


Casting Future **SOLUTIONS**



COMPONENTA



**Annual
General
Meeting**

5 May 2017

Review by President and CEO

Harri Suutari



**Annual
General
Meeting
5 May 2017**

Key events of the financial year 2016

Key events of 2016

- **Renewal of the management system**
 - Group-wide management of sales, planning and personnel management was discontinued
 - Foreign customer interface organizations and units that were unnecessary for Finnish and Swedish business operations were discontinued
- **Implementation of a new financing arrangement**
 - In May 2016, Componenta issued a EUR 40 million convertible capital loan. The company also paid off its secured bank loans and a secured note, totalling approximately EUR 72 million
 - Componenta Turkey took out a new EUR 15 million credit limit, in connection with which the shares of the Turkish company were pledged as collateral
- **Concentrating on the core business**
 - Sales of operations outside of the company's core business included the sales of the Suomivalimo foundry operations and the piston operations in Pietarsaari.

Key events of 2016

- Declaration of corporate restructuring and bankruptcy
 - On 1 September 2016, Componenta sought to initiate corporate restructuring procedures for the parent company Componenta Corporation, as well as its subsidiaries in Finland and Sweden. The restructuring proceedings began on 30 September 2016 in Finland.
 - The applications for the Swedish subsidiaries were approved, and the restructuring procedures were begun, at the beginning of September 2016. The proposed restructuring of Componenta Wirsbo AB was approved on 30 December 2016, and the restructuring of Componenta Arvika AB on 23 December 2016. The deadline for the restructuring process for Främmestad AB was extended until 1 June 2017.
 - On 1 September 2016, the Dutch subsidiary Componenta B.V. filed for bankruptcy. The company declared bankruptcy on 2 September 2016.

Key events of 2016

- Decision to sell the shares of Componenta Dökümcülük
 - In October 2016, Componenta announced that it was planning to sell its Turkish subgroup. The reason for the decision to sell the company was the need for additional financing of the Turkish operations, and the aim to secure the continuation of casting deliveries.
- Loss of control at Componenta Dökümülük SA
 - The Company considered that it lost control over the Turkish sub-group towards the end of the year, and for this reason consolidation of the subgroup in the Group's financial statements ended on 31 December of 2016. Its operations have been classified as discontinued operations in Componenta's consolidated financial statements of 31 December 2016 according to the IFRS 5 standard.



**Annual
General
Meeting
5 May 2017**

Componenta's continuing operations

Componenta will from now on focus on production in Finland and Sweden

- The Group's operations that will continue are
 - the foundry operations in Pori and Karkkila in Finland
 - the Främmestad machine shop in Sweden
 - the forges in Wirsbo and Arvka in Sweden
- Componenta announced earlier that it was looking for a purchaser for its forge operations in Sweden. An acceptable solution from the perspective of Componenta and its customers has yet to be found.
- From now on Componenta will concentrate on the continuous improvement of the quality and productivity of work at its Finnish and Swedish production units.



**Annual
General
Meeting
5 May 2017**

Consolidated financial statement 2016

Continuity of operations

- The consolidated financial statements for 2016 have been prepared based on the continuity of operations
- The Group's management believe that the restructuring proceedings will enable the rehabilitation of business operations
- The management has evaluated the impact of the restructuring proceedings, uncertainty factors related to the procedures, potential financing opportunities, and cash flow predictions for business operations over the next 12 months
- There is a significant degree of uncertainty related to the above-mentioned factors, and the management has taken this into account in assessing the continuity of operations
- If the restructuring procedures are not successful, it is possible that the company will go bankrupt

Reconciliation of net sales

EUR in millions	2016	2015
Continuing operations in total	183.6	210.1
Discontinued operations in total	265.9	342.3
Internal items / eliminations	-45.4	-57.6
TOTAL	404.1	494.8

Income Statement

The comparative figures include the parent company's management fees in relation to discontinued operations and figures of Suomivalimo and Pistons

MEUR	Q4 2016	Q4 2015	Change	2016	2015	Change
Order book, continued operations	30.8	31.4	-2%	30.8	31.4	-2%
Net sales, continued operations	44.2	52.7	-16%	183.6	210.1	-13%
Adjusted EBITDA, continued operations *)	1.1	-0.3	n/m	3.1	8.3	-63%
Adjusted operating profit, continued operations *)	-0.8	-2.2	63%	-5.8	0.4	n/m
Adjusted net financial expenses, continued operations *)	-2.0	-5.2	62%	-11.3	-16.6	32%
Adjusted result after financial items, continued operations *)	-2.8	-7.4	62%	-17.0	-16.2	-5%
Items affecting comparability in result after financial items, continued operations	-30.7	-17.2	-78%	0.5	-19.0	n/m
Taxes, continued operations	-5.4	-26.7	-79%	-7.2	-27.1	-73%
Net profit	-194.9	-73.6	-161%	-215.5	-82.7	-165%
Earnings/share, EUR	-1.15	-0.76	-51%	-1.64	-0.86	-90%

*) Excluding items affecting comparability

Reconciliation of comparable sales in outlook 2017 from the previous financial year

EUR million

	1-12/2016
Net sales 2016 , continued operations, total, IFRS	183.6
Adjustment, Net sales of Suomivalimo and Pistons 2016 before divestments	-8.1
Adjustment, trademark and management fee charges from discontinued operations in 2016	- 8.8
Comparable net sales in 2016 in relation with the 2017 outlook	166.8

Change in internal invoicing weakened EBITDA in continued operations

The most affecting items on changes in EBITDA, EUR in millions	Change 2015–2016
Operative exchange rate differences, change from previous year	-3.1
Change in parent company's administration fees in discontinued operations	-2.9
EBITDA change in sold functions: Suomivalimo and Pistons	-1.0
Positive effect of efficiency improvement and cost savings in continued operations	1.8
EBITDA change excluding items affecting comparability	-5.2

Personnel in continuing operations

Number at the end of the year	2015	2016	Difference
Own personnel	991	791	-200
Total personnel, including leased personnel	1,080	878	-202
Personnel at Suomivalimo and Pistons	133	0	-133
Parent company personnel (without Pistons)	91	28	-63
Other units	856	850	-6

Items affecting comparison of operating profit, continuing operations

EUR in millions	2016
Sales loss from Suomivalimo	-6.1
Sales gain from Pistons operations	1.0
Impairment losses in Swedish operations	-19.5
Impairment losses in Finnish operations	-10.0
Restructuring costs	-3.3
Other total	-2.3
TOTAL	-40.2

Sale of Suomivalimo

	EUR in millions
Book value of sold net assets	10.1
Selling price of net assets	4.1
Sales gain / loss	-6.1
Cash flow impact of transaction	4.1

Sale of Pistons

	EUR in millions
Book value of sold net assets	4.5
Selling price of net assets	5.6
Sales gain	1.0
Cash flow impact of transaction	5.2

Key figures 2015 - 2016

	31.12.2015	31.12.2016
Statement of financial position total, MEUR	402	84
Interest bearing net debt, MEUR	237	90
Invested capital, MEUR	262	-35
Return on investment, %	-7.2	-61.7
Return on equity, %	-92.6	n/a
Equity ratio, %	4.6	-165.3
Net gearing, %	1 273	n/a
Investments in production facilities, MEUR	31.5	19.9 *)
Personnel at the end of period, including leased personnel	4 269	878 **)

*) 2016 investments in production facilities include whole group

***) 2016 personnel at the end of period include only continued operations

Advance payments by customers in the financial statements

	EUR in millions
Componenta Finland Ltd	2.8
Componenta Främmostad AB	2.6
Componenta Wirsbo AB	0.2
Componenta Arvika AB	0.5
Total	6.2

The Group's cash and cash equivalents at the time of the financial statements totalled EUR 4.4 million, in addition to EUR 3.1 million managed by the administrator of the Swedish operations (recorded under receivables).

Group balance sheet 31 December


EUR in millions	31 December 2016	31 December 2015
NON-CURRENT ASSETS	40.6	294.1
Tangible assets (itemisation on next slide)	35.8	234.3
Goodwill	0.0	29.2
Intangible assets	0.9	7.1
Investment properties	3.6	8.1
Investments in associates	0.0	1.2
Other financial assets and holdings	0.0	0.9
Receivables	0.3	7.8
Deferred tax receivables	0.0	5.5

Group balance sheet 31 December

EUR in millions	31 December 2016	31 December 2015
TANGIBLE ASSETS	35.8	234.3
Land and water areas	1.2	36.7
Buildings and structures	12.0	46.5
Buildings and structures, financial leasing	0.0	0.1
Machinery and equipment	15.8	93.6
Machinery and equipment, financial leasing	1.9	20.5
Other tangible assets	4.6	7.9
Advance payments and unfinished procurements	0.4	29.0

Group balance sheet 31 December

EUR in millions	31 December 2016	31 December 2015
CURRENT ASSETS	43.5	108.2
Inventories	17.7	68.9
Sales receivables and other receivables	21.4	31.7
Income tax receivables	0.1	1.4
Cash and cash equivalents	4.4	6.1
TOTAL ASSETS	84.2	402.2



**Annual
General
Meeting**

5 May 2017

Corporate restructuring proceedings

Ongoing corporate restructuring proceedings

The parent company Componenta Corporation and its subsidiaries in Finland and Sweden are all undergoing separate corporate restructuring proceedings

- The proposed restructuring programme for Componenta Arvika AB was approved on 23 December 2016, and came into force on 14 January 2017.
- The proposed restructuring programme for Componenta Wirsbo AB was approved on 30 December 2016, and came into force on 21 January 2017.
- The proposed restructuring programmes for Componenta Corporation and Componenta Finland Ltd were submitted to the Helsinki District Court on 30 March 2017. As an intermediate decision on 4 April 2017, the Helsinki District Court decided to continue examining the proposed restructuring programmes.

Restructuring proceedings at Componenta Wirsbo AB

- The proposed restructuring programme for Componenta Wirsbo AB was approved on 30 December 2016, and came into force on 21 January 2017
- The company has a restructuring debt of MSEK 84
- The company must pay its debts to each unsecured creditor up to SEK 10,000 in full and 25% for the exceeding sums
- The company has prioritised restructuring debts of MSEK 1.0, which must be paid in full
- The total amount to be paid is MSEK 25.2, of which **MSEK 23.5** shall be paid to creditors outside the Group. The debts must be paid by **21 July 2017** at the latest
- With approval from the district court, it is possible to obtain a deferral of 12 months on the payment programme. However, in the case of the largest creditors, the company will negotiate directly on deferral of the payments.

Restructuring proceedings at Componenta Arvika AB

- The proposed restructuring programme for Componenta Arvika AB was approved on 23 December 2016, and came into force on 14 January 2017
- The company has a restructuring debt of MSEK 87
- In accordance with the decision, the company must pay its debts to each unsecured creditor up to SEK 10,000 in full and 25% for the exceeding sums
- The company has prioritised restructuring debts of MSEK 8.3, which, in accordance with the decision, must be paid in full
- The total amount of debt to be paid is **MSEK 24.0** and it must be paid by **14 July 2017** at the latest
- With approval from the district court, it is possible to obtain a deferral of 12 months on the payment programme. However, in the case of the largest creditors, the company will negotiate on deferral of the payments.

Restructuring proceedings at Componenta Främmestad AB

- The deadline for submitting the proposed restructuring programme for Componenta Främmestad AB to the district court of Skaraborg has been extended to 1 June 2017.
- The company has restructuring debt totalling approximately MSEK 182, of which MSEK 88 is debt to Componenta Dökümcülük.
- On 23 February 2017, the company submitted a proposal to the creditors on reducing the amount of restructuring debt. The administrator has declared that the proposal is a better option than bankruptcy.
- In accordance with the proposal, the company must pay its debts to each unsecured creditor up to SEK 10,000 in full and 25% for the exceeding sums within 12 months. The total amount to be paid would be around **MSEK 50**
- An EBITDA-bound payment period starting in 2019 was proposed to Componenta Dökümcülük.

Main obligations in the proposed restructuring programmes of Componenta Corporation and Componenta Finland Ltd

- The administrator submitted the proposed restructuring programmes to Helsinki District Court on 30 March 2017.
- The proposed restructuring programmes contain obligations regarding the sales of both companies' assets.
- The companies must, through winding-up procedures or merger, dissolve their subsidiaries no longer engaging in business operations in order to simplify the administrative structure.
- The companies must continue to take measures to improve the efficiency of business operations and the organization.
- The companies' General Meetings of Shareholders must make decisions to reduce the companies' share capital in such a way that the amount of share capital in both companies is EUR 1,000,000.

Restructuring proceedings at Componenta Corporation

- The total amount of Componenta Corporation's restructuring debts is approximately EUR 124 million, which is also subordinated restructuring debt
- Of the restructuring debt, approximately EUR 95 million is owed to Componenta Dökümcülük, EUR 11 million is owed to merging group companies, and EUR 18 million to other parties.
- It is proposed that the subordinated debts be reduced by 94–96 per cent
- The company also has lowest-priority debt of EUR 4 million, the amount of which will be reduced in its entirety according to the programme
- The amount to be paid to Group-external creditors would be approximately **EUR 7 million**
- According to the programme, the debts shall be paid over a five-year period between 2019 and 2023
- According to the programme, an additional payment of 50% of the amount exceeding the predicted cash flow (10% threshold) shall be made semiannually

Restructuring proceedings at Componenta Finland Ltd

- The total amount of restructured debt to be taken into account in the restructuring procedures and recorded in the balance sheet is approximately EUR 38 million, of which approximately EUR 1 million is secured debt and MEUR 37 is subordinated restructuring debt
- Of the restructuring debt, approximately MEUR 17 is owed to group companies, EUR 6 million to Componenta Dökümcülük and EUR 14 million to other parties
- It is proposed that the subordinated debts be reduced by 75 per cent. Secured debts will not be reduced
- The amount to be paid to Group-external creditors would be approximately **EUR 6 million**
- According to the programme, the debts shall be paid over a five-year period between 2019 and 2023
- According to the programme, an additional payment of 50% of the amount exceeding the predicted cash flow (10% threshold) shall be made semiannually

Proposed restructuring receivables and other receivables to be paid to Componenta Dökümcülük

	EUR in millions
Of restructuring debt, Componenta Finland Ltd	1.5
Of restructuring debt, Componenta Främmestad AB	2.3
Of restructuring debt, Componenta Componenta	5.7
Equity claim, Componenta Främmestad AB	27.0
Total	36.5

According to the proposed programmes, the value of the receivables in the realisation of bankruptcy would be approximately EUR 4 - 5 million.



**Annual
General
Meeting
5 May 2017**

Anticipated impact of the restructuring procedures on the Group balance sheet

Restructuring Proceedings, Assumed Impact to Group Balance Sheet (*)

Group Balance Sheet			
MEUR	31.12.2016	Impact of Restructuring	Proforma 31.12.2016
Assets			
Non-current assets total	40,6	0,0	40,6
Current assets total	43,5	0,0	43,5
Total Assets	84,2	0,0	84,2
Shareholders' equity & liabilities			
Shareholders' equity	-129,7	140,2	10,5
Total Liabilities	213,8	-140,2	73,7
Shareholders' equity & liabilities total	84,2	0,0	84,2
Equity Ratio			12,5 %
Specification of debts:			
Restructuring debts			23,2
Customer pre-payments			6,2
			<u>29,4</u>
Capital loan			27,0
			<u>56,4</u>
Trade payables & accruals			17,2
			<u>73,7</u>
Total			73,7

- Group debts under restructuring proceedings were some EUR 163 million.
- Estimated cut-down according to the draft programme is some EUR 140 million.

(* Preliminary approximated)

Restructuring Proceedings, Assumed Impact to Componenta Corporation's Balance Sheet

Componenta Corporation, Balance Sheet			
MEUR	31.12.2016	Impact of Restructuring	Proforma 31.12.2016
Assets			
Non-current assets total	15,0	0,0	15,0
Current assets total	11,7	0,0	11,7
Total Assets	26,7	0,0	26,7
Shareholders' equity & liabilities			
Shareholders' equity	-101,9	118,7	16,8
Total Liabilities	128,6	-118,7	9,9
Shareholders' equity & liabilities total	26,7	0,0	26,7
Equity Ratio			62,8 %
Specification of debts:			
			7,3
			2,6
			9,9

- Componenta Corporation's debts under restructuring proceedings were some EUR 126 million.
- Estimated cut-down according to the draft programme is some EUR 119 million.

The parent company's deferred tax assets

- The company's statement of financial position does not contain any deferred tax assets
- The company's losses amount to MEUR 91.7
- The deferred tax assets for these losses are MEUR 18.3



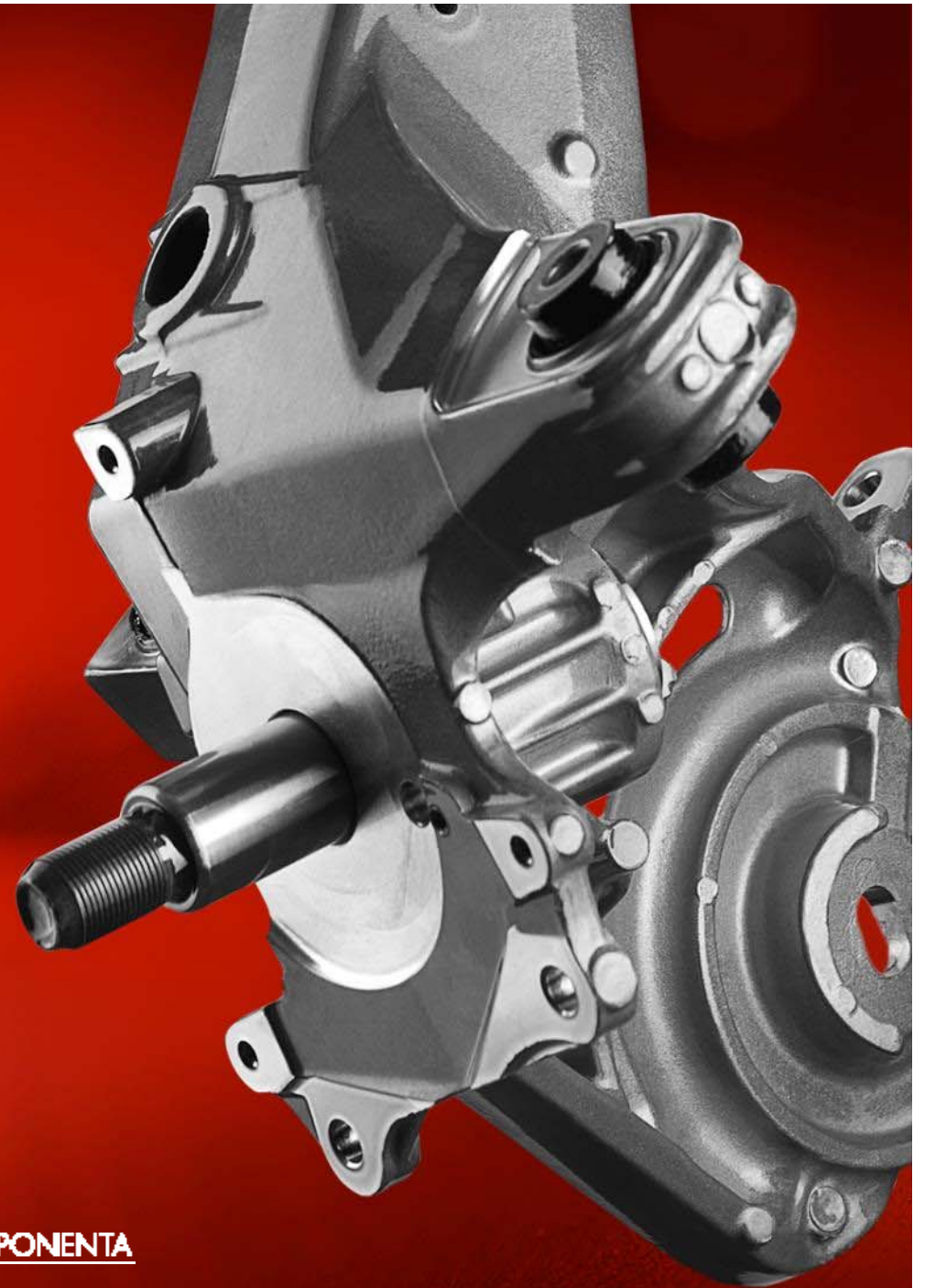
Componenta's outlook for 2017

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

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

In 2016 Componenta's comparable net sales that correspond to continued operations in 2017 was around EUR 167 million.

Casting Future
SOLUTIONS



COMPONENTA