.1
Tax receivables, income taxes	0.2	0.1
Prepayments and accrued income	4.2	5.4
VAT receivables	9.1	2.7
Other receivables	2.0	2.6
<b>Total trade and other short-term receivables</b>	<b>43.7</b>	<b>34.6</b>

Prepayments and accrued income include mainly prepaid accrued expenses.

**Trade receivables by currency**

	2014 %	2013 %
EUR	69.6	86.2
TRY	14.8	0.0
SEK	12.8	11.0
GBP	1.8	2.4
USD	0.8	0.4
RUB	0.3	-

**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 2014**

MEUR	LEVEL 1	LEVEL 2	LEVEL 3
Foreign exchange rate derivatives (OTC)	-	0.4	-
Interest rate derivatives (OTC)	-	-0.1	-
Commodity derivatives	-0.7	-	-
Available-for-sale investments	-	-	0.9

**Fair values by classification of valuation method 2013**

MEUR	LEVEL 1	LEVEL 2	LEVEL 3
Foreign exchange rate derivatives (OTC)	-	-2.1	-
Interest rate derivatives (OTC)	-	-0.3	-
Commodity derivatives	-1.1	-	-
Available-for-sale investments	-	-	0.9

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

**23. Cash and cash equivalents**

MEUR	2014	2013
Cash and cash equivalents included in the statement of financial position		
Cash at bank and in hand	12.1	10.2
Cash and cash equivalents included in the cash flow statement		
Cash at bank and in hand	12.1	10.2

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

MEUR	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 2013	22,231	21.9	15.0	-0.4	47.1	24.2	23.4
Share issue	7,038	-	-	-	11.0	-	-
Issue of hybrid bond	-	-	-	-	-	-	17.2
Transfers to retained earnings	-	-	-	-	-	-0.4	-
Other comprehensive income	-	-	-	-0.3	-	-1.2	0.0
At 31 Dec 2013	29,269	21.9	15.0	-0.7	58.1	22.7	40.6
Share issue	68,000	-	-	-	94.3	-	-35.6
Transfers to retained earnings	-	-	-	-	-	-0.4	-
Other comprehensive income	-	-	-	0.3	-	-	0.0
At 31 Dec 2014	97,269	21.9	15.0	-0.4	152.3	22.2	4.9

The cumulative translation differences EUR -36.3 (-36.8) 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.

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 and interest derivatives. The fair value changes in effective portion of hedging instruments in hedging reserve, before taxes, was EUR -0.3 (-0.8) million, the amount released to income statement from the hedging reserve, before taxes, was EUR -0.7 (-0.4) 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 2014 was EUR 0.0 (-1.2) million. EUR 0.4 (0.4) million was transferred from the reserve to retained earnings in 2014.

Other reserves include the conversion option component of the convertible capital notes EUR 2.1 (2.1) million, share-based

payments EUR 0.3 (0.3) million according to IFRS 2 and the difference of the fair value and book value of the properties re-classified to investment property class EUR 0.6 (0.6) million. 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. In September 2013 Componenta issued a hybrid bond with a total nominal value of EUR 33.7 million. Holdings in the 2012 hybrid bond amounting to EUR 16.2 million were used to pay subscriptions to the new hybrid bond, and the net increase in the reserve after issue costs was EUR 17.2 million in 2013. On 31 December 2013 the book values after issue costs were EUR 4.2 million for the 2012 hybrid bond and EUR 33.4 million for the 2013 hybrid bond.

In August and September 2014 Componenta carried out share issues for a total of 68,000,000 shares in two phases. In the first private placement on 15 August 2014, Componenta offered 15,000,000 new company shares to a limited number of selected investors. In the other share issue on 8 - 12 September 2014, 53,000,000 new company shares were offered to the public. Holders of the company's 2012 and 2013 Hybrid Bonds, 2013 Unsecured Bond, 2013 Secured Bond, and 2009 and 2010 Capital Notes, had the right to use the loan and interest receivables from the company to pay the share subscription price. After the conversions in the share issue, the company has EUR 0.5 million remaining of the 2013 hybrid bond and EUR 2.1 million of the 2012 hybrid bond. In consequence of the share issues the unrestricted equity reserve increased by a total of EUR 94.3 million and the hybrid bond reserve presented in 'Other reserves' was reduced by EUR 35.6 million.

After the closing date the Board of Directors has proposed to the Annual General Meeting that no dividend will be paid for 2014.

## 25. Share-based payment

### Share-based incentive scheme

The Board of Directors of Componenta Corporation decided on 17 February 2014 to set up a new share-based incentive scheme for key personnel in the Group. The scheme has one earning period, the 2014 calendar year. The earning criterion for the 2014 earning period is Componenta's consolidated result after financial items. Any bonus paid for the 2014 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.

The Board of Directors of Componenta Corporation resolved on 11 February 2013 on a share-based incentive scheme for key personnel in the Group. The scheme had one earning period, the 2013 calendar year. The earning criterion for the 2013 earning period was Componenta's consolidated result after financial items.

Any bonuses would have been paid for the 2013 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 17 February 2014 and 11 February 2013 were based on the result after financial items excluding one-time items in 2014 and 2013. The target group for the incentive scheme decided on 17 February 2014 contained 18 people at the end of 2014. If the targets set for the schemes had been met in full, bonuses of a maximum of 200,000 Componenta Corporation shares would have been paid in the scheme for the 2014 earning period. No share bonuses were paid for the 2014 and 2013 earning periods in the schemes, since the earning criteria were not fulfilled. The impact of the schemes on the result before tax in 2014 was EUR 0.0 (0.0) million.

Share-based incentive scheme 2014	
Vesting period begins	1.1.2014
Vesting period ends	31.12.2014
Release date of shares	1.1.2017
Maximum number of shares	200,000
Binding time left	2 years
Share price at grant date, EUR	1.58
Share price at end of accounting period, EUR	0.72
Criteria	100% Result after financial items excluding one-time items
Combined pay-out of earnings criteria	0%
Share ownership obligation	2 years
Share ownership obligation ending date	1.1.2017
Number of personnel in scheme	18
Calculation of fair value of share bonus in 2014	
Number of shares granted	200,000
Share price upon grant, EUR	1.58
Assumed dividend before payment of bonus, EUR	0.00
Fair value (proportion in shares), EUR	1.58
Share price 31 December 2014, EUR	0.72
Pay-out of earnings criteria, %	0.00
Assumed number of shares to be rewarded	0.00
Fair value of reward 31 December 2014, MEUR	0.00

Share-based incentive scheme 2013	
Vesting period begins	1.1.2013
Vesting period ends	31.12.2013
Release date of shares	1.1.2016
Maximum number of shares	200,000
Binding time left	1 year
Share price at grant date, EUR	1.85
Share price at end of accounting period, EUR	0.72
Criteria	100% Result after financial items excluding one-time items
Combined pay-out of earnings criteria	0%
Share ownership obligation	2 years
Share ownership obligation ending date	1.1.2016
Number of personnel in scheme	18
Calculation of fair value of share bonus in 2013	
Number of shares granted	200,000
Share price upon grant, EUR	1.85
Assumed dividend before payment of bonus, EUR	0.00
Fair value (proportion in shares), EUR	1.85
Share price 31 December 2014, EUR	0.72
Pay-out of earnings criteria,%	0.00
Number of rewarded shares	0.00
Fair value of reward 31 December 2014, MEUR	0.00

## 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 TL 3,438.22

for each year of service as of 31 December 2014 (31 December 2013: TL 3,254.44). The liability is not funded.

The provision recorded under other benefit plans 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 2014 and on 31 December 2013; Annual discount rate 9.80% (9.37%), annual salary increase expectation 5.25% (5.10%) and turnover rate to estimate the probability of retirement 94.40% (94.60%).

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	2014	2013
Opening liability 1 Jan	7.7	7.3
Current service costs	0.6	0.5
Interest costs	0.8	0.6
Severance paid	-1.5	-1.0
Actuarial gains (-) and losses (+)	1.0	1.7
Translation gains and losses	0.3	-1.5
Closing liability 31 Dec	8.9	7.7

## 27. Provisions

### Current

MEUR	Other benefit plans	Reorganisation provisions	Other provisions	Total
1 Jan 2014	-	1.4	2.0	3.3
Translation differences	-	-	-	-
Additions to provisions	-	1.7	0.1	1.8
Utilized during the period	-	-0.3	-0.2	-0.5
31 Dec 2014	-	2.7	1.9	4.5
1 Jan 2013	-	2.9	2.9	5.8
Translation differences	-	0.0	0.0	0.0
Additions to provisions	-	1.0	1.0	2.0
Utilized during the period	-	-2.5	-1.9	-4.4
31 Dec 2013	-	1.4	2.0	3.3

The restructuring provisions consist of forecast costs for the foundry operations in Pietarsaari and for the Wirsbo forge. The reorganization plans in the Netherlands were concluded in the end of 2014 and EUR 1.5 million addition to provisions was recorded. Other current provisions mainly comprise EUR 1.6 (1.7) million for court cases relating to accidents at work. The amount of the provisions is based on the estimate of company management. The expenses relating to the current provisions are expected to be incurred during 2015.

### Non-current

MEUR	Other benefit plans	Reorganisation provisions	Environmental provisions	Total
1 Jan 2014	8.3	0.0	0.2	8.5
Translation differences	0.3	-	-	0.3
Additions to provisions	2.4	-	0.0	2.4
Utilized during the period	-1.5	0.0	-0.1	-1.5
31 Dec 2014	9.5	0.0	0.1	9.7
1 Jan 2013	7.9	0.1	0.3	8.3
Translation differences	-1.5	-	-	-1.5
Additions to provisions	2.8	-	-	2.8
Utilized during the period	-1.0	-0.1	-0.1	-1.2
31 Dec 2013	8.3	0.0	0.2	8.5

The environmental provision relates to the closing of the landfill site used by the old production works in Karkkila in accordance with the demands of environmental authorities. Closure includes piling up various soil layers and landscaping the area. According to the current plan, the project will be completed in early 2016 at latest. Other benefit plans, are mainly consisting of the plans under Turkish employment legislation EUR 8.9 (7.7) million, more information in note 26.

MEUR	2014	2013
Change in provisions recognized as operating expenses in income statement, increase of expense (-) / decrease of expense (+) *	-1.4	3.9

\*) Increases in provisions in other employee benefits include actuarial losses of EUR 1.0 (1.7) million relating to the post-employment benefit schemes in Turkey, and these are presented in the statement of comprehensive income.

## 28. Interest-bearing liabilities

MEUR	2014	2013
<b>Non-current interest-bearing financial liabilities</b>		
Loans from financial institutions	143.7	90.8
Finance lease liabilities	7.2	6.9
Pension loans	2.0	5.0
Capital notes	-	2.3
Bonds	6.3	31.5
	159.2	136.6
<b>Current interest-bearing financial liabilities</b>		
Loans from financial institutions	59.3	95.7
Finance lease liabilities	4.7	3.9
Pension loans	3.0	3.0
Capital notes	2.0	0.6
	69.0	103.2
<b>Total interest-bearing liabilities</b>	<b>228.2</b>	<b>239.7</b>
<b>Currency breakdown of interest-bearing financial liabilities</b>	<b>2014</b>	<b>2013</b>
	<b>%</b>	<b>%</b>
<b>Non-current</b>		
EUR	98.6	96.9
SEK	1.4	2.6
TRY	0.0	0.5
<b>Current</b>		
EUR	90.2	94.4
SEK	2.9	2.7
TRY	6.9	2.2
USD	-	0.7

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

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

MEUR	2014 Nominal interest rates %	2014 Effective interest rates %	2013 Nominal interest rates %	2013 Effective interest rates %
Loans from financial institutions	0.9 - 7.5	0.9 - 9.8	0.9 - 7.9	0.9 - 8.7
Finance lease liabilities	0.6 - 13.8	1.7 - 19.9	0.8 - 13.3	1.7 - 19.9
Pension loans	1.9 - 4.8	1.9 - 4.8	1.9 - 4.8	1.9 - 4.8
Capital notes	10.0 - 10.0	14.4 - 14.4	10.0 - 10.1	12.6 - 13.9
Bonds	2.0 - 5.0	3.7 - 5.9	10.8 - 15.0	15.4 - 21.4

### Repayment schedule for interest-bearing financial liabilities 2014

MEUR	2015	2016	2017	2018	2019	2020+
Loans from financial institutions	59.3	30.1	68.0	10.6	10.0	25.0
Finance lease liabilities	4.7	4.0	1.9	0.9	0.4	-
Pension loans	3.0	0.9	0.5	0.5	-	-
Capital notes	2.0	-	-	-	-	-
Bonds	-	-	-	-	6.3	-
	69.0	35.1	70.4	12.0	16.7	25.0

### Repayment schedule for interest-bearing financial liabilities 2013

MEUR	2014	2015	2016	2017	2018	2019+
Loans from financial institutions	95.7	85.7	0.1	-	5.0	-
Finance lease liabilities	3.9	3.5	2.7	0.6	0.2	-
Pension loans	3.0	3.0	0.9	0.5	0.5	-
Capital notes	0.6	2.3	-	-	-	-
Bonds	-	-	9.8	21.7	-	-
	103.2	94.4	13.6	22.8	5.7	-



**Maturity of finance lease liabilities**

MEUR	2014	2013
Minimum lease payments fall due as follows:		
Not later than one year	5.2	4.4
Later than one year but not later than five years	7.6	7.2
Later than five years		-
	12.8	11.7
Future financial expenses	-0.9	-0.8
	11.9	10.9
Present value of minimum lease payments:		
Not later than one year	4.7	3.9
Later than one year but not later than five years	7.2	6.9
Later than five years		-
	11.9	10.9

**Capital notes****Capital Notes 2009**

The holders of the Componenta Corporation's capital loan dated 29 September 2009 had a right to use the loan and interest receivables from the company to pay the share subscription price in the September share issue. This right was used by EUR 0.3 million from the part of loan receivable which amount the nominal value of the loan decreased. The remaining EUR 0.4 million was paid off with accrued interests in accordance with the loan terms on 28 September 2014.

**Capital Notes 2010**

The capital loan 2010 had a balance sheet value of EUR 2.0 million on 31 December 2014. The loan was issued originally with a nominal amount of EUR 23.4 million. The holders of the 2010 capital notes had a right to use the loan and interest receivables from the company to pay the share subscription price in the September share issue. This right was used by EUR 0.3 million from the part of loan receivable which amount the nominal value of the loan decreased. The notes are due for repayment, subject to the terms of loan agreement, in full at maturity on 15 September 2015. The fixed interest is paid annually in arrears on 15 September is 10.00% p.a. The accrued interest on the loan from 15 September to 31 December 2014 has been recorded as an expense in the income statement and as a liability in accrued expenses.

The loan is not secured. The loan is a subordinated debenture. The principal and interest may be repaid only to the extent that the amount of the unrestricted equity of Componenta and the amount of all capital notes of Componenta upon payment exceed the amount of loss as stated in the balance sheet approved for the preceding financial year or with the balance sheet included in more recent financial statements. Should the conditions for repayment not be met at maturity, the principal shall be repaid in part to the extent that this is possible. The repayment of the remaining part is deferred until the financial statements meet the conditions under which it can be paid. Any unpaid interest shall earn interest of 2% in excess of the interest payable on the notes.

**Bonds****Unsecured Bond 2013**

The unsecured bond 2013 had a balance sheet value of EUR 0.3 million on 31 December 2014. The loan was issued originally with a nominal amount of EUR 22.3 million. The holders of the bond had a right to use the loan and interest receivables from the company to pay the share subscription price in the September share issue. This right was used by EUR 22.0 million from the part of loan receivable which amount the nominal value of the loan decreased. It was agreed during August and September 2014 to extend the maturity period of the unsecured bond to 31 December 2019, apart from the portion that was not used as a subscription payment in the September share issue. 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 2014. The accrued interest on the loan from 2 September to 31 December 2014 has been recorded as an expense in the income statement and as a liability in accrued expenses, apart from the portion that was not used to pay the subscription price in the share issue. 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**

The secured bond 2013 had a balance sheet value of EUR 6.0 million on 31 December 2014. The loan was issued originally with a nominal amount of EUR 10.0 million. The holders of the bond had a right to use the loan and interest receivables from the company to pay the share subscription price in the September share issue. This right was used by EUR 4.0 million which amount the nominal value of the loan decreased. As part of financing arrangements it was agreed to extend the maturity period of the unsecured bond to 2 September 2019 when the bond is due for repayment in full. Receivables based on the bond rank secondary to Componenta Corporation's other secured debt commitments. The bond had a balance sheet value of EUR 6.0 million on 31 December 2014. The accrued interest on the loan from 2 September to 31 December 2014 has been recorded as an expense in the income statement and as a liability in accrued expenses.

## 29. Current non-interest bearing liabilities

MEUR	2014	2013
Trade payables to others	78.5	72.5
Trade payables to associated companies	-	0.0
Accrued expenses and deferred income	18.4	21.0
Derivative liabilities	0.7	1.8
Advances received	0.3	0.5
Other current liabilities	4.3	5.9
Current non-interest bearing liabilities total	102.2	101.8

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.

### Trade payables by currency

	2014 %	2013 %
EUR	46.0	50.3
TRY	27.0	26.8
SEK	18.4	17.9
USD	8.0	4.5
GBP	0.7	0.5

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

### Financial assets

MEUR	2014 Carrying value	2014 Fair value	2013 Carrying value	2013 Fair value
ITEMS RECOGNIZED AT FAIR VALUE				
Financial assets recognized at fair value through profit and loss				
Derivatives classified as held for trading	0.6	0.6	0.2	0.2
Financial items included in hedge accounting				
Derivatives (effective and ineffective portion)	0.0	0.0	0.0	0.0
ITEMS RECOGNIZED AT AMORTIZED COST AND AT COST				
Loans and other receivables				
Cash and cash equivalents	12.1	12.1	10.2	10.2
Loan receivables	2.7	2.7	3.2	3.1
Trade receivables	23.5	23.5	22.4	22.4
Available-for-sale financial assets				
Shares and holdings	0.9	0.9	0.9	0.9

**Financial liabilities**

MEUR	2014 Carrying value	2014 Fair value	2013 Carrying value	2013 Fair value
<b>ITEMS RECOGNIZED AT FAIR VALUE</b>				
Financial liabilities recognized at fair value through profit and loss				
Derivatives classified as held for trading	0.2	0.2	2.5	2.5
Financial items included in hedge accounting				
Derivatives (effective and ineffective portion)	0.7	0.7	1.1	1.1
<b>ITEMS RECOGNIZED AT AMORTIZED COST</b>				
Other financial liabilities				
Loans from financial institutions	203.0	205.7	186.5	190.3
Finance leases	11.9	11.9	10.9	10.9
Pension loans	5.0	5.0	8.0	8.2
Capital notes	2.0	2.0	2.9	2.9
Bonds	6.3	6.3	31.5	33.9
Trade payables and advances received	78.8	78.8	73.0	73.0

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. In management reporting hybrid loans are included in shareholders' equity. The Group monitors, in particular, the equity ratio and the company has set the strategic financial target to 40% by the end of 2015.

The Group's capital structure is managed among other things with the dividend policy and share issues (with the approval of shareholders). During 2014 the Group has continued its efforts to reduce working capital, for example by optimizing inventories, enhancing the collection of customer receivables and further expanding the sale of trade receivables and by negotiating longer payment terms for trade payables. The Group also makes more efficient use of capital with a program to sell small amounts of its trade payables in Turkey.

Componenta carried out share issues for a total of 68,000,000 shares in two phases. In the first phase which was executed as private placement on 15 August 2014, Componenta offered 15,000,000

new company shares to a limited number of selected investors at a subscription price of EUR 1.00 a share. In the other share issue executed on 8 - 12 September 2014, 53,000,000 new company shares were offered to the public. In the second share issue the subscription price varied, depending on the form of payment. Holders of the company's 2009 and 2010 Capital Notes, 2012 and 2013 Hybrid Bonds, 2013 Unsecured Bond and 2013 Secured Bond had the right to use the loan and interest receivables from the company to pay the share subscription price. Through these share issues the company obtained altogether EUR 98.6 million in equity financing, with subscriptions in cash accounting for EUR 28.4 million of this. A further approximately EUR 70.2 million in principal and interest receivables was used for the share subscriptions. The company also improved its liquidity position and equity ratio with the funds received in the share issues. After the conversions carried out in the share issue, the total outstanding amount of the company's hybrid bond 2013 was EUR 0.5 million and hybrid bond 2012 was EUR 2.1 million.

In addition to internal monitoring the Group also reports to the Nordic banks in the syndicate and to Turkish subsidiary's credit facility agreement banks on the financial covenants defined in the terms of the loan agreements. These financial covenants are linked to key indicators calculated on the basis of the investments, equity ratio, interest-bearing liabilities, EBITDA and the debt coverage.

#### The key indicators for capital structure

	31.12.2014	31.12.2013
Net gearing, hybrid loans included in equity	194.4%	269.6%
Equity ratio, hybrid loans included in equity	23.7%	18.9%

## 32. Financial risk management

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

### Refinancing and liquidity risks

The Group aims to safeguard the availability of finance by spreading the maturity dates, sources and instruments in its loan portfolio. A single source of finance may not account for more than an amount specified in the Group Treasury Policy. The most important sources of finance in use in the Group are the long-term syndicated credit facility which was signed on 14 August 2014 and as at the closing date was with the nominal value of EUR 68.8 million, Componenta Turkish subsidiary's EUR 90 million credit facility agreement with Turkish banks dated on 13 August 2014, bilateral long-term loan agreements, bonds, pension loans, hybrid loans, financing of trade receivables without right to recourse, and lease finance.

Componenta subsidiary Componenta Dökümcülük A.S. signed a new seven year EUR 90 million credit facility agreement with Turkish banks on 13 August 2014. The main part of the loan portfolio of the Turkish subsidiary was refinanced by this agreement. In addition, on 14 August 2014 Componenta Corporation signed an agreement with Nordic banks for a EUR 61.8 million long-term credit facility and for a new EUR 7 million revolving credit facility. This long-term credit facility extended Componenta Corporation's previous short-term credit facility by 3 + 1 years.

As part of these financing arrangements, in August and September Componenta carried out share issues for a total of 68,000,000 shares in two phases. In the first phase which was executed as private

placement on 15 August 2014, Componenta offered 15,000,000 new company shares to a limited number of selected investors at a subscription price of EUR 1.00 a share. In the other share issue executed on 8 - 12 September 2014, 53,000,000 new company shares were offered to the public. In the second share issue the subscription price varied, depending on the form of payment. Holders of the company's 2009 and 2010 Capital Notes, 2012 and 2013 Hybrid Bonds, 2013 Unsecured Bond and 2013 Secured Bond had the right to use the loan and interest receivables from the company to pay the share subscription price. Through these share issues the company obtained altogether EUR 98.6 million in equity financing, with subscriptions in cash accounting for EUR 28.4 million of this. A further approximately EUR 70.2 million in principal and interest receivables was used for the share subscriptions.

As a consequence of the new financial arrangements the average maturity of the interest bearing debt of Componenta was lengthened from about one year to four and half years. In addition, as a result of the refinancing, total annual loan expenses will decrease approximately by EUR 8 million.

Componenta will refinance the instalments maturing in 2015 partly with cash flow from operations and partly with new long-term loans. Componenta plans to refinance the remaining part of maturing loans from Turkish banks due in 2015 with new bilateral or similar long-term loans from Turkish banks.

The maturing dates for long-term loans are presented in the notes to the consolidated balance sheet, Note 28. The Treasury policy states that the Group's liquidity should cover its near-term commitments. The minimum liquidity is defined in the Group Treasury policy. At the end of the financial year, Componenta's cash and cash equivalents totalled EUR 12.1 (10.2) million.

### Installments (nominal values) and interest payments on financial liabilities 2014

MEUR	2015	2016	2017	2018	2019	2020+
Loans from financial institutions	-60.3	-32.1	-68.0	-10.6	-10.0	-25.0
Finance leases	-4.7	-4.0	-1.9	-0.9	-0.4	-
Pension loans	-3.0	-0.9	-0.5	-0.5	-	-
Capital notes	-2.0	-	-	-	-	-
Bonds	-	-	-	-	-6.3	-
Trade payables and other debt	-78.8	-	-	-	-	-
Interest expenses on loans	-10.3	-9.7	-6.2	-3.4	-2.7	-2.2
Interest rate swaps, net	-0.1	-	-	-	-	-
	-159.2	-46.7	-76.6	-15.4	-19.4	-27.2

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 2013

MEUR	2014	2015	2016	2017	2018	2019+
Loans from financial institutions	-96.0	-87.6	-0.1	-	-5.0	-
Finance leases	-3.9	-3.5	-2.7	-0.6	-0.2	-
Pension loans	-3.0	-3.0	-0.9	-0.5	-0.5	-
Capital notes	-0.6	-2.3	-	-	-	-
Bonds	-	-	-10.0	-22.3	-	-
Trade payables and other debt	-73.0	-	-	-	-	-
Interest expenses on loans	-12.4	-8.6	-4.3	-1.5	-0.2	-
Interest rate swaps, net	-0.2	-0.1	-	-	-	-
	-189.1	-105.0	-18.1	-24.9	-6.0	-

#### 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 hedging level for both parts of the transaction position is set at 90 - 110%. If the total exposure for a specific currency is less than EUR 3 million, however, the hedging decision is taken on a case by case basis.

The Board of Directors decided to change the currency transaction risk policy related to Turkish subsidiary in the review period. According to the new policy the hedging levels of Turkish subsidiary may stand at anywhere between 0% and 100% in respect of currency transaction risk at the discretion of the Group's President and CEO. According to the previous policy Turkish subsidiary's hedging level for both transaction positions were set at 90-110%. However, these hedging levels might have been standing at 70-130% at the discretion of the Group's President & CEO. Since the functional currency of Turkish subsidiary was changed from Turkish lira to euro as of 1 March 2012, Turkish lira denominated balance sheet items create currency risk exposure to Componenta Turkey. Therefore, Turkish lira denominated balance sheet items

affecting either 'Operating profit' or 'Financial income and expenses' are included for both transaction exposures. Foreign exchange risk hedges are not in hedge accounting.

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 British, Swedish and Russian subsidiaries as their equity denominated in local currency is converted to euros. As stated in the Group Treasury Policy, the translation position is hedged 0 - 100% at the discretion of the Group's President & CEO.

To hedge against changes in exchange rates, the Group uses foreign currency loans and deposits and other natural hedging relationships, as well as 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.

The currencies with the most significant currency risk exposure are the Turkish lira, the Swedish krona, US dollar 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.

31.12.2014	Closing rate 31.12.2014	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	1.2141	-6.0	-	10	0.5 / -0.7	-
EUR/GBP	0.7789	13.9	1.2	10	-1.3 / 1.5	-0.1 / 0.1
EUR/TRY	2.8207	-21.7	-	10	2.0 / -2.4	-
EUR/SEK	9.3930	16.9	-5.3	10	-1.5 / 1.9	0.5 / -0.6
EUR/RUB	72.3370	0.2	-0.0	10	-0.0 / 0.0	0.0 / -0.0

31.12.2013	Closing rate 31.12.2013	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	1.3791	-3.2	-	10	0.3 / -0.4	-
EUR/GBP	0.8337	3.6	5.9	10	-0.3 / 0.4	-0.5 / 0.7
EUR/TRY	2.9365	-16.0	-	10	1.5 / -1.8	-
EUR/SEK	8.8591	-1.4	0.9	10	0.1 / -0.2	-0.1 / 0.1
EUR/RUB	45.3246	0.0	0.1	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, sold trade receivables and finance leases. Because of the cyclical nature of the Group's customer markets, the Treasury policy states that the average period for renewing the interest rates of the Group's net liabilities should be at least six months but no more than two years. The average interest fixing period for net liabilities is 6 months (11 months). The interest rate risk is managed by spreading the loan portfolio between fixed and floating interest rate loans and investments. The interest rate risk is spread among several interest rate renewal periods and fluctuations in interest rates affect the Group's financial position in stages. The interest rate risk is managed also by using interest rate derivatives. Interest rate derivatives have been used to increase the number of fixed interest-bearing liabilities, so as to extend the average interest rate renewal period.

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 on the reporting date.

### INCOME STATEMENT – FINANCIAL EXPENSES

MEUR	31.12.2014 for 2015		31.12.2013 for 2014	
	Forecast change in financial expenses	Sensitivity interest rate curve +100bp	Forecast change in financial expenses	Sensitivity interest rate curve +100bp
Interest-bearing financial liabilities	-0.1	-1.0	-0.5	-1.3
Interest rate swaps, interest expenses and income net	0.0	0.0	0.2	0.1
Interest rate swaps, change in fair value	-	0.0	-	0.1

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

The price risk of electricity is hedged with electricity derivatives in Nordic countries by an external consultant. In electricity purchase and hedging the external consultant acts according to Componenta's instructions which follow Componenta's purchase and risk policy. The maturity of the electricity forwards is in maximum current year and the following three years.

### 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 Group has no significant concentrations of trade receivables. The customer base is widespread and the trade receivables from any single customer on a consolidated basis do not exceed 10 % of the Group's total trade receivables. 93 % (95 %) of sales is to Europe and is spread among several countries.

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 Group reduces its credit risk exposure by selling its trade receivables to financing companies without recourse. The share of sold trade receivables at the end of 2014 was 79 % (79 %) of all trade receivables.

#### Outstanding trade receivables fall due as follows

MEUR	31.12.2014	31.12.2013
Not due	15.4	17.0
Overdue		
less than 1 month	2.5	3.2
1 - 3 months	3.5	0.9
3 - 6 months	1.7	1.0
more than 6 months	0.4	0.3
	23.5	22.4

## 33. Derivative instruments

### Nominal values of derivative instruments

MEUR	2014 Nominal value	2013 Nominal value
Foreign exchange rate derivatives *)		
Foreign exchange rate forwards	0.1	0.7
Foreign exchange rate swaps	54.3	96.2
Interest rate derivatives		
Interest rate swaps		
Maturity in less than a year	5.0	12.5
Maturity after one year but less than five years	-	5.0
Commodity derivatives		
Electricity price forwards		
Maturity in less than a year	2.4	2.5
Maturity after one year but less than five years	1.9	2.9

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

The overdue trade receivables and customer payment behaviour is monitored on a regular basis at least every fortnight. If overdue trade receivables exceed the limits set by Group's management, the Group Credit Controlling is prepared to suspend deliveries until payment obligations have been met.

Credit losses in the year totalled EUR -0.1 (-0.1) million. Componenta Främmestad recorded credit losses from insolvent Fräger Group and Wirsbo from insolvent Gebr Brinkmann GmbH and from Rani AB. In Finland credit losses were recorded from Konepaja Ceiko Oy and from Moventas Santasalo and Moventas Wind Oy, for which the credit loss provision, which was based on the amount of the second payment instalment in their restructuring plan, was increased by a small amount.

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.

The Group has received bank guarantees and bills of exchange against advances paid and trade receivables from some of its subcontractors, suppliers and customers. The total amount of the guarantees and other commitments received from subcontractors and suppliers is EUR 4.0 (2.2) million. The total amount of guarantees and other commitments received from customers is EUR 1.0 (1.1) million. The guarantees cannot be transferred or resold and they cannot be pledged forward.

**Fair values of derivative instruments**

MEUR	2014 Fair value, positive	2014 Fair value, negative	2014 Fair value, net	2013 Fair value, net
Foreign exchange rate derivatives				
Foreign exchange rate forwards	0.0	0.0	0.0	0.0
Foreign exchange rate swaps	0.6	-0.2	0.4	-2.1
Interest rate derivatives				
Interest rate swaps	0.0	-0.1	-0.1	-0.3
Commodity derivatives				
Electricity price forwards	0.0	-0.7	-0.7	-1.1

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 0.1 (0.6) 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:

**Change in market price of electricity price forwards**

MEUR	2014 15% / -15%	2013 15% / -15%
Change in fair value of electricity price forwards	0.5 / -0.5	0.6 / -0.6

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	2014 Nominal value	2014 Fair value, effective portion of hedge	2013 Nominal value	2013 Fair value, effective portion of hedge
Commodity derivatives				
Electricity price forwards	4.4	-0.5	5.4	-0.8

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 occurrence is no longer likely. Income statement effects arising

from electricity forwards are recognized in purchases included in 'Operating Profit'.

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	2014	2014	2013	2013
	Nominal value	Fair value	Nominal value	Fair value
Foreign exchange rate derivatives				
Foreign exchange rate forwards	0.1	0.0	0.7	0.0
Foreign exchange rate swaps	54.3	0.4	96.2	-2.1
Foreign exchange options				
Interest rate derivatives				
Interest rate swaps	5.0	-0.1	17.5	-0.3

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	2014	2013
Not later than one year	1.3	1.4
Later than one year but not later than five years	2.9	2.9
Later than five years	1.1	1.4
Minimum lease payments total	5.3	5.7

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 2014 income statement includes lease payments of EUR -2.8 (-2.6) million for other non-cancellable leases.

**Group as lessor**

The minimum lease receivable schedule for other non-cancellable leases

MEUR	2014	2013
Not later than one year	0.7	0.6
Later than one year but not later than five years	0.6	0.6
Minimum lease payments total	1.3	1.2

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	2014	2013
Real-estate mortgages		
For own debts	11.2	11.7
Business mortgages		
For own debts	103.4	103.6
Pledges		
For own debts	541.4	409.7 **)
Other commitments *)	1.3	1.4

\*) Other commitments in 2014 include bank guarantees of EUR 0.0 (0.4) million.

\*\*\*) The value of pledges given for own debts has been changed from that published previously. The value published previously on 31 December 2013 was EUR 404.0 million. The company has changed the value of the pledged assets so that it is based on the market value of real estate.

The value of pledges given for own debts has increased mainly because of the security given for Turkish banks in connection with the refinancing completed in the autumn 2014.

On 31 December 2014 Componenta had contingent financial leasing liabilities, from not yet started contracts, amounting to EUR 1.2 (2.3) 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.

There are certain land use and environmental law related lawsuits pending in Turkey that concern Componenta Dökümcülük. Turkish legislation is unclear as regards the matters under consideration and the possibility for material adverse effects regarding these lawsuits cannot be excluded. However, the realization of such material adverse effects is, according to management, unlikely.

### Secured liabilities

MEUR	2014	2013
Liabilities secured with real estate or business mortgages		
Loans from financial institutions	0.0	0.0
Pension loans	4.0	4.7
	4.0	4.7
Liabilities secured with pledges and business mortgages		
Loans from financial institutions	163.7	83.0
Pension loans	-	-
	163.7	83.0

## 36. Related party disclosures

### Group companies

Company	Domicile	Group share of holding, %	Parent company share of holding, %
Arvika Smide AB	Arvika, Sweden	100.0	-
Componenta Belgium N.V.	Sint-Lambrechts-Woluwe, Belgium	100.0	-
Componenta B.V.	Belfeld, The Netherlands	100.0	100.0
Componenta Dökümcülük Ticaret ve Sanayi A.S.	Orhangazi, Turkey	93.6	93.6
Componenta Finland Oy	Karkkila, Finland	100.0	100.0
Componenta France S.A.S.	Nanterre, France	100.0	-
Componenta Främme stad AB	Essunga, Sweden	100.0	-
Componenta Germany GmbH	Korshenbroich, Germany	100.0	-
Componenta Italy Srl	Milan, Italy	100.0	-
Componenta Netherlands B.V.	Tegelen, The Netherlands	100.0	-
Componenta Russia LLC	Moscow, Russia	100.0	1.0
Componenta UK Ltd	Staffordshire, United Kingdom	93.6	-
Componenta USA, LLC	Iowa, USA	100.0	-
Componenta Wirsbo AB	Surahammar, Sweden	100.0	-
Karkkila Koskikiinteistö Oy	Karkkila, Finland	81.0	66.9
Karkkila Lääkärikeskus Oy	Karkkila, Finland	100.0	100.0
Karkkila 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	100.0
Vanhan Ruukin Kiinteistöpalvelu Oy	Karkkila, Finland	100.0	100.0

### Transactions with related parties

MEUR	2014	2013
Sale of goods to associated companies	-	-
Purchase of goods from associated companies	-0.5	-0.6
Purchase of services from associated companies	-	-
	-0.5	-0.6

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)**

2014, EUR	Salaries, fees & fringe benefits	Voluntary pension benefits	Bonuses	Share bonuses	Total
Board of Directors	235,000	0	0	0	235,000
President and CEO	319,976	63,014	0	0	382,990
Deputy CEO	256,695	37,868	33,008	0	327,571
Other members of CET	961,686	41,336	0	0	1,003,022

2013, EUR	Salaries, fees & fringe benefits	Voluntary pension benefits	Bonuses	Share bonuses	Total
Board of Directors	220,000	0	0	0	220,000
President and CEO	319,482	64,169	0	0	383,651
Deputy CEO	226,000	15,494	0	0	241,494
Other members of CET	984,350	44,709	0	0	1,029,059

**Remuneration of the Board of Directors, CEO and Deputy CEO excluding share bonuses**

Remuneration and fees, 1,000 EUR	2014	2013
President and CEO	383	384
Deputy CEO	328	241
Members of Board of Directors		
Harri Suutari	65	60
Matti Ruotsala	30	30
Heikki Lehtonen	35	30
Riitta Palomäki	35	35
Tommi Salunen	35	35
Olavi Huhtala	35	-
Marjo Miettinen	-	30
Total, Board of Directors	235	220

Juuso Puolanne from Suomen Teollisuussijoitus Oy (Finnish Industry Investment Ltd) and Reima Rytsölä from Keskinäinen työeläkeyhtiö Varma (Varma Mutual Pension Insurance Company) were members of the nomination committee of the Board of Directors as representatives of the largest shareholders. For both members EUR 5,000 were paid as a attendance allowance.

The remuneration shown above for the President and person acting as deputy for the President include additional pension agreements in 2014 (2013) of EUR 63,014 (64,169) and 37,868 (15,494) 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 and the payments in 2014 were EUR 18,014. 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 pension capitalisation agreement was made in 2013 and in 2014 (2013) EUR 45,000 (45,000) was paid to the savings under the capitalisation agreement. 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.

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

**Other related party disclosures**

Componenta has granted loan receivables totalling EUR 0.1 (0.4) million to persons who are related parties in this and previous financial years.

Oy Högfors-Trading Ab, a company controlled by the Company's CEO purchased 100% of the shares of Luoteis-Uudenmaan Kiinteistöt Oy and Uusporila Oy in February 2014. In addition, Oy Högfors-Trading purchased 25% of the associated company Niliharju Oy shares from Company Oyj in February 2014. The total purchase price of the shares purchased was EUR 2.1 million. The purchase price was based on valuations made by external parties. In October 2014 the Group purchased 3 % of the share stock of its subsidiary Componenta Wirso AB from the CEO of this company when he left to take up employment elsewhere. The price of EUR 0.3 million (nominal currency SEK) was the same as that for which the Group sold the shares to this person in 2007.

In addition persons classified as related parties to the company have carried out minor transactions with companies belonging to the Group in 2013 and in 2014.

**37. Events after end of period**

There were no events after end of period.

## GROUP DEVELOPMENT 2010 – 2014\*)

### Group development 2010 – 2014

MEUR	2010	2011	2012	2013	2014
Net sales	451.6	576.4	544.8	510.5	495.2
Operating profit	13.5	22.5	4.0	14.9	2.2
Financial income and expenses	-23.5	-25.9	-29.4	-24.5	-30.9
Profit/loss after financial items	-10.0	-3.4	-25.4	-9.6	-28.7
Profit for the financial period	-7.5	-3.1	-24.0	-15.5	-28.6
Order book at period end	94.6*****)	99.5****)	82.9***)	87.3**)	88.9*)
Change in net sales, %	50.7	27.6	-5.5	-6.3	-3.0
Share of export and foreign activities in net sales, %	88.1	90.0	92.0	91.6	91.7

\*) Order book on 8 January 2015

\*\*\*) Order book on 6 January 2014

\*\*\*\*) Order book on 13 January 2013

\*\*\*\*\*) Order book on 12 January 2012

\*\*\*\*\*) Order book on 10 January 2011

### Group development 2010 – 2014 excluding one-time items

MEUR	2010	2011	2012	2013	2014
Net sales	451.6	576.4	544.8	510.5	495.2
Operating profit	13.6	29.8	10.0	18.2	15.1
Financial income and expenses	-23.5	-25.9	-27.7	-24.4	-27.3
Profit/loss after financial items	-9.9	3.9	-17.6	-6.2	-12.2

### Key ratios

	31.12.2010	31.12.2011	31.12.2012	31.12.2013	31.12.2014
Statement of financial position total, MEUR	420	437	460	452	469
Net interest bearing debt, MEUR	230	243	236	230	216
Invested capital, MEUR	311	326	340	325	339
Return on investment, %	5.0	7.8	2.0	4.9	0.8
Return on equity, %	-10.3	-5.8	-32.9	-18.6	-29.1
Equity ratio, %	16.8	9.4	18.1	18.9	23.7
Net gearing, %	325.0	591.4	283.5	269.6	194.4
Investments in non-current assets, MEUR	8.5	21.8	19.2	18.9	22.6
Number of personnel at period end	4,016	4,240	4,104	4,154	3,981
Average number of personnel	3,853	4,234	4,249	4,153	4,111

### Net sales by market area

MEUR	1-12/2013	1-12/2014
Germany	107.4	103.1
Sweden	97.6	89.1
Turkey	64.8	60.6
UK	56.3	45.1
Finland	42.7	41.0
Benelux countries	37.2	40.2
Italy	27.6	30.9
France	32.9	30.5
Other European countries	17.5	20.8
Other countries	26.6	33.9
Total	510.5	495.2

\*) Tables presented under Group development 2010 – 2014 section are unaudited.



**Quarterly net sales development by market area**

MEUR	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14	Q4/14
Germany	27.9	27.8	24.5	27.2	28.2	26.0	22.8	26.1
Sweden	22.6	27.2	21.9	25.8	25.3	25.8	17.7	20.3
Turkey	17.2	20.4	13.0	14.2	15.4	14.0	14.0	17.2
UK	13.8	15.3	15.6	11.6	12.2	12.7	10.3	9.9
Finland	11.3	11.9	9.8	9.7	12.1	11.1	8.3	9.5
Benelux countries	9.6	10.1	9.2	8.2	10.3	10.4	9.2	10.3
Italy	6.9	7.1	7.6	5.9	6.9	8.9	9.5	5.6
France	7.8	9.2	7.1	8.7	8.1	8.9	6.0	7.4
Other European countries	4.2	4.6	3.6	5.0	5.1	5.7	5.4	4.6
Other countries	6.2	6.7	6.7	7.0	8.2	9.1	7.8	8.7
Total	127.7	140.3	119.0	123.5	131.9	132.6	111.0	119.6

**Reconciliation of consolidated operating profit**

MEUR	1-12/2013	1-12/2014
Operating profit, IFRS	14.9	2.2
One-time items	-3.3	-12.9
Operating profit excluding one-time items	18.2	15.1
Operative exchange rate differences	3.7	-2.7
Operating profit excluding one-time items and operative exchange rate differences	14.5	17.8

**Group development excluding one-time items and exchange rate differences arising from open operative balance sheet positions**

MEUR	1-12/2013	1-12/2014
Net sales	510.5	495.2
Operating profit	14.5	17.8
Net financial items *)	-24.4	-27.3
Profit after financial items	-9.9	-9.5

\*) Net financial items are not allocated to business segments

**Group development by business segment excluding one-time items and exchange rate differences arising from open operative balance sheet positions**

Operating profit, MEUR	1-12/2013	1-12/2014
Foundry division	2.0	5.3
Machine shop division	2.7	3.8
Aluminium division	8.6	8.2
Other business	1.5	0.7
Internal items	-0.3	-0.2
Componenta total	14.5	17.8

**Group development by quarter excluding one-time items and exchange rate differences arising from open operative balance sheet positions**

MEUR	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14	Q4/14
Net sales	127.7	140.3	119.0	123.5	131.9	132.6	111.0	119.6
Operating profit	2.9	7.9	0.1	3.6	7.4	7.9	1.3	1.2
Net financial items *)	-6.0	-5.7	-6.7	-6.1	-7.5	-7.0	-6.8	-6.0
Profit after financial items	-3.0	2.2	-6.5	-2.5	-0.1	0.9	-5.5	-4.9

\*) Net financial items are not allocated to business segments

**Quarterly development by business segment excluding one-time items and exchange rate differences arising from open operative balance sheet positions**

Operating profit, MEUR	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14	Q4/14
Foundry division	1.7	4.6	-3.4	-0.8	3.8	3.8	-1.0	-1.2
Machine shop division	0.1	0.9	0.9	0.8	0.9	1.9	0.8	0.2
Aluminium division	1.8	2.1	2.0	2.7	2.4	2.2	1.8	1.8
Other business	-0.4	0.7	0.5	0.7	0.3	0.2	-0.2	0.4
Internal items	-0.3	-0.3	0.0	0.3	0.0	-0.2	0.0	-0.1
Componenta total	2.9	7.9	0.1	3.6	7.4	7.9	1.3	1.2

**Group development excluding one-time items**

MEUR	1-12/2013	1-12/2014
Net sales	510.5	495.2
Operating profit	18.2	15.1
Net financial items *)	-24.4	-27.3
Profit after financial items	-6.2	-12.2

\*) Net financial items are not allocated to business segments

**Group development by business segment excluding one-time items**

Operating profit, MEUR	1-12/2013	1-12/2014
Foundry division	4.6	3.7
Machine shop division	2.7	3.2
Aluminium division	9.7	7.9
Other business	1.6	0.5
Internal items	-0.3	-0.2
Componenta total	18.2	15.1

**Group development by quarter excluding one-time items**

MEUR	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14	Q4/14
Net sales	127.7	140.3	119.0	123.5	131.9	132.6	111.0	119.6
Operating profit	3.8	8.5	2.2	3.7	7.4	6.9	0.6	0.1
Net financial items *)	-6.0	-5.7	-6.7	-6.1	-7.5	-7.0	-6.8	-6.0
Profit after financial items	-2.2	2.9	-4.4	-2.5	-0.1	-0.1	-6.2	-5.9

\*) Net financial items are not allocated to business segments

**Quarterly development by business segment excluding one-time items**

Operating profit, MEUR	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14	Q4/14
Foundry division	2.6	5.0	-1.9	-1.0	4.0	3.1	-1.7	-1.7
Machine shop division	0.0	0.9	1.0	0.8	0.8	1.6	0.8	0.0
Aluminium division	2.0	2.3	2.6	2.9	2.3	2.3	1.7	1.6
Other business	-0.4	0.8	0.5	0.6	0.3	0.1	-0.2	0.3
Internal items	-0.3	-0.3	0.0	0.3	0.0	-0.2	0.0	-0.1
Componenta total	3.8	8.5	2.2	3.7	7.4	6.9	0.6	0.1

**Group development**

MEUR	1-12/2013	1-12/2014
Net sales	510.5	495.2
Operating profit	14.9	2.2
Net financial items *)	-24.5	-30.9
Profit after financial items	-9.6	-28.7

\*) Net financial items are not allocated to business segments

**Group development by business segment**

<b>Net sales, MEUR</b>	<b>1-12/2013</b>	<b>1-12/2014</b>
Foundry Division		
External sales	223.4 <sup>*)</sup>	212.0
Internal sales	105.6 <sup>*)</sup>	95.7
Total sales	329.0	307.8
Machine Shop Division		
External sales	104.0 <sup>*)</sup>	109.6
Internal sales	11.5 <sup>*)</sup>	12.1
Total sales	115.5	121.7
Aluminium Division		
External sales	70.8	72.4
Internal sales	2.0	7.1
Total sales	72.8	79.5
Other Business		
External sales	112.3	101.2
Internal sales	29.6	28.7
Total sales	141.9	129.9
Internal items	-148.7	-143.7
Componenta total	510.5	495.2

<sup>\*)</sup> The split between the external and internal sales have been changed regarding the comparative financial year 2013. The change in question did not have any impact to the Group consolidated external sales and neither to the total sales of Foundry Division and Machine Shop Division. The change of comparative figures was done in order to synchronize the Group internal delivery registration for the year 2013 with the registration model in use in 2014.

<b>Operating profit, MEUR</b>	<b>1-12/2013</b>	<b>1-12/2014</b>
Foundry division	4.6	3.7
Machine shop division	2.7	3.2
Aluminium division	9.7	7.9
Other business	1.6	0.5
One-time items	-3.3	-12.9 <sup>*)</sup>
Internal items	-0.3	-0.2
Componenta total	14.9	2.2

<sup>\*)</sup> One-time items in 2014 relate to the transfer of the smaller production line from the Pietarsaari foundry and the closure of the foundry (EUR -2.2 million), the costs for the transfer of the DISA production line to the Pori foundry and for starting it up (EUR -1.2 million), write-down and the loss recorded on the sale of the Nisamo property (EUR -0.6 million), Write-downs on machinery and equipment at Heerlen Foundry (EUR -4.2 million), restructuring measures in the Netherlands (EUR -1.5 million), running down the Smedjebacken forge (EUR -0.8 million), the temporary closure of the forge in Virsbo due to the forest fire (EUR -0.4 million), the restructuring measures and extra waste disposal costs at Orhangazi foundry (EUR -1.6 million) and other one-time items (in total EUR -0.4 million).

**Group development by quarter**

<b>MEUR</b>	<b>Q1/13</b>	<b>Q2/13</b>	<b>Q3/13</b>	<b>Q4/13</b>	<b>Q1/14</b>	<b>Q2/14</b>	<b>Q3/14</b>	<b>Q4/14</b>
Net sales	127.7	140.3	119.0	123.5	131.9	132.6	111.0	119.6
Operating profit	3.3	8.0	1.5	2.1	6.5	5.5	-0.8	-9.0
Net financial items <sup>*)</sup>	-6.0	-5.7	-6.7	-6.1	-7.5	-7.0	-10.0	-6.4
Profit after financial items	-2.7	2.3	-5.2	-4.0	-1.0	-1.5	-10.8	-15.4

<sup>\*)</sup> Net financial items are not allocated to business segments

## Quarterly development by business segment

Net sales, MEUR	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14	Q4/14
Foundry division	85.0	95.9	74.9	73.3	84.6	83.1	70.9	69.2
Machine shop division	27.7	30.9	26.7	30.2	30.4	33.1	26.8	31.5
Aluminium division	17.1	18.7	18.6	18.4	18.1	19.7	20.7	21.0
Other business	35.5	38.9	33.5	33.9	36.0	34.2	28.5	31.2
Internal items	-37.6	-44.1	-34.8	-32.2	-37.1	-37.5	-35.8	-33.2
Componenta total	127.7	140.3	119.0	123.5	131.9	132.6	111.0	119.6

Operating profit, MEUR	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14	Q4/14
Foundry division	2.6	5.0	-1.9	-1.0	4.0	3.1	-1.7	-1.7
Machine shop division	0.0	0.9	1.0	0.8	0.8	1.6	0.8	0.0
Aluminium division	2.0	2.3	2.6	2.9	2.3	2.3	1.7	1.6
Other business	-0.4	0.8	0.5	0.6	0.3	0.1	-0.2	0.3
One-time items	-0.5	-0.6	-0.7	-1.5	-0.9*	-1.5*	-1.4*	-9.1*
Internal items	-0.3	-0.3	0.0	0.3	0.0	-0.2	0.0	-0.1
Componenta total	3.3	8.0	1.5	2.1	6.5	5.5	-0.8	-9.0

\*) One-time items in 2014 relate to the transfer of the smaller production line from the Pietarsaari foundry and the closure of the foundry (EUR -2.2 million), the costs for the transfer of the DISA production line to the Pori foundry and for starting it up (EUR -1.2 million), write-down and the loss recorded on the sale of the Nisamo property (EUR -0.6 million), Write-downs on machinery and equipment at Heerlen Foundry (EUR -4.2 million), restructuring measures in the Netherlands (EUR -1.5 million), running down the Smedjebacken forge (EUR -0.8 million), the temporary closure of the forge in Virsbo due to the forest fire (EUR -0.4 million), the restructuring measures and extra waste disposal costs at Orhangazi foundry (EUR -1.6 million) and other one-time items (in total EUR -0.4 million).

Order book at period end, MEUR	Q1/13	Q2/13	Q3/13	Q4/13***)	Q1/14	Q2/14**)	Q3/14	Q4/14*)
Foundry division	58.7	54.6	46.7	51.2	55.3	54.4	42.3	49.2
Machine shop division	20.4	24.3	19.2	20.5	23.2	25.2	19.0	22.1
Aluminium division	12.4	14.1	13.0	12.8	14.1	15.3	14.4	15.9
Other business	21.6	25.6	20.3	21.7	21.0	23.2	18.9	17.7
Internal items	-24.1	-24.0	-15.4	-19.0	-22.9	-23.2	-15.5	-16.0
Componenta total	89.1	94.7	83.6	87.3	90.7	94.8	79.1	88.9

\*) Order book on 8 January 2015

\*\*\*) Order book on 4 July 2014

\*\*) Order book on 6 January 2014

## ACCOUNTING PRINCIPLES FOR FINANCIAL STATEMENTS OF COMPONENTA CORPORATION

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.

Copies of the financial statements of Componenta Group may be obtained from the Group's head office at Panuntie 4, 00610 Helsinki, Finland.

### 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. Translation differences for foreign currency equity-based investments in subsidiaries and the hedging of internal foreign currency loans within the Group are defined as hedged items.

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.

Cumulative interest expenses and income incurred during the financial period for interest rate swaps and foreign currency derivatives are recognized under financial items in the income statement.

Exchange rate differences for foreign exchange derivatives are recognized in the income statement as incurred.

### 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.

### Non-current assets and depreciation

Non-current assets are recorded in the balance sheet at their historical cost less planned depreciation. In addition, buildings contain revaluations on which depreciation is not made.

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 - 5 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 accrual based salary and wage expenses 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. However, taxes on one-time items are included in one-time items. Deferred tax assets have not been recorded for losses.

## 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	2014	2013
NET SALES	1	26,944.8	23,259.6
Other operating income	2	1,660.6	722.7
Operating expenses	3	-21,766.3	-18,538.0
Depreciation, amortization and write-down of non-current assets	4	-2,858.2	-458.8
<b>OPERATING PROFIT</b>		<b>3,980.9</b>	4,985.5
Financial income and expenses in total	5	-1,564.0	-723.1
<b>PROFIT AFTER FINANCIAL ITEMS</b>		<b>2,416.9</b>	4,262.4
Extraordinary items	6	817.7	-
<b>PROFIT AFTER EXTRAORDINARY ITEMS</b>		<b>3,234.6</b>	4,262.4
Income taxes	7	-	-867.2
<b>PROFIT/LOSS FOR THE FINANCIAL PERIOD</b>		<b>3,234.6</b>	3,395.2

### Parent company balance sheet 31.12.

TEUR	Note	2014	2013
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	8	18,116.5	20,442.3
Tangible assets	9	1,971.8	1,402.5
Investments	10	337,471.3	322,049.5
		<b>357,559.6</b>	343,894.4
<b>CURRENT ASSETS</b>			
Inventories	11	1,190.7	1,114.8
Non-current receivables	12	48,348.6	60,835.8
Current receivables	12	21,137.7	17,513.6
Cash and bank accounts		987.0	703.6
		<b>71,664.0</b>	80,167.8
<b>TOTAL ASSETS</b>		<b>429,223.6</b>	424,062.2
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	13	21,891.4	21,891.4
Share premium reserve		15,114.5	15,114.5
Unrestricted equity reserve		158,043.0	59,471.9
Reserve fund		5.0	5.0
Retained earnings		42,805.7	39,410.7
Profit/loss for the financial period		3,234.6	3,395.2
Shareholders' equity		<b>241,094.1</b>	139,288.6
<b>LIABILITIES</b>			
Non-current liabilities	14	148,489.9	156,378.8
Current liabilities		39,639.6	128,394.8
Liabilities		<b>188,129.4</b>	284,773.5
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>429,223.6</b>	424,062.2



## Parent company cash flow statement 1.1.-31.12.

TEUR	2014	2013
<b>CASH FLOW FROM OPERATIONS</b>		
Profit/loss after financial items	2,417	4,262
Depreciations according to plan	2,858	459
Other income and expenses, non-cash items	435	-598
Selling profit of non-current assets	-881	-
Financial income and expenses	1,564	723
Cash flow before changes in working capital	6,393	4,846
Changes in working capital		
Current non-interest bearing receivables increase (-)/decrease (+)	-6,000	224
Inventories, increase (-)/decrease (+)	-76	-
Current non-interest bearing liabilities increase (+)/decrease (-)	1,542	743
Cash flow from operating activities before financial items and taxes	1,859	5,813
Interest and payments paid from other financial expenses of operations	-26,350	-30,072
Dividends received from operations	-	15,989
Interest received from operations	9,649	12,558
Paid income taxes	-	-803
Cash flow before extraordinary items	-14,842	3,485
<b>CASH FLOW FROM OPERATING ACTIVITIES (A)</b>	<b>-14,842</b>	<b>3,485</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure in tangible and intangible assets	-797	-397
Investments in shares of subsidiary companies	-2	-8
Other investments	-	-8
Loans receivables, decrease (+) / increase (-)	-1,034	-10,080
Proceeds from shares of associated companies	2,078	-
<b>CASH FLOW FROM INVESTING ACTIVITIES (B)</b>	<b>245</b>	<b>-10,493</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Share issue	28,397	4,249
Repayment of capital note	-367	-628
Draw-down of capital note	-	4,000
Draw-downs (+) and repayments (-) of current loans	-11,069	13,409
Draw-downs (+) and repayments (-) of non-current loans	-2,081	-16,121
Dividends paid and other profit distribution	-	-
<b>CASH FLOW FROM FINANCING ACTIVITIES (C)</b>	<b>14,880</b>	<b>4,909</b>
<b>CHANGE IN LIQUID ASSETS (A + B + C) increase (+)/decrease (-)</b>	<b>283</b>	<b>-2,099</b>
Cash and bank accounts at the beginning of the period	704	2,803
Cash and bank accounts at period end	987	704
Change during the period	283	-2,099

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF PARENT COMPANY

Figures are in thousands of euros unless otherwise stated.

TEUR	2014	2013
<b>NOTES TO THE INCOME STATEMENT</b>		
<b>1. Net sales by market area</b>		
Finland	9,947.0	7,146.8
Other Nordic countries	2,112.8	2,019.9
Central Europe	6,192.0	4,977.5
Other countries	8,693.0	9,115.3
Net sales total	26,944.8	23,259.6
<b>2. Other operating income</b>		
Rental income	622.7	653.8
Other operating income	1,037.9	68.8
Other operating income total	1,660.6	722.7
<b>3. Operating expenses</b>		
Change in inventory of finished goods and work in progress	85.0	-
Materials, supplies and products		
Purchase of goods during the period	-1,596.3	-
Change in inventory	23.1	-
Total	-1,573.2	-
External services	-97.2	-
Rents	-1,479.8	-1,046.0
Other operating expenses	-10,293.7	-10,819.6
Other operating expenses total	-11,773.5	-11,865.6
Personnel expenses	-8,407.5	-6,672.3
Total operating expenses	-21,766.3	-18,538.0
Audit fees	-168.4	-141.7
Other fees	-	-30.4
Total fees paid to auditors	-168.4	-172.1
<b>Personnel expenses and number of personnel</b>		
Salaries and fees	-6,819.4	-5,372.2
Pension costs	-1,288.1	-1,036.6
Other personnel costs	-300.0	-263.5
Total	-8,407.5	-6,672.3
Salaries and other remuneration of the Corporate Executive Team	-947.6	-955.2
Fringe benefits of the Corporate Executive Team	-24.6	-28.6
Additional pension agreements, see note 36 on the consolidated financial statements.		
Average number of personnel	136	99

TEUR	2014	2013
<b>4. Depreciation and write-downs</b>		
Intangible assets		
Development expenditure	-4.5	-
Intangible rights	-9.9	-
Goodwill	-1,846.3	-
Other long-term expenditure	-554.1	-417.0
Tangible assets		
Machinery and equipment	-139.1	-41.8
Write-downs on non-current assets	-304.4	-
Total depreciation and write-downs	-2,858.2	-458.8
<b>5. Financial income and expenses</b>		
Interest and other finance income		
Group companies	25,942.8	22,262.2
Others	4,463.4	7,094.0
Total	30,406.3	29,356.1
Interest and other finance expenses		
Group companies	-21,170.1	-20,173.5
Others	-10,800.2	-9,905.8
Total	-31,970.3	-30,079.3
Write-downs on investments of non-current assets	-	-
Financial income and expenses, total	-1,564.0	-723.1
Financial income and expenses include exchange gains/losses (net)		
Group companies	-2,920.6	-1,392.4
Others	2,045.1	1,402.2
Total	-875.4	9.8
<b>6. Extraordinary items</b>		
Extraordinary income		
Group contributions received	817.7	-
Total	817.7	-
<b>7. Income taxes</b>		
Direct taxes from current period	-	-803.4
Direct taxes from previous periods	-	-63.9
Total	-	-867.2
Taxes in income statement	-	-867.2

TEUR	2014	2013
<b>NOTES TO THE STATEMENT OF FINANCIAL POSITION</b>		
Non-current assets		
<b>8. Intangible assets</b>		
Development expenditure		
Acquisition cost at 1 Jan	22.5	-
Transferred with business acquisition	-	22.5
Acquisition cost at 31 Dec	22.5	22.5
Accumulated planned amortization at 1 Jan	-17.6	-
Accumulated amortization on business acquisition	-	-17.6
Amortization during the period	-4.5	-
Accumulated amortization at 31 Dec	-22.1	-17.6
Book value at 31 Dec	0.4	4.9
Capitalized development expenditure is consisting of new product family development costs. Capitalized expenditure are treated in accordance with the decision of Ministry of Trade and Industry and the amortization period is 5 years.		
Intangible rights		
Acquisition cost at 1 Jan	79.8	22.7
Re-classifications	16.7	-
Transferred with business acquisition	-	57.2
Acquisition cost at 31 Dec	96.6	79.8
Accumulated planned amortization at 1 Jan	-62.2	-18.4
Accumulated amortization on business acquisition	-	-39.9
Amortization during the period	-9.9	-4.0
Accumulated amortization at 31 Dec	-72.1	-62.2
Book value at 31 Dec	24.5	17.6
Goodwill		
Acquisition cost at 1 Jan	25,031.0	-
Additions	-	18,462.8
Transferred with business acquisition	-	6,568.2
Acquisition cost at 31 Dec	25,031.0	25,031.0
Accumulated planned amortization at 1 Jan	-6,568.2	-
Accumulated amortization on business acquisition	-	-6,568.2
Amortization during the period	-1,846.3	-
Accumulated amortization at 31 Dec	-8,414.5	-6,568.2
Book value at 31 Dec	16,616.5	18,462.8
Other long-term expenditure		
Acquisition cost at 1 Jan	5,205.1	3,510.9
Additions	28.1	210.6
Transferred with business acquisition	-	365.9
Re-classifications	80.3	1,117.7
Acquisition cost at 31 Dec	5,313.5	5,205.1
Accumulated planned amortization at 1 Jan	-3,320.8	-2,639.2
Accumulated amortization on business acquisition	-	-268.6
Amortization during the period	-554.1	-413.0
Accumulated amortization at 31 Dec	-3,874.9	-3,320.8
Book value at 31 Dec	1,438.5	1,884.3

TEUR	2014	2013
Advance payments and assets under construction		
Acquisition cost at 1 Jan	72.8	1,190.7
Additions	44.0	177.1
Disposals	-	-388.2
Re-classifications	-80.3	-906.8
Acquisition cost at 31 Dec	36.6	72.8
Total intangible assets	18,116.5	20,442.3
<b>9. Tangible assets</b>		
Machinery and equipment		
Acquisition cost at 1 Jan	2,898.5	961.5
Additions	5.1	9.5
Transferred with business acquisition	-	1,927.5
Re-classifications	52.1	-
Acquisition cost at 31 Dec	2,955.8	2,898.5
Accumulated planned depreciation at 1 Jan	-2,332.9	-803.9
Accumulated depreciation on business acquisition	-	-1,487.2
Depreciation during the period	-139.1	-41.8
Accumulated depreciation at 31 Dec	-2,471.9	-2,332.9
Book value at 31 Dec	483.8	565.7
Book value of productional machinery and equipment at 31 Dec	311.6	350.2
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
Assets under construction		
Acquisition cost at 1 Jan	668.2	-
Additions	719.9	-
Disposals	-	-
Re-classifications	-68.9	-
Transferred with business acquisition	-	668.2
Acquisition cost at 31 Dec	1,319.3	668.2
Total tangible assets	1,971.8	1,402.5
<b>10. Investments</b>		
Shares in group companies		
Acquisition cost at 1 Jan	320,063.0	316,055.3
Additions	19,026.9	4,007.6
Disposals	-976.7	-
Acquisition cost at 31 Dec	338,113.1	320,063.0
Accumulated write-downs at 1 Jan	-1,135.4	-1,135.4
Write-downs during the period	-304.4	-
Accumulated write-downs at 31 Dec	-1,439.8	-1,135.4
Book value at 31 Dec	336,673.3	318,927.6

TEUR	2014	2013
Shares in associated companies		
Acquisition cost at 1 Jan	221.1	221.1
Disposals	-221.1	-
Acquisition cost at 31 Dec	-	221.1
Book value at 31 Dec	-	221.1
Other shares		
Acquisition cost at 1 Jan	769.7	761.5
Additions	-	8.2
Acquisition cost at 31 Dec	769.7	769.7
Book value at 31 Dec	769.7	769.7
Capital note investments in group companies		
Acquisition cost at 1 Jan	2,100.0	2,100.0
Disposals	-2,100.0	-
Acquisition cost at 31 Dec	-	2,100.0
Other investments		
Acquisition cost at 1 Jan	31.2	36.2
Deductions	-2.9	-4.9
Acquisition cost at 31 Dec	28.4	31.2
Investments total	337,471.3	322,049.5
Current assets		
<b>11. Inventories</b>		
Materials and supplies	338.0	314.9
Work in progress	386.6	309.4
Finished goods	466.1	490.6
Total inventories	1,190.7	1,114.8
<b>12. Receivables</b>		
Non-current receivables		
Loan receivables from group companies	48,237.7	60,471.4
Loan receivables from associates	-	63.7
Loan receivables from others	110.9	300.7
Total non-current receivables	48,348.6	60,835.8
Current receivables		
Trade receivables	70.8	14.0
Loan receivables	260.3	193.8
Other receivables	1,379.8	1,274.4
Prepayments and accrued income	1,519.9	1,447.7
Total	3,230.8	2,929.9
Receivables from group companies		
Trade receivables	5,538.8	4,274.6
Loan receivables	10,298.8	8,656.5
Other receivables	817.7	234.8
Prepayments and accrued income	1,251.6	1,417.8
Total	17,906.9	14,583.6
Total current receivables	21,137.7	17,513.6

TEUR	2014	2013
Prepayments and accrued income		
Interest receivables	141.0	151.9
Amortized arrangement fees of the loan agreements	1,107.7	1,068.7
Exchange rate gains	295.6	327.1
Insurance payments	16.6	89.2
Rents	15.8	33.2
Others	1,194.8	1,195.3
Total	2,771.6	2,865.5
<b>13. Shareholders' equity</b>		
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 2014 and the number of shares was 97,269,224.		
Share premium reserve at 1 Jan	15,114.5	15,114.5
Share premium reserve at 31 Dec	15,114.5	15,114.5
Unrestricted equity reserve at 1 Jan	59,471.9	48,211.0
Additions and share issue	98,571.1	11,260.9
Unrestricted equity reserve at 31 Dec	158,043.0	59,471.9
Reserve fund at 1 Jan	5.0	5.0
Reserve fund at 31 Dec	5.0	5.0
Retained earnings at 1 Jan	42,805.7	39,410.6
Profit/loss for the financial period	3,234.6	3,395.2
Retained earnings total	46,040.3	42,805.7
Shareholders' equity	241,094.1	139,288.5
Calculation of distributable equity at 31 Dec		
Retained earnings	42,805.7	39,410.6
Profit/loss for the financial period	3,234.6	3,395.2
Unrestricted equity reserve	158,043.0	59,471.9
Total	204,083.3	102,277.7
<b>14. Liabilities</b>		
Interest bearing liabilities	177,651.9	274,966.3
Non-interest bearing liabilities	10,477.6	9,807.2
	188,129.4	284,773.5
Non-current interest bearing liabilities		
Capital notes	0.0	2,270.0
Hybrid loans	2,586.0	38,209.3
Bonds	6,343.0	32,295.0
Loans from financial institutions	63,823.5	61,823.5
Other non-current liabilities to group companies	75,737.4	21,781.0
Non-current interest bearing liabilities total	148,489.9	156,378.8



TEUR	2014	2013
Non-current liabilities fall due as follows		
Not later than one year	-	-
Later than one year but not later than five years	72,752.5	134,597.8
Later than five years	75,737.4	21,781.0
Terms of the capital notes, see note 28 on the consolidated financial statements.		
Current interest bearing liabilities		
Capital notes	1,970.0	628.0
Loans from financial institutions	5,874.1	11,094.8
Loans from group companies	21,317.9	106,864.7
Current interest bearing liabilities total	29,162.0	118,587.6
Current non-interest bearing liabilities		
Trade payables	2,198.9	1,212.8
Other current liabilities	568.0	356.5
Accrued expenses and deferred income	3,386.8	6,102.0
Advances received, transferred with business acquisition	306.5	306.5
Total	6,460.1	7,977.8
Liabilities to group companies		
Trade payables	566.0	221.5
Accrued expenses and deferred income	3,451.4	1,607.9
Total	4,017.5	1,829.4
Current non-interest bearing liabilities total	10,477.6	9,807.2
Current liabilities total	39,639.6	128,394.8
Accrued expenses and deferred income		
Interests	4,075.7	4,715.8
Exchange rate losses	114.0	690.9
Annual salaries with social security	1,179.4	1,042.7
Pensions	245.5	95.0
Others	1,223.5	1,165.7
Total	6,838.2	7,710.0
Total liabilities	188,129.4	284,773.5
<b>15. Secured liabilities, contingent liabilities and other commitments</b>		
Pledges		
For own debts	421,971.4	416,689.9
	421,971.4	416,689.9
Guarantees		
On behalf of group companies	10,043.4	11,214.4
	10,043.4	11,214.4
Other commitments		
Future payments of the lease liabilities		
Not later than one year	668.1	718.2
Later than one year	949.6	1,459.2
	1,617.7	2,177.3

TEUR	2014	2013
Other commitments on behalf of group companies	1,306.2	4,950.5
Liabilities secured with mortgages		
Loans from financial institutions	74,823.5	81,823.5
	74,823.5	81,823.5
<b>16. Financial risk management and derivative instruments</b>		
<b>Foreign exchange rate derivatives</b>		
Foreign exchange rate for wards		
Nominal value	102.7	700.0
Fair value	-0.7	4.9
Foreign exchange rate swaps		
Nominal value	54,346.0	73,552.9
Fair value	406.7	-540.5
<b>Interest rate derivatives</b>		
Interest rate swaps		
Nominal value	5,000.0	17,500.0
Fair value	-71.4	-275.0
<b>Commodity derivatives</b>		
Electricity derivatives		
Nominal value	4,351.0	5,437.4
Fair value	-666.0	-1,079.8
<b>Foreign exchange rate derivatives inside the group</b>		
Foreign exchange rate for wards		
Nominal value	7,500.0	23,300.0
Fair value	-114.0	208.0

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 necessarily correspond with the payments of the contracting parties, hence the nominal values do not provide unambiguous general view of the risk position.

#### Deferred tax assets and liabilities not recorded in the statement of the financial position

Unutilized tax losses for which the company has not recorded any deferred tax assets totalled EUR 63,232,242 (EUR 48,642,165). The related deferred tax receivable of these losses is EUR 12,646,448 (EUR 9,728,433).

## SHAREHOLDERS AND SHARES

### Largest registered shareholders on 31 December 2014

Shareholder		Shares	Share of total voting rights, %
1 Lehtonen Heikki		11,528,492	11.85
Oy Högfors-Trading Ab	8,010,704		
Cabana Trade S.A.	3,501,988		
Lehtonen Heikki	15,800		
2 Etra Capital Oy		11,381,450	11.70
3 Keskinäinen työeläkevakuutusyhtiö Varma		8,688,771	8.93
4 Mandatum Life Unit-Linked		7,960,979	8.18
5 Keskinäinen Eläkevakuutusyhtiö Ilmarinen		6,952,281	7.15
6 Suomen Teollisuussijoitus Oy		6,171,916	6.35
7 Keskinäinen Työeläkevakuutusyhtiö Elo		4,901,288	5.04
8 Sampo Oyj		4,615,384	4.74
9 Säästöpankki Kotimaa -sijoitusrahasto		2,400,000	2.47
10 Nordea Henkivakuutus Suomi Oy		2,323,119	2.39
11 Gösta Serlachiuksen taidesäätiö		1,693,834	1.74
12 Tiiviste-Group Oy		1,551,456	1.60
13 Sijoitusrahasto Danske Invest Suomen pienyhtiöt		1,405,030	1.44
14 LähiTapiola Keskinäinen Henkivakuutusyhtiö		1,304,717	1.34
15 Sijoitusrahasto Säästöpankki Pienyhtiöt		1,234,006	1.27
Nominee-registered shares		216,948	0.22
Other shareholders		22,939,553	23.58
Total		97,269,224	100.00

The members of the Board of Directors own 12.2% of the shares. All shares have equal voting rights.

### Breakdown of share ownership on 31 December 2014

Number of shares	Shareholders	%	Shares	%
1 - 100	419	17.24	25,745	0.03
101 - 500	737	30.32	218,802	0.22
501 - 1,000	376	15.47	309,568	0.32
1,001 - 5,000	516	21.23	1,302,221	1.34
5,001 - 10,000	144	5.92	1,103,730	1.13
10,001 - 50,000	155	6.38	3,730,991	3.84
50,001 - 100,000	28	1.15	1,968,750	2.02
100,001 - 500,000	32	1.32	7,124,146	7.32
500,001 -	24	0.99	81,485,271	83.77
Total = total issued	2,431	100.00	97,269,224	100.00

### Shareholders by sector on 31 December 2014

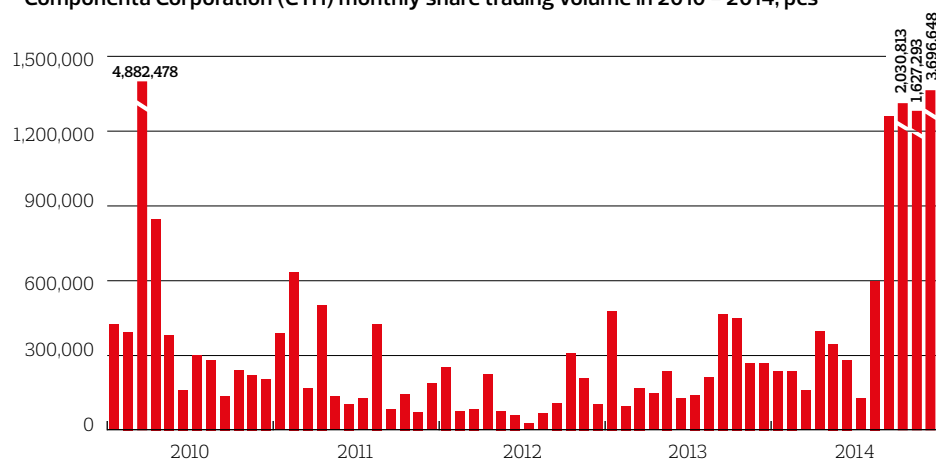
	%
Finnish companies	35.59
Financial institutions and insurance companies	21.88
General government bodies	21.25
Non-profit institutions	4.47
Households	11.10
Nominee-registered shares and other foreign shareholders	5.72
	100.00

## PER SHARE DATA

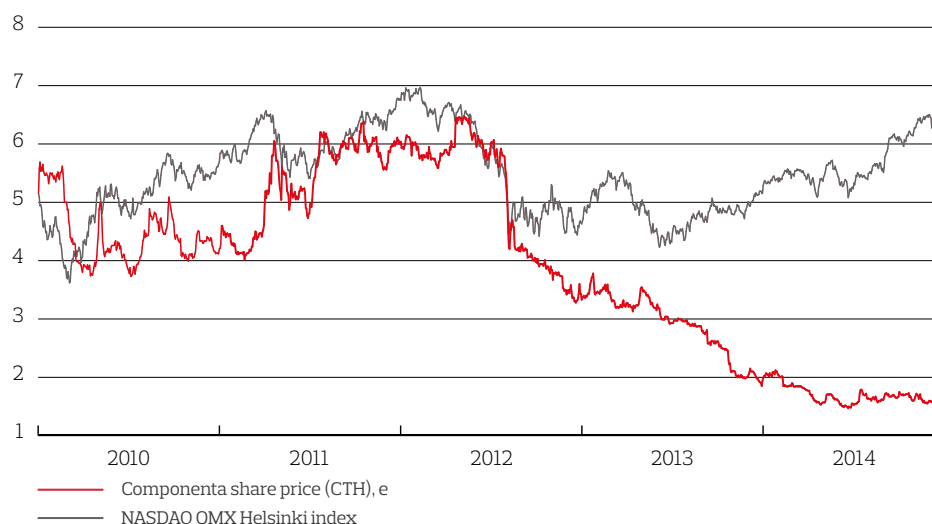
	2014	2013
Earnings per share (EPS), EUR	-0.63	-0.75
Earnings per share, with dilution (EPS), EUR	-0.63	-0.75
Cash flow per share, EUR	-0.40	0.09
Equity per share, EUR	1.06	2.66
Dividend per share, EUR	0.00*)	0.00
Payout ratio, %	0.00	0.00
Effective dividend yield, %	0.00	0.00
P/E multiple	neg.	neg.
Share price at year end, EUR	0.72	1.63
Average trading price, EUR	1.09	1.72
Lowest trading price, EUR	0.67	1.43
Highest trading price, EUR	2.15	2.12
Market capitalization at year end, MEUR	69.5	47.7
Trading volume, 1,000 shares	10,999	2,965
Trading volume, %	21.6	10.1
Weighted average of the number of shares, 1,000 shares	50,921	24,507
Number of shares at year end, 1,000 shares	97,269	29,269

\*) For the year 2014 a proposal of the Board of Directors.

Componenta Corporation (CTH) monthly share trading volume in 2010 – 2014, pcs



Componenta Corporation (CTH) share price development in 2010 – 2014, EUR



## CALCULATION OF KEY FINANCIAL RATIOS

Return on equity, % (ROE)	= $\frac{\text{Profit after financial items} - \text{income taxes} \times 100}{\text{Shareholders' equity without preferred capital notes} + \text{non-controlling interest (quarterly average)}}$
Return on investment, % (ROI)	= $\frac{\text{Profit after financial items} + \text{interest and other financial expenses} \times 100}{\text{Shareholders' equity} + \text{interest bearing liabilities (quarterly average)}}$
Equity ratio, %	= $\frac{\text{Shareholders' equity, preferred capital notes excluded} + \text{non-controlling interest} \times 100}{\text{Balance sheet total} - \text{advances received}}$
Earnings per share, EUR (EPS)	= $\frac{\text{Profit after financial items} - \text{income taxes} + / - \text{non-controlling interest} - \text{deferred and paid interest on hybrid loan}}{\text{Average number of shares during the financial period}}$
Earnings per share with dilution, EUR	= As above, the number of shares has been increased with the warrants outstanding. When calculating the dilution effect of warrants, the number of shares has been adjusted with the number of own shares which the company could have acquired, if it would have used the funds generated from the warrants to buy back of own shares at market price (= average trading price). After tax interest expense of the convertible loan has been added to the profit of the period. Number of shares that can be subscribed by the loan has been added to the number of total shares.
Cash flow per share, EUR (CEPS)	= $\frac{\text{Net cash flow from operating activities}}{\text{Average number of shares during the financial period}}$
Average trading price, EUR	= $\frac{\text{Trading volume}}{\text{Number of shares traded during the financial period}}$
Equity per share, EUR	= $\frac{\text{Shareholders' equity, preferred capital notes excluded}}{\text{Number of shares at period end}}$
Dividend per share, EUR	= $\frac{\text{Dividend}}{\text{Number of shares at period end}}$
Payout ratio, %	= $\frac{\text{Dividend} \times 100}{\text{Earnings (as in Earnings per share)}}$
Effective dividend yield, %	= $\frac{\text{Dividend per share} \times 100}{\text{Market share price at period end}}$
Market capitalization, MEUR	= Number of shares x market share price at period end
P/E multiple	= $\frac{\text{Market share price at period end}}{\text{Earnings per share}}$
Net interest bearing debt, MEUR	= Interest bearing liabilities + preferred capital notes - cash and bank accounts
Net gearing, %	= $\frac{\text{Net interest bearing liabilities} \times 100}{\text{Shareholders' equity, preferred capital notes excluded} + \text{non-controlling interest}}$
EBITDA, EUR	= Operating profit + Depreciation, amortization and write-downs +/- Share of the associated companies' result

## THE PROPOSAL OF THE BOARD OF DIRECTORS FOR THE DISTRIBUTION OF PROFITS

The distributable equity of the parent company statement of financial position is EUR 204,083,287.43. The Board of Directors proposes to the Annual General Meeting to be held on 11 March 2015 that no dividend will be paid for financial year 2014.

Helsinki 10 February 2015

**Harri Suutari**  
Chairman

**Olavi Huhtala**

**Riitta Palomäki**

**Matti Ruotsala**

**Tommi Salunen**

**Heikki Lehtonen**  
President & CEO

## AUDITOR'S REPORT (Translation from the Finnish Original)

### To the Annual General Meeting of Componenta Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Componenta Oyj for the period 1 January – 31 December 2014. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

### Responsibility of the Board of Directors and the Managing Director

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, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether

they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

### Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki 18 February 2015

PricewaterhouseCoopers Oy  
Authorised Public Accountants

**Jan Holmberg**  
Authorised Public Accountant



**Componenta Corporation**

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