Annual review
2018

COMPONENTA

Contents

Componenta in brief

Componenta is an international technology company. Componenta specializes in supplying cast and machined components to its global customers, who are manufacturers of vehicles, machines and equipment. Our business idea is based on a deep understanding of our clients' business. We want to support our clients through the whole process, from design and production all the way to deliveries.

Nearly 700 professionals are committed to deliver sustainable iron casts flexible and with high standard. Componenta have foundry operations in Pori and Karkkila, Finland, and a machine shop in Främmestad, Sweden.

The shares of Componenta are listed on Nasdaq Helsinki (CTH1V).

Net sales
120.7 MEUR

Adjusted operating result
2.9 MEUR

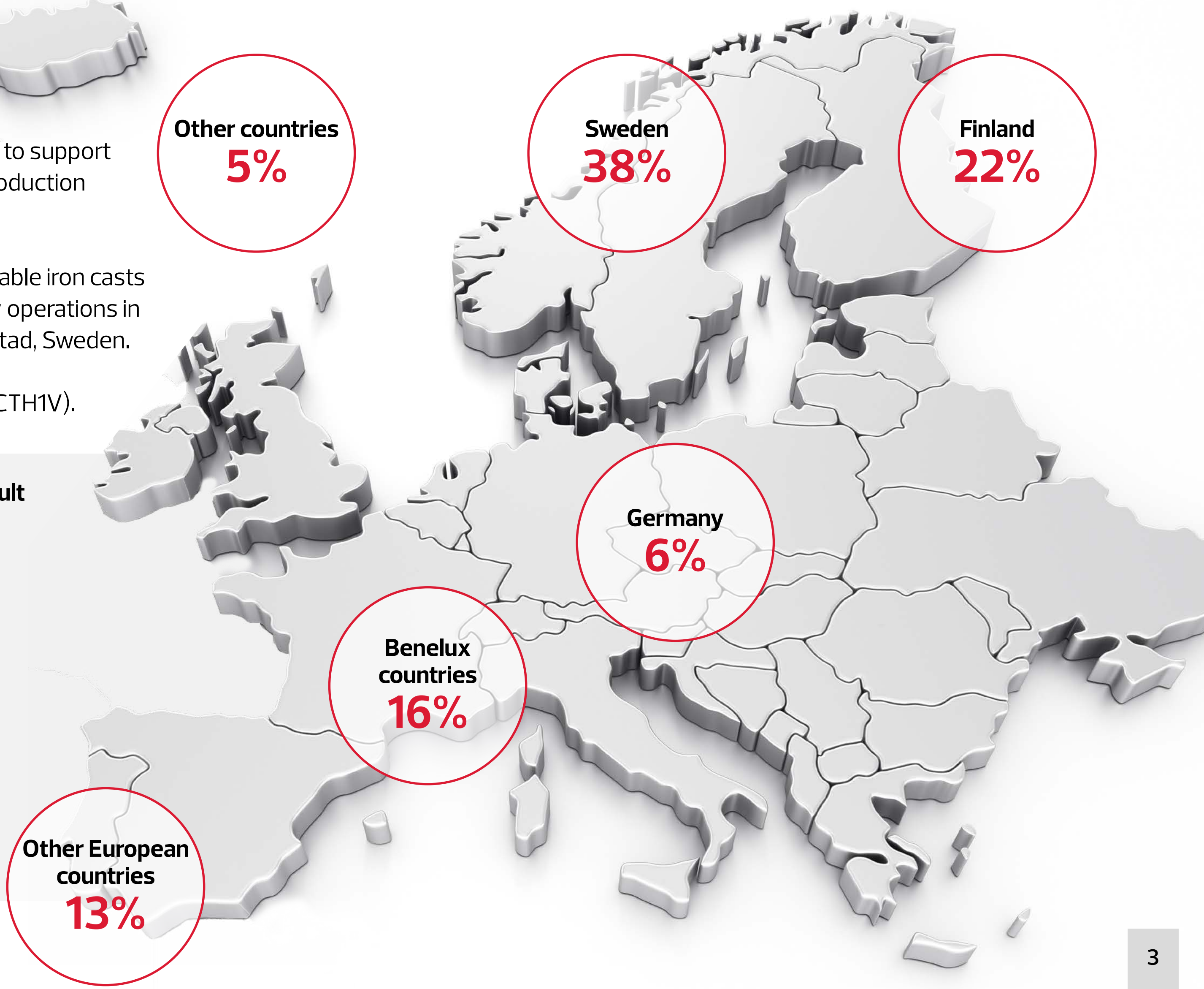
Distribution of net sales
heavy trucks
63%
other manufacturers
37%

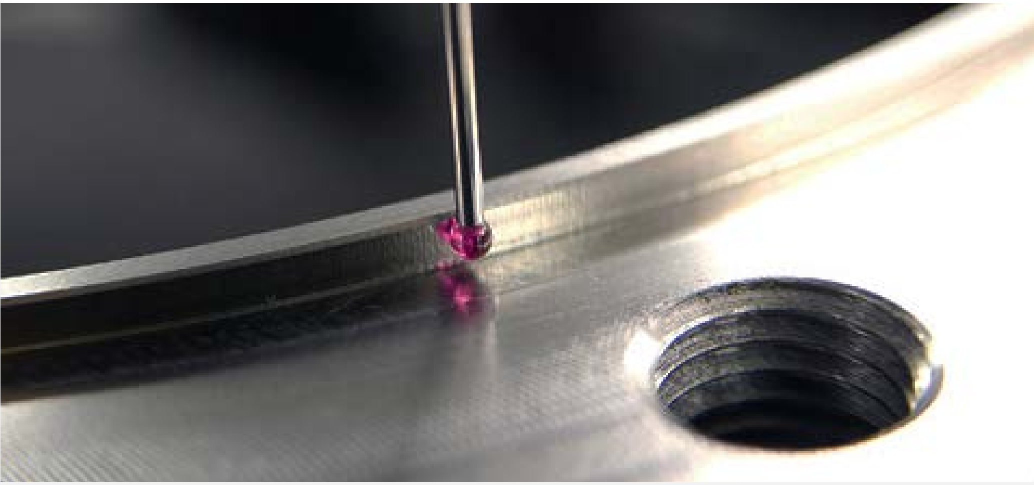
Average number of personnel
~700

Order book
21.7 MEUR

Adjusted EBITDA
4.9 MEUR

Net sales by market are in 2018





Year 2018 in brief:

- Net sales remained on par with the previous year and the adjusted operating profit improved slightly
- We received new significant orders for the Finnish foundries
- Restructuring programmes have progressed as planned
  - We continued to take measures to improve profitability by reducing costs, improving productivity of our factories and increasing prices.
  - We terminated one significant, but unprofitable customer contract.
  - We sold real estate properties which are unrelated to our core business.

Key figures

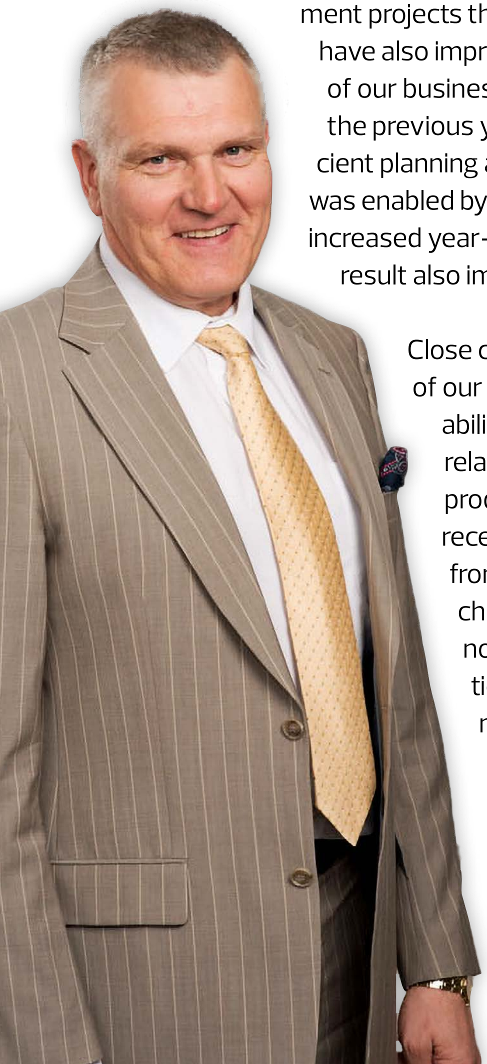
	2018 IFRS	2017 IFRS	Change
Net sales, continued operations, EUR million	**120.7**	122.4	-1.4%
EBITDA, continued operations, EUR million	**3.7**	29.8	-87.6%
Operating result, continued operations, EUR million	**1.2**	26.3	-95.3%
Operating result margin, continued operations, %	**1.0**	21.5	-95.2%
Result after financial items, continued operations, EUR million	**1.2**	128.3	-99.0%
Result, continued operations, EUR million	**1.0**	128.8	-99.2%
Basic earnings per share, EUR	**0.01**	0.70	-99.2%
Diluted earnings per share, EUR	**0.01**	0.70	-99.2%
Cash flow from operations, continued operations, EUR million	**3.5**	2.8	22.9%
Interest-bearing net debt, EUR million	**-3.4**	-3.0	-13.3%
Equity ratio, %	**39.3**	34.8	13.1%
Investments in non-current assets including financial leasing, continued operations, EUR million	**1.8**	1.6	12.1%
The Group restructuring debt, EUR million	**16.0**	19.0	-16.1%
Personnel at the end of the period including leased personnel, continued operations	**668**	691	-3.3%
Personnel on average during the period including leased personnel, continued operations	**703**	680	3.4%
Order book, continued operations, EUR million	**21.7**	23.6	-7.8%

Alternative performance measures

MEUR	2018	2017 Comparable adjusted	Change
Adjusted net sales	**120.7**	122.2	-1.3%
Adjusted EBITDA	**4.9**	4.6	6.5%
Adjusted operating result	**2.9**	2.7	6.9%

CEO's review

In 2018, we focused on measures to improve the profitability of our operations and the implementation of the measures stipulated by the restructuring programmes. The restructuring programmes have progressed as planned and we have, among other things, been able to divest real estate unrelated to our core business as well as shares held in real estate companies. We have continued to implement development projects that are important for reducing our cost level and we have also improved the productivity of our factories. The stabilisation of our business was reflected in our net sales remaining on a par with the previous year. Thanks to lower fixed costs and the more efficient planning and implementation of production and logistics — which was enabled by the improved liquidity — the Group's adjusted EBITDA increased year-on-year. The Group's comparable adjusted operating result also improved.



Close cooperation with customers is one of the cornerstones of our operations. Nevertheless, the need to improve profitability has called for a purposeful assessment of customer relationships. Componenta's organizational structure and production network have changed significantly during the recent years, with the Turkish subsidiary being divested from the Group, among other things. As a result of these changes, the Group has customer relationships that are now outside its core business and where the cooperation is focused on castings from outside the Componenta Group. This has meant a significant increase in supply chain risks related to these customer relationships. In 2018, we made a strategic decision to discontinue one significant customer relationship that was unprofitable and mostly involved deliveries of castings from outside the Group. As a result of this measure, the business operations of Componenta Främmestad AB — which engages in the machining and painting business in Sweden — will be scaled down substantially in 2019. As part of downscaling activities, the Swedish subsidiary has already initiated measures to reduce personnel. We also expect to see effects at the Pori foundry in Finland, as the terminated customer relationship represented just under half of the foundry's total production. The plans for the Pori unit also include closing down one of its two moulding lines, the unprofitable DISA line, in 2019.

As part of our measures aimed at improving profitability, we have reviewed Componenta Främmestad AB's operating model. The majority of its business consists of the refining and supplying of castings from outside the Group. The operations employ substantial amounts of capital, the refining level of the products is low and the profitability of the customer relationships is weak. In 2018, we engaged in an open dialogue with the largest customer of the Swedish subsidiary with the aim of shifting the company's operating model to value-added selling, but the negotiations did not produce the desired outcome. The synergistic significance of Componenta Främmestad AB has continued to decline. We are considering the option of divesting this business, as the capital released from its operations would strengthen Componenta Group's core businesses.

The Group's Finnish companies will make the first repayments on their restructuring debts in 2019 and the progress of the restructuring programmes as planned is of primary importance for us. As our operations become more concentrated and stabilised, we are pleased to note that our cooperation with the foundry customers in our core business has strengthened further and we have received significant new orders for our foundries in Finland. Our goal is to respond to customer needs and this is also the starting point for the continued development of our service portfolio. One significant synergistic path of growth that we have identified is the option of offering own machining services for castings in Finland.

I would like to take this opportunity to thank our customers, suppliers, service providers, stakeholders and everyone at Componenta for their cooperation and contribution during the year.

Report by the Board of Directors

Business model

Componenta offers its clients services throughout the whole supply chain by offering planning, casting, machining, painting and logistical services, which offer clients value added complex solutions. The main products sold by Componenta are non-machined, machined and painted iron cast components. Componenta serves specific industrial branches, which have mutual synergies and with which companies Componenta has strong and long-term relationships. Geographically Componenta operates in Europe, but collaborations exist with companies that operate globally.

Summary of key events of the year

Componenta's restructuring programmes have progressed as planned. Measures to improve the profitability have been taken during the financial year that ended by focusing on reducing costs, improving productivity of factories and increasing prices.

Customer relationships have also been assessed during the financial year and one significant unprofitable customer contract was terminated. The main reasons which justified the termination of the contract were the insufficient profit margin, high level of employed capital and low value add of products. The impact of the measures will be visible during the financial year 2019, especially as reductions of operations in Sweden, but the measures will also have an impact on Pori foundry operations, since these deliveries represent 40% of the Pori unit's volume. As part of the adjustment measures, it is planned to close the other line of the Pori foundry, the so-called Disa line, by the end of 2019. In 2018, Componenta has started measures aiming at significantly reducing Componenta Främmestad AB's Tier1-position, since the margins of some customer relationships have not been sufficient.

The synergy significance of Componenta Främmestad AB, which conducts machining and painting operations, for the Group decreased when the foundry operations in Turkey was sold in 2017. Most of Componenta Främmestad AB's operations consists of the refining and supplying of castings from outside the Group. The reactions of main customers towards the operational model change has not delivered expected results. While the synergy benefits have decreased, it is under consideration to give up the operations. Divesting from the low-profitability machine shop customer relationships in Sweden releases capital for core business.

Due to stabilized financial situation, Componenta have started to receive new significant orders for the Finnish foundries.

There have been negotiations with key foundry customers on possibilities to offer machining of their castings in Finland. This is perceived to be the most significant synergic growth direction of Componenta in the future. During the last quarter of 2018, Componenta updated the customer prices of the foundries to respond to increased costs.

The District Court of Helsinki approved the amendments to the confirmed restructuring programmes of Componenta Corporation and Componenta Finland Ltd on 14 December 2018. The amendments to the payment programme approved by the district court mainly concerned the amount specification of conditional and maximum amount of restructuring debts and minor corrections to restructuring debts. These amendments only have a minor impact on the payments based on the restructuring programmes and no impacts on the company's financial position.

Componenta Främmestad AB paid its external restructuring debts falling due in July 2018 already in March 2018.

Restructuring programmes

The implementation of the restructuring programmes has progressed as planned. Componenta Främmestad AB paid its restructuring debts, falling due in July 2018, in March 2018. The payment programmes of Componenta Corporation and Componenta Finland Ltd will begin in 2019 and end in 2023. The payment programme in the Group will end in 2024. Of the restructuring debts outside the Group, EUR 16.0 million (EUR 19.0 million), EUR 1.9 million was short-term debt. The external restructuring debts included EUR 0.8 million in interest-bearing debt, of which EUR 0.1 million was short-term.

According to the restructuring programmes, Componenta must sell the properties that are unrelated for its core business. Componenta sold its property and two parcels of land in Pietarsaari on 23 February 2018. The sales were carried out at market rates and their combined cash impact in the Group was EUR 0.2 million. Componenta Corporation's subsidiary Oy Högfors-Ruukki Ab sold the entire share capital of Kiinteistöosakeyhtiö Pietarsaaren Tehtaankatu 13 on 5 April 2018. The sale was carried out at market rates and its combined cash flow impact in the Group was EUR 0.4 million. Componenta Finland Ltd sold the shares of Asunto-osakeyhtiö Iisalmen Ahjolansato on 25 June 2018. The sale was carried out at market rates and its combined cash impact in the Group was EUR 0.2 million. The combined impact of the aforementioned transactions on the result during the financial year was EUR 0.2 million.

Furthermore, Componenta Corporation sold the shares of Kiinteistöosakeyhtiö Ala-Emali and Kiinteistöosakeyhtiö Ylä-Emali owned by it on 29 August 2018. Componenta Corporation and Componenta Finland Ltd sold their shares of Karkkilan Koskikiinteistö Oy owned by them on 29 August 2018. Componenta Finland Ltd's subsidiary Karkkilan Valimokiinteistö Oy sold a parcel of land including the buildings on the land on property owned by it in Karkkila on 31 August 2018. The aforementioned sales were carried out at market rates and their cash impact was EUR 1.0 million and combined impact on result was EUR 0.0 million.

According to the restructuring programmes, a supplementary payment obligation to creditors is incurred for Componenta Corporation and Componenta Finland Ltd if the company's generated operating cash flow exceeds in any given calendar year, starting from 2018 and ending in 2022, the operating cash flow predicted in the programme balance sheet of the calendar year in question, from which the operating cash flow shortfall from 2018 or later in proportion to the operating cash flow predicted in the programme balance sheet will be deducted once. Solely the company's unsecured creditors are entitled to supplementary payments. The company has then an obligation to pay a supplementary payment of 50% of the amount that the generated operating cash flow exceeded the operating cash flow predicted in the programme balance sheet of the calendar year in question, from which the operating cash flow shortfall from 2018 or later in proportion to the operating cash flow predicted in the programme balance sheet will be deducted once. However, there will be no supplementary payment obligation if the generated operating cash flow has exceeded the operating cash flow predicted in the

Repayment schedule for external restructuring debts to be paid

MEUR	2019	2020	2021	2022	2023	2024	Total
Componenta Corporation	0.7	0.7	0.7	0.7	5.2	-	7.8
Componenta Finland Ltd	0.9	0.9	0.9	0.9	1.9	-	5.7*
Componenta Främmestad AB	0.4	0.4	0.4	0.4	0.4	0.4	2.5**
Total	**1.9**	**2.1**	**2.0**	**2.0**	**7.5*****	**0.4**	**16.0**

*) Componenta Finland Ltd's restructuring debts round to EUR 5.7 million.

**) The remaining Componenta Främmestad AB's debt to Componenta's former Turkish company will be paid back within a period of six years. The repayment is tied to the EBITDA of Componenta Främmestad AB.

***) The reason for the larger last instalment of Componenta Corporation and Componenta Finland Ltd is that the income from the sales of properties, which are not part of the core business, have been taken into account in the payment programme. The generated income will be used to repay debts during the end of the payment programme. The last instalment also includes a supplementary payment obligation of EUR 3.2 million incurred by the discharge of EUR 80 million loan guarantee.

programme balance sheet by a maximum of 10%. For 2018, a supplementary payment obligation is not incurred for Componenta Corporation or Componenta Finland Ltd.

Continued operations

Continued operations in the reporting period were foundry operations in Pori and Karkkila, Finland, and machine shop in Främmestad, Sweden. Continued operations also include real estate companies in Finland that are of limited importance.

Componenta Group went through extensive changes in 2017. The parent company and its operative subsidiaries in Finland and Sweden were issued final rulings on restructuring. Componenta Wirsbo AB and Componenta Arvika AB, both located in Sweden, were declared bankrupt on 17 July 2017. The shares in the Turkish subsidiary, Componenta Dökümcülük Ticaret ve Sanayi A.S, were sold in a transaction completed on 27 September 2017.

Discontinued operations

In financial year 2018, Componenta had no discontinued operations.

In 2017, the Group companies Componenta Wirsbo AB and Componenta Arvika AB, both located in Sweden, were declared bankrupt on 17 July 2017. As a result, the Componenta Group no longer operates in the forge business. The operations of the Wirsbo sub-group were classified as discontinued operations in accordance with IFRS 5 Non-current assets held for sale and discontinued operations and the consolidation of Componenta Wirsbo AB and Componenta Arvika AB in the consolidated financial statements was discontinued in the third quarter of 2017. In 2017, the net sales of the discontinued operations were EUR 27.2 million, operating result EUR 36.4 million and result EUR -4.8 million. The result for discontinued operations in 2017 excluding items affecting comparability was EUR 0.1 million and the estimated operating profit excluding items affecting comparability was EUR 0.2 million.

Order book

MEUR	2018	2017	Change
Order book	**21.7**	23.6	-7.8%

The order book of Componenta's continued operations stood at EUR 21.7 million (EUR 23.6 million) at the end of 2018. The order book comprises confirmed orders for the customers of next two months.

Net sales

MEUR	1-12/ 2018	1-12/ 2017	Change
Sweden	**46.3**	44.1	4.9%
Finland	**26.8**	25.5	5.4%
Benelux countries	**19.0**	24.6	-22.8%
Germany	**7.0**	7.3	-3.9%
Other European countries	**15.9**	16.6	-4.2%
Other countries	**5.7**	4.4	30.3%
Continued operations	**120.7**	122.4	-1.4%
Discontinued operations	**-**	27.2	-
Eliminations	**-**	-0.2	-
Total	**120.7**	149.5	-19.2%

Comparable net sales for current continued operations in 2018 period was at the same level as in previous year, standing EUR 120.7 million (EUR 122.4 million).

The net sales of Componenta during the financial year were divided by customer sectors as follows: heavy trucks 63% (65%) and other industries a total of 37% (35%).

Result

Continued operations	1-12/ 2018	1-12/ 2017
Operating result, MEUR	**1.2**	26.3
Operating result margin, %	**1.0**	21.5
Result after financial items, MEUR	**1.2**	128.3
Result, MEUR	**1.0**	128.8
Basic earnings per share, EUR	**0.01**	0.70
Diluted earnings per share, EUR	**0.01**	0.70

The adjusted EBITDA of the Group's continued operations for the financial year improved from the previous year and amounted to EUR 4.9 million (EUR 4.6 million). The adjusted EBITDA for the review period was particularly improved by lower fixed costs as well as the more efficient planning and implementation of production and logistics, which was enabled by the Group's liquidity being better than in the comparison period. Items affecting comparability in continued operations EBITDA in 2018 totalled EUR -1.2 million and they were mainly related to receivable write-downs and write-downs of the sold service companies. The effect of exchange rate differences on EBITDA was EUR 0.2 million (EUR -0.1 million). The profitability of the comparison period was weighed down by the temporary cancellation of the energy tax refund in Finland due to the restructuring procedures. The temporary cancellation of the energy tax refund in Finland ended after the district court confirmed the restructuring programmes on 23 August 2017.

The adjusted comparable operating result of the Group's continued operations for the financial year increased from the previous year and amounted to EUR 2.9 million (EUR 2.7 million). The operating result for continued operations during the review period, including items affecting comparability, was EUR 1.2 million (EUR 26.3 million).

Net financial items for the Group's continued operations, including items affecting comparability, amounted to EUR -0.0 million (EUR 102.1 million). Net financial items 2017 included EUR 96.6 million generated mainly by the restructuring debt cuts in the Finnish and Swedish companies.

The result of continued operations after financial items stood at EUR 1.2 million (EUR 128.3 million). The items affecting comparability in the result for the financial year 2017, after financial items, totalled EUR 125.8 million. The items affecting comparability included in the result for continued operations for 2017 totalled EUR 126.1 million, and they consisted mainly of cuts in the restructuring debts in the Finnish and Swedish companies, which totalled EUR 130.2 million.

Taxes for the period for continued operations totalled EUR -0.2 million (EUR 0.5 million). Taxes for the period mainly include deferred tax liability changes.

The result of the Group's continued operations for the financial year was EUR 1.0 million (EUR 128.8 million). Componenta had no discontinued operations in 2018, when the result of the discontinued operations was EUR 0.0 million (EUR -4.8 million). Discontinued operations in 2017 include Componenta Wirsbo AB and Componenta Arvika AB, which both were declared bankrupt on 17 July 2017.

The Group's result for the financial year was EUR 1.0 million (EUR 124.1 million). The basic earnings per share for the financial year were EUR 0.01 (EUR 0.70) and the basic earnings per share for continued operations were EUR 0.01 (EUR 0.73). Diluted earnings per share for the financial year were EUR 0.01 (0.70) and diluted earnings per share for continued operations during the review period were EUR 0.01 (0.70).

Alternative performance measures

Componenta publishes alternative performance measures to illustrate the financial development of its operations and to improve the comparability between the different periods. The company's management has assessed which alternative performance measures best describe the operations of the company and decided to report the adjusted net sales, adjusted EBITDA and adjusted operating result as alternative performance measures.

Continued operations, MEUR	2018	Comparable adjusted 2017	Change
Adjusted net sales	120.7	122.2	-1.3 %
Adjusted EBITDA	4.9	4.6	6.5 %
Adjusted operating result	2.9	2.7	6.9 %

MEUR	1-12/2018
EBITDA, excl. items affecting comparability, continued operations	4.9
Adjusted EBITDA, continued operations	4.9
Items affecting comparability	-1.2
Adjusted EBITDA, incl. items affecting comparability, continued operations	3.7

Items affecting comparability include EUR 0.2 million restructuring debt write-downs and EUR -0.4 million reorganization costs. The total of EUR -1.3 million receivable write-downs and revaluations include, among other things, EUR -0.7 million receivable write-downs of Componenta Främmestad AB and EUR -0.5 million write-downs of the service companies. Furthermore, comparable items include EUR 0.3 million of sales gain and other items affecting the comparability.

MEUR	1-12/2018
Operating result, excl. items affecting comparability, continued operations	2.9
Adjusted Operating result, continued operations	2.9
Items affecting comparability	-1.6
Adjusted EBITDA, incl. items affecting comparability, continued operations	1.2

Items affecting the operating result are the same as the items affecting the EBITDA with the addition of the machinery and equipment write-down of EUR -0.4 million in Componenta Finland Ltd.

Reconciliation of comparable adjusted net sales, continued operations, MEUR	1-12/2017
Net sales, IFRS	122.4
Adjusted net sales	122.4
Adjustment of administration service fees from the Wirsbo sub-group in 2017*	-0.2
Comparable adjusted net sales	122.2

Reconciliation to comparable adjusted EBITDA, continued operations, MEUR	1-12/2017
EBITDA, IFRS	29.8
Restructuring debt cuts	-30.6
Write-downs of tangible and intangible assets and receivables	4.6
Restructuring and reorganization costs	1.4
Other items	-0.4
Adjusted EBITDA	4.8
Adjustment of administration service fees from the Wirsbo sub-group in 2017*	-0.2
Comparable adjusted EBITDA	4.6

Reconciliation to comparable adjusted operating result, continued operations, EUR million	1-12/2017
Operating result, IFRS	26.3
Restructuring debt cuts	-30.6
Write-downs of tangible and intangible assets and receivables	4.6
Restructuring and reorganization costs	1.4
Other items	1.2
Adjusted operating result	2.9
Adjusting administration service fees from the Wirsbo sub-group in 2017*	-0.2
Comparable adjusted operating result	2.7

*) The Wirsbo sub-group comprises Componenta Wirsbo AB and Componenta Arvika AB, which were declared bankrupt on 17 July 2017.

Balance sheet, financing and cash flow

Cash flow and balance sheet	Dec 31, 2018	Dec 31, 2017
Cash flow from operations, continued operations, MEUR	3.5	2.8
Interest bearing net debt, continued operations, MEUR	-3.4	-3.0
Net gearing, %	-17.5	-16.2
Equity ratio, %	39.3	34.8
The Group restructuring debt, MEUR	16.0	19.0
Return on equity, %	5.6	-
Return on investment, %	6.0	-

At the end of the financial year, the Group's cash and cash equivalents totalled EUR 5.3 million (EUR 5.5 million). The Company had no committed credit facilities at the end of the review period. Financing based on advance payments from major customers was paid out at the end of February 2018.

At the end of the financial year, the debts of Componenta Group totalled EUR 29.7 million (EUR 34.4 million), of which EUR 16.0 million (EUR 19.0 million) was external restructuring debts. Componenta Corporation's share of the debts was EUR 7.8 million (EUR 7.8 million), Componenta Finland Ltd's share was EUR 5.7 million (EUR 5.8 million) and Componenta Främmestad AB's share EUR 2.5 million (EUR 5.4 million). The external restructuring debt includes EUR 0.8 million (EUR 1.4 million) in interest-bearing debt, of which EUR 0.1 million (EUR 0.6 million) is short-term. In addition, there were EUR 2.6 million (EUR 1.9 million) of other long-term debts and EUR 11.2 million (EUR 15.4 million) of short-term account payables, accrued debts and other debts.

Net gearing stood at -17.5% (-16.2%) at the end of 2018. Net gearing includes only the interest-bearing liabilities of the restructuring debts. At the end of 2018, the Group's equity ratio stood at 39.3% (34.8%). Each of the Group companies had positive equity at the end of the 2018. The Group's equity was positive at EUR 19.2 million (EUR 18.3 million). The Group's equity includes the capital loan of EUR 27.0 million from Componenta Dökümcülük Ticaret ve Sanayi A.Ş. According to the agreement, the capital loan carries no interest and no repayment schedule has been specified for it. The loan must be fully paid before Componenta Främmestad AB can distribute dividends.

The net cash flow from operations for continued operations for the financial year was EUR 3.5 million (EUR 2.8 million). The improved cash flow for continued operations is due to the higher profitability of operations.

At the end of the review period, the invested capital of the company was positive at EUR 21.2 million (EUR 20.8 million) and the return on investment was 6.0% (-) and return on equity 5.6% (-). Calculating comparison figures is not appropriate because equity was negative at the beginning of 2017.

Personnel

Personnel	2018	2017
Personnel expenses, MEUR, continued operations	-28.7	-29.2
Average number of personnel during the period, Group	596	673
Average number of personnel during the period, incl. leased personnel, Group	703	787
Number of personnel at period end, continued operations	602	572
Number of personnel at period end, incl. leased personnel, continued operations	668	691

The average number of personnel in Componenta's continued operations at the end of the reporting period was 596 (673), and including leased personnel a total of 703 (787). At the end of the reporting period, the number of personnel in Componenta's continued operations was 602 (572), and including leased personnel a total of 668 (691). The geographic distribution was 66% (67%) of the personnel of continued operations were in Finland at the end of the reporting period, and 34% (33%) were in Sweden.

Capital expenditure

MEUR	1-12/2018	1-12/2017
Non-current assets	1.8	2.1
Leases	0.0	0.7
Total	1.8	2.8

Componenta's capital expenditure for the financial year totalled EUR 1.8 million (EUR 2.8 million), of which the share of financial leasing was EUR 0.0 million (EUR 0.7 million). Capital expenditure of continued operations totalled EUR 1.8 million (EUR 1.6 million) and capital expenditure of discontinued operations were EUR 0.0 million (EUR 1.2 million). The net cash flow of the Group's capital expenditure was EUR -0.2 million (EUR -2.6 million), including the net cash flow of the Group's capital expenditure on tangible or intangible assets as well as the sold fixed assets cash flow. The cash flow of the Group's capital expenditure of the continued operations was EUR -0.2 million (EUR -1.4 million).

Research and development activity

In 2018 the research and development expenses of Componenta's continued operations totalled EUR -0.0 million (EUR -0.0 million), which is equivalent to 0.0% (0.0%) of the Group's turnover for continued operations. Research and development costs are very low since Componenta carries on order machine shop business and therefore it does not have own products worth mentioning.

Statement of non-financial information

Sustainability and sustainable development are an integral part of Componenta's operations. Sustainable operations are based on the company's values, strategy and operating methods. Componenta's approach to sustainability covers both strategic planning and short-term planning and development work. Componenta's management sets annual targets for the most significant aspects of sustainability, and their development is monitored and analysed on a continuous basis. This also enables taking preventive measures when necessary.

From the perspective of sustainability, the most significant aspects of Componenta's operations are environmental responsibility and the well-being of personnel.

In Componenta's industry, matters related to environmental responsibility are emphasised. The production of cast components is energy-intensive, and the production process also generates significant amounts of spent sand, slag and waste. Every year, the company reports information related to environmental responsibility for the Group's production units in Finland and Sweden that have a significant environmental impact.

As Componenta's industry is also very labour-intensive, personnel costs as well as investments in employee well-being and competence have a significant impact on the company's success. The company respects the rights of its employees and operates under safe working conditions. Componenta respects its employees' freedom of association and the right to collective bargaining, and the company has zero tolerance for forced labour, child labour and discrimination.

Componenta reports on matters related to sustainability and sustainable development annually in the form of a statement of non-financial information included in the Report by the Board of Directors. Componenta's Board of Directors has approved this statement. The Board is committed to annually defining the materiality of aspects related to sustainability and non-financial information. The figures presented in this section include both actual figures for the year and figures for comparison with the corresponding period in the previous year.

Description of business model

Componenta's business model is to supply cast and machined components from its production facilities in Finland and Sweden to its customers, who are local and global manufacturers of vehicles, machines and equipment. Componenta's business model is based on cherishing long-term customer relationships. The comprehensive offering of the production units covers component sizes ranging from a few kilograms to a few hundred kilograms, and series sizes ranging from small series to series of tens of thousands of units. The offering also includes several different choices of iron materials.

In Componenta's value chain, value is created mostly during the phase where end products are used, as Componenta's customers are able to produce long-lasting end products. Componenta's raw material and supply chains are global.

Environmental responsibility

Componenta's policies for quality, the environment, health and safety guide the Group's measures related to quality and environmental aspects. All production units have third-party certified quality and environmental management systems. The most significant risks concerning environmental responsibility are mainly related to the energy consumption of cast component production, the spent sand, slag and waste generated in production operations and the potential emissions caused by the operations of the production units. At foundries, the melting of raw material and holding its temperature involves high energy requirements, which makes Componenta a significant consumer of energy. Potential increases in energy prices or higher taxes on energy consumption could have a substantial impact on Componenta's conditions for business. The company's conditions for business would also be weakened by increases in waste management fees and waste taxes. The key risk factors for operations also include the potential introduction of tighter environmental permit regulations or emission limits.

Financial liability for environmental contamination is a significant risk due to the stringent nature and wide scope of current legislation. As Componenta's production units are located near residential areas, it is important that they comply with the emission and noise limits specified in the conditions of their environmental permits. Potential breaches of environmental protection regulations would also have a negative impact on Componenta's business due to the reputation risk associated with them. Componenta manages environmental risks to ensure the continuity and high quality of its operations and to prevent negative environmental impacts.

Componenta's most important objectives related to environmental responsibility are emission prevention, energy efficiency, reducing energy consumption and waste as well as the reuse of waste. Energy consumption is actively monitored and various measures are taken to increase the efficiency of energy consumption, including casting planning and quality development. Energy efficiency is also influenced by production volumes and the evenness of the load.

In 2018, Componenta's total energy consumption decreased by 2.1% from the previous year to 92 GWh (94 GWh). Of the energy consumed, 79% was electrical energy (80%). The other energy sources were district heat, liquid gas and oil, which represented 21% of total energy consumption (20%). Relative to production volume, the energy consumption of the iron foundries increased by 0.5%. The target set for 2018 about reducing relative energy consumption by 2% was not achieved, mainly due to the smaller production volumes towards the end of the year. Decreasing production volumes at the iron foundries have a negative impact on relative energy consumption and energy efficiency, as the amount of energy required for maintaining production capacity by, for example, holding the temperature of molten iron does not decrease with production volumes. Due to the downscaling activities anticipated for 2019, Componenta aims at making sure that relative energy consumption does not increase by more than 10% from the previous year.

The life cycle environmental impact of a product can be influenced starting from cast component engineering and the choice of materials. The better the quality that is produced, the lower the number of rejected castings and the smaller the consumption of raw material, energy and resources. Promoting the reuse of waste and identifying new options for reuse is a high priority for Componenta. Using recycled material as raw material in production has been an obvious choice for the company for a long time. Most of the raw material used for cast components is recycled metal. In 2018, recycled steel accounted for 59% (61%) of the steel used at the Group's iron foundries.

In spite of the efficient internal rotation of materials, Componenta's production operations generate a significant quantity of waste. In 2018, Componenta's production units generated a total of 26,102 tonnes of waste (22,326 tonnes), of which approximately 86% (83%) was reused. In proportion to the amount of waste generated, more waste was reused than in the previous year, but still the 89% target set for the reuse of waste was not yet fully achieved. This was mainly due to the one-off cleaning performed around the properties in 2018 as well as variation in the products manufactured. Nearly all waste generated by Componenta is sorted, and unsorted waste represented only 0.2% (0.3%) of the total waste volume in 2018. The reused waste includes metals, slag, sand and dust. The final products manufactured by Componenta can also be recycled. Componenta's aim is to ensure that all waste sand and dust, in particular, is reused. The target for 2019 is to maintain the waste reuse percentage, based on the total waste volume, at last year's level 86%.

The most significant emissions from production operations are related to dust generated in foundries. The mould sand and binding agents used in foundries generate dust at various stages of the process. Inside the foundries, dust is controlled by using extraction points, and filtering equipment prevents the dust from escaping into the air outside. Componenta monitors and measures raw material consumption and emissions from production, namely particle and VOC emissions as well as environmental noise caused by production. Foundry dust emissions in 2018 amounted to 0.2 kg per tonne of cast components produced (0.2 kg/tn). An annual target has not been set, as dust emissions are measured at three-year intervals using a certified procedure.

The overall costs of environmental responsibility decreased slightly year-on-year due to one-time expenses arising from environmental permit regulations in 2017. Environmental expenses include costs that are directly related to the environment, such as waste management, waste water management and activities related to environmental protection. The processing of production waste represents the vast majority of the expenses. In 2018, environmental expenses amounted to 0.75% (0.94%) of the Group's net sales. At Componenta, every investment is also assessed with regard to its environmental impacts. New machinery and equipment and changes in production methods can affect variables such as energy consumption, raw material consumption and emissions. No significant investments were made in 2018.

Social responsibility and employees

At the end of 2018, the number of personnel in Componenta's continued operations, including leased personnel, was 668 (691). The geographic distribution of personnel (including leased personnel) was such that 66% (67%) of the personnel of continued operations were in Finland at the end of 2018, and 34% (33%) were in Sweden. Componenta's HR strategy is part of the Group's business strategy, and it is always firmly linked to business development and strategic focus areas. Social responsibility is based on Componenta's HR policy, management principles and values – Openness, Honesty and Respect. Componenta complies with the local regulations and rules related to production and support functions in all of its countries of operation. In accordance with Componenta's values and management principles, all decisions pertaining to recruitment, remuneration and promotion are exclusively based on the competence and performance of each employee. Each unit has an equality plan that is reviewed annually. Employees also have access to an internal whistleblowing channel for reporting issues such as suspected incidents of discrimination.

In the industrial operating environment, the risks related to social responsibility and human resources are mainly related to occupational health and accidents. Physically strenuous work in a foundry requires investments in occupational safety and healthy working methods. Significant direct and indirect costs arising from absence due to illness and accidents have a negative impact on Componenta's conditions for business. Long-term absence due to illness and occupational accidents that cause long-term absence due to illness are particular risk factors for the Group's operations, as replacing and redeveloping lost human capital and competencies can take a long time. To manage the risks related to occupational health, Componenta has defined preventing absence due to illness and reducing the actual rate of absence due to illness as a development area. A further goal is to more effectively identify risks related to occupational accidents and thereby reduce the accident frequency. These areas of monitoring and development are closely related.

To minimize and prevent accident risks, Componenta's units arrange occupational safety training on a regular basis and make sure that employees have up-to-date, appropriate and sufficient tools at their disposal. Each unit also has an occupational health and safety programme that is regularly reviewed and updated. The Karkkila and Pori foundries also have a certified OHSAS 18001 occupational health and safety system. The employees' capacity to work is maintained by providing the necessary occupational healthcare services. Preventive measures are used with the aim of significantly reducing absence due to illness. Componenta arranges various personnel events related to both physical and mental well-being and coping at work to support well-being at work and prevent diseases.

In 2018, the rate of long-term and short-term absences due to illnesses and accidents decreased to 5.5% from the previous year (5.9%), but still failed to achieve the target of 4%. This was mainly due to unforeseen non-occupational illnesses. Componenta has an operational model for responding to absence due to illness. The model highlights cooperation between the employee, the occupational healthcare provider and the HR function. The purpose of the measures taken under the operational model is to prevent illness from developing into disability. In addition, in 2018 Componenta's Finnish units implemented a tool that highlights the supervisor's role in maintaining the employees' capacity to work and monitoring absence due to illness; it also supports discussing absence due to illness at an early stage. In 2019, Componenta aims at ensuring that the rate of absence due to illness does not exceed the figure from the previous year.

Componenta regularly monitors and logs not only actual occupational accidents, but also "close calls". In 2018, the rate of occupational accidents leading to absence was 105 (89) accidents per one million working hours. The target set for 2018, less than 70 occupational accidents per one million working hours, was not achieved, mainly due to occasional exceptional situations, such as working overtime that typically increases the likelihood of accidents. Another factor influencing the higher rate of occupational accidents was the slightly increased employee turnover, as new employees are more prone to accidents at work. There were no serious occupational accidents or fatalities at Componenta in 2018.

The majority of occupational accidents are caused by carelessness or actions that deviate from normal operating procedures. With this in mind, the aim is to anticipate potential hazards and take timely action to intervene in deficiencies related to adherence to the correct working methods. Incidents that led to accidents or close calls are systematically investigated in accordance with the company's operational model and the necessary actions are subsequently taken to update work instructions and increase awareness among the work community. Employees are reminded of the instructions and safe working methods as often as possible. Employees are also encouraged to take initiative in observing potential hazards and report safety-related observations. The target set for 2019 is less than 70 occupational accidents per one million working hours.

Respect for human rights

Componenta's most significant purchases are related to the raw materials required in the production of iron cast components. As Componenta's raw material and supply chains are global, the company aims to place increasing attention on respect for human rights throughout the supply chain. In addition, Componenta's customers require that the most widely recognised ethical principles are adhered to in the supply chain. However, the choice of business partners is influenced by many different factors and, for example, certain raw materials required in production operations can only be sourced from a small group of suppliers. The most significant risks related to human rights violations involve suppliers and subcontractors that operate in the supply chain for Componenta's products in countries where the observance of internationally recognised human rights or workers' rights cannot be guaranteed. Potential violations of human rights and workers' rights in the company's supply chain cause reputation risks, in particular.

In accordance with its Code of Conduct, Componenta strives to ensure that the supply chain for its products observes human rights and does not promote conflict. Suppliers and subcontractors are required to comply with existing laws and regulations. Suppliers and subcontractors are also required to support and respect internationally recognised human rights as defined in the UN Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. Furthermore, suppliers and subcontractors must comply with the quality and environmental standards that Componenta adheres to.

Componenta respects human rights in its sphere of influence and operates in a transparent and trustworthy manner. Understanding the principles pertaining to respect for human rights is every Componenta employee's responsibility. One key aspect of Componenta's risk management is the whistleblowing channel that employees and other stakeholders can use to report suspected incidents of non-compliance with the company's Code of Conduct, such as violations of human rights.

The most significant role with regard to risks identified in the supply chain is played by Componenta's procurement and sales organizations as well as unit-level management and the company's senior management. In 2018, Componenta arranged training for all white-collar employees on the company's Code of Conduct, including practices related to human rights. A total of 93% of the Group's white-collar employees attended the training. The training is arranged annually.

Componenta aims to increasingly assess potential ethical risks related to business partners before establishing cooperative relationships. The goal is to incorporate transparency and Componenta's Code of Conduct more systematically in procurement and contracting activities. The company will require its new partners to make a written commitment to adherence with Componenta's operating principles in terms of sustainability and sustainable development. Componenta aims to revise its contractual provisions used in procurement in 2019, and the practices required by the company in terms of respecting human rights will be added to the new contractual provisions.

Anti-corruption and bribery

Componenta's most significant risks in terms of anti-corruption and bribery are related to potential violations or negligence concerning Componenta's Code of Conduct in the production chain. Fair competition is a key operating principle for Componenta. It guides the company's conduct towards its competitors and customers as well as its activity in the business community. Componenta or its employees or other parties representing Componenta may not offer, give or receive bribes or any other illegal benefits. Business partners or public authorities must not be offered improper financial benefits in order to promote Componenta's business operations or the company's other benefits. Negligence of anti-corruption and bribery provisions can pose a reputation risk and a risk of sanctions for Componenta as well as financial losses if production chain partners are not selected based on appropriate criteria related to overall economic considerations. The company's Code of Conduct includes instructions related to, among other things, giving and receiving gifts and hospitality as well as avoiding conflicts of interest. Componenta is a politically independent company.

Componenta's operational programme aimed at the identification and prevention of risks related to corruption and bribery includes training for managers and employees. It is considered important that employees understand what bribery is and how it must be prevented at the level of their practical duties. Componenta's procurement and sales organizations as well as unit-level management and the company's senior management play a significant role in anti-corruption and bribery activities. These groups attended the Code of Conduct training that was arranged for the Group's white-collar employees in 2018 and included discussion about anti-corruption and bribery practices. For more information about the training and the attendance rate, see section "Respect for human rights" above.

Componenta is committed to responsible operations and honesty in accordance with its Code of Conduct. Componenta's Code of Conduct supports the correct procedure in situations where an employee faces an ethical dilemma. Every Componenta employee is encouraged to raise questions about the company's Code of Conduct and report potential observations or suspicions concerning violations. The company's business partners and other stakeholders can also report any observed or suspected violations. Componenta's whistleblowing channel also plays an important role in the reporting of suspected incidents of corruption and bribery. The Code of Conduct training arranged in 2018 also aimed at increasing awareness of the channels provided for reporting potential violations. No reports were made through the whistleblowing channel in 2018.

Componenta is revising the contractual provisions used in procurement in 2019. The company aims to include obligations related to human rights and anti-corruption and bribery in the new contractual provisions. The aim is to require the company's new business partners to make a written commitment to complying with national and international anti-bribery regulations.

Shares and shareholders

The shares of Componenta Corporation are quoted on Nasdaq Helsinki. The average share price during the reporting period was EUR 0.18, the lowest price was EUR 0.14, and the highest EUR 0.26. The quoted price at the end of the year stood at EUR 0.15 (EUR 0.14). The share capital had a market capitalisation of EUR 26.6 million (EUR 25.5 million) and the volume of shares traded during the period was equivalent to 61.6% (205.5%) of the share stock.

Componenta Corporation's share capital stood at EUR 1.0 million (EUR 1.0 million) at the end of the reporting period. At the end of the reporting period the Company had a total of 177,269,224 (177,269,224) shares. The Company had 7,633 (7,685) shareholders at the end of the reporting period.

Largest registered shareholders on 31 December 2018

Shareholder	Shares	%
1 Etra Capital Oy	20,000,000	11.28
2 Keskinäinen työeläkevakuutusyhtiö Varma	10,406,279	5.87
3 Keskinäinen työeläkevakuutusyhtiö Elo	8,901,288	5.02
4 Suomen kulttuurirahasto	3,129,223	1.77
5 Lapin yliopisto	2,873,000	1.62
6 Riikantorppa Oy	2,800,000	1.58
7 Nordea Bank Ab (Publ), Suomen Sivuliike *)	2,730,372	1.54
8 Suutari Harri Yrjö Kalevi	2,499,000	1.41
9 Sjöblom Katri	1,968,234	1.11
10 Saini Ranjit	1,703,447	0.96
Nominee-registered shares	4,481,759	2.53
Other shareholders	115,776,622	65.31
Total	177,269,224	100.00

*) Nominee-registered shares

Breakdown of share ownership on 31 December 2018

Number of shares	Share-holders	%	Shares	%
1 - 100	670	8.78	38,518	0.02
101 - 500	1,182	15.49	367,818	0.21
501 - 1000	934	12.24	797,303	0.45
1 001 - 5 000	2,227	29.18	6,303,193	3.56
5 001 - 10 000	985	12.90	8,042,868	4.54
10 001 - 50 000	1,206	15.80	28,899,859	16.30
50 001 - 100 000	217	2.84	16,348,500	9.22
100 001 - 500 000	175	2.29	37,026,134	20.89
500 001 - 999 999 999 999	37	0.49	79,445,031	44.82
Total = total issued	7,633	100.00	177,269,224	100.00

Shareholders by sector on 31 December 2018

	%
Finnish Companies	20.19
Financial institutions and insurance companies	3.21
General government bodies	12.70
Households	60.77
Non-profit institutions	2.90
Nominee-registered shares and other foreign shareholders	0.21
	100.00

Shareholders' equity and capital loans

The Group's equity was positive at the end of the reporting period. The return on equity was 5.6%. Calculating comparison figures is not appropriate because equity was negative at the beginning of 2017.

A loss of equity was reported to the Trade Register on 12 September 2016. The parent company's equity was restored in the 2017 financial statements; hence, the entry was removed from the Trade Register on 8 June 2018.

Componenta Främmestad AB has a loan of EUR 27.0 million, that is classified as an equity instrument, from the Group's divested Turkish subsidiary. The amount is included in shareholder' equity. The loan must be repaid before possible distribution of dividend in the subsidiary in question.

Flagging notifications

Componenta did not receive any flagging notifications in accordance with the Finnish Securities Markets Act in 2018.

Resolutions of the Annual General Meeting

The Annual General Meeting of Componenta Corporation, held on 24 May 2018, adopted the financial statements and the consolidated financial statements for the financial period from 1 January to 31 December 2017 and discharged the members of the Board of Directors and the CEO from liability concerning the financial period. In accordance with the proposal of the Board of Directors, the General Meeting resolved that no dividend will be paid for the financial period ended 31 December 2017.

The number of the members of the Board of Directors was resolved to be four. The General Meeting resolved to re-elect Petteri Walldén, Olli Isotalo and Anne Leskelä, both currently members of the Board of Directors, and to elect Asko Nevala as a new member of the Board of Directors.

The General Meeting resolved that the annual remuneration payable to the Chairman of the Board shall be EUR 50,000 and the remuneration payable to other members of the Board of Directors shall be EUR 25,000. In addition, the members of any committees of the Board of Directors will be paid an annual remuneration of EUR 5,000. Travel expenses of the members of the Board of Directors shall be compensated in accordance with the Company's travel policy.

The General Meeting elected audit firm PricewaterhouseCoopers Ltd as the Company's auditor.

The General meeting authorized the Board of Directors to decide on the issue of shares, stock options and other special rights entitling to shares, as referred to in chapter 10 section 1 of the Limited Liability Companies Act, in one or more lots, as follows:

The number of shares to be issued or transferred pursuant to the authorization may not exceed 9,320,000 shares (including shares issued based on the special rights), which corresponds to approximately 4.99 per cent of all shares in the Company.

The Board of Directors decides on all the conditions of the issue of shares, stock options and other special rights entitling to shares. Pursuant to the authorization, both new shares may be issued, and treasury shares held by the Company may be transferred. New shares may be issued, and treasury shares held by the Company may be transferred either against payment or without payment. The issue of shares, stock options and other special rights entitling to shares will be carried out in deviation from the shareholders' pre-emptive rights (directed issue). There is a weighty financial reason for the deviation from the shareholders' pre- emptive rights because the authorization will be used for the implementation of the Company's incentive plans, such as the implementation of stock options and restricted share plan planned by the Board of Directors. The authorization also includes the right to decide on the issue of new shares without payment to the Company itself.

The authorization is effective until 24 May 2022.

The General Meeting resolved to amend Section 7 in the Articles of Association to reflect the entering into force of the Finnish Auditing Act (1141/2015). After the amendment, Section 7 of the Articles of Association reads as follows:" The Company shall have one auditor which shall be an auditing firm registered with the Auditor Register maintained by the Finnish Patent and Registration Office, the responsible auditor of which is an Authorised Public Accountant. The term of office of the auditor ends upon the closing of the Annual General Meeting following the auditor's election."

Share-based incentive scheme

The Board of Directors of Componenta Corporation has decided to implement two new share-based incentive schemes for the Group's key personnel, a Stock Option Plan and a Restricted Share Plan The purpose of the stock options is to encourage the key employees to work on a long-term basis to increase the shareholder value. The purpose is also to retain the key employees at the company.

The maximum total number of stock options issued is 7,320,500, and they entitle their owners to subscribe for a maximum total of 7,320,500 new shares in the company or existing shares held by the company. The stock options are issued gratuitously. Of the stock options, 2,430,000 are marked with the symbol 2018A, 2,445,250 are marked with the symbol 2018B and 2,445,250 are marked with the symbol 2018C. The share subscription period, for stock options 2018A, will be 1 December 2021—30 November 2023, for stock options 2018B, 1 December 2022—30 November 2024, and for stock options 2018C, 1 December 2023—30 November 2025. The share subscription price, for stock option 2018A, is 0.17 euros per share, which is the trade volume weighted average quotation of the share on Nasdaq Helsinki Ltd. during 12 October—8 November 2018.

The reward from the Restricted Share Plan 2018 will be based on the key employee's valid employment or service and the continuation of work during the vesting period. The Restricted Share Plan is intended for key employees. The rewards to be paid based on the Restricted Share Plan 2018 correspond to the value of a maximum total of 1,999,500 Componenta Corporation shares including also the proportion to be paid in cash. The total dilution of the stock option plan and the restricted share plan is 4.99%, in the maximum, if all shares to be subscribed for and to be paid as reward (including the cash proportion of the restricted share reward) based on the plans are new shares.

Board of Directors and management

At its organizational meeting held after the Annual General Meeting on 24 May 2018, the Board of Directors elected Petteri Walldén as the Chairman of the Board and Olli Isotalo as the Vice Chairman of the Board.

The Board resolved not to establish a separate audit committee and that the entire Board shall attend to the tasks that belong to the audit committee under the Finnish Corporate Governance Code.

Componenta Group Corporate Executive Team was complemented by appointing Mervi Immonen as Group General Counsel and a member of the Group Executive Team on 17 May 2018. As of 17 May 2018, the Group Corporate Executive Team consists of CEO Harri Suutari, Group General Counsel Mervi Immonen, CFO Marko Karppinen and COO Pasi Mäkinen.

Risks and business-related uncertainties

The most significant risks to Componenta's business operations include the risks linked to the operating environment (competitive situation, price risks, commodity risks and environmental risks), business risks (customer, supplier, productivity, production and process risks, labour market disruptions, contractual and product liability risks, personnel and data security risks) as well as financing risks (the risks related to the availability of financing and liquidity as well as currency, interest rate and credit risks). Exchange rate fluctuations are hedged using foreign currency loans and deposits, as well as other natural hedging relationships. Due to the restructuring procedures, the company does not currently achieve the necessary limits for hedging derivative contracts.

Essential for the Group's business operations is the availability of certain commodities, such as recycled steel, pig iron and energy, at competitive prices. The cost risk related to raw materials is primarily managed using price agreements, on the basis of which the product prices are adjusted in line with the changes in the commodity prices. Rising raw material prices may result in more capital employed to working capital than estimated.

Componenta's potential risks related to liquidity and access to working capital may weaken the volume of future trading and reduce the number of orders that will be placed on new products by customers in the future. Volumes may also shrink because of lost customers for commercial reasons.

When assessing the ability to continue as a going concern, the most significant risks and uncertainties related to the restructuring procedures are as follows:

- Componenta Corporation and Componenta Finland Ltd will be able to make the payments in accordance with the restructuring programme that will begin in May 2019. A material risk to the success of the restructuring programmes is the availability of working capital, because the main customers will support Componenta with shorter than normal sales terms and because the group companies do not have access to external financing at the moment.
- The objective of the change of Componenta Främmestad AB's operational model is the structural reduction of committed working capital and need for working capital. Changing the operational model includes the risk that the estimated sales volumes and margins will not be realised if the customers in question switch over to competitors.
- When analysing cash flow and liquidity forecasts for the companies over the next 12 months, the management has estimated the companies' future sales volumes, net sales, EBITDA margins, capital expenditure and working capital needs.

Key events after the financial year

On 14 March 2019, Componenta announced that Componenta Corporation's company in Sweden that provides machining and painting services, Componenta Främmestad AB, will decrease its business operations and has commenced measures to reduce its personnel. A workforce reduction announcement was submitted to the labour authorities of Sweden on 28 February 2019 in preparation for the redundancy of more than a hundred persons. The number of employees made redundant cannot yet be confirmed at this stage. Componenta Främmestad AB employs approximately 200 persons plus approximately 35 agency contract workers. The profitability of Componenta Främmestad AB's business operations has been chronically poor, and the company has been unable to materially improve it. Losing the foundry in Turkey to outside the Group materially reduced the strategic importance of the Swedish business operations for Componenta Group. Componenta Främmestad AB primarily supplies, machines and paints the products of the Turkish foundry company that used to belong to Componenta Group and was sold in 2017. Part of the foundering will be sent to Främmestad from the Pori foundry in Finland. These deliveries represent approximately 40% of the volumes of the unit in Pori. As a result of this, adjustment measures are also planned at the Pori foundry. The Pori foundry employs approximately 205 persons. Componenta has tried to improve the profitability of its business operations in Sweden by renewing customer contracts. However, the negotiations have not led to the desired result, and because of this, Componenta has been forced to terminate some important customer relationships of Componenta Främmestad AB as unprofitable. In addition, Componenta exceptionally announced in the same announcement its profit guidance for 2019 already at this stage.

Componenta's guidance for 2019

The expiry of the terminated customer relationship contracts will decrease the net sales of the Group in 2019. The value add decreases less in proportion to the net sales, since the Componenta products for the remaining customer relationships, which are classified as core business, are mainly made of the Group's own castings.

Componenta expects continued operations to have net sales of EUR 70–90 million in 2019. It is expected that the EBITDA without items affecting comparability will remain positive. The net sales of continued operations in 2018 was EUR 120.7 million and the adjusted EBITDA was EUR 4.9 million.

Potential fluctuations in exchange rates, higher raw material prices and the general competitive climate may affect the business outlook. Changes to new accounting principles are not estimated to have a significant impact on future financial statements.

Dividend proposal

On 31 December 2018 the distributable equity of the parent company was EUR 15.2 million (EUR 14.2 million). Pursuant to Chapter 9, Section 58 of the Restructuring of Enterprises Act, Componenta cannot distribute dividend between the approval and the conclusion of the restructuring programme. Pursuant to Chapter 14, Section 2 of the Limited Liability Companies Act, the company cannot distribute the company's unrestricted equity to shareholders during the next three years as the company has reduced the share capital for loss coverage on 11 May 2017.

Annual General Meeting

The Annual General Meeting of Componenta Corporation will be held at 1:00 p.m. on 16 May 2019 in Helsinki, Finland. The invitation to the AGM will be published as a separate stock exchange release.

Corporate Governance Statement

Componenta Corporation will publish its Corporate Governance Statement for 2018 as a separate report. Once published, the statement can be read on the company's website at www.componenta.com.

Key figures

Key figures, December 31

	2018	2017	2016	2015	2014
Statement of financial position total, MEUR	**48.9**	52.8	84.0	402.2	468.9
Net interest bearing debt, MEUR	**-3.4**	-3.0	90.0	237.0	216.0
Capital employed, MEUR	**21.2**	20.8	-35.0	261.7	339.3
Return on investment, %**	**6.0**	n/a	-100.0	-7.7	0.8
Return on equity, %**	**5.6**	n/a	n/a	-127.4	-29.1
Equity ratio, %	**39.3**	34.8	-165.3	4.6	23.7
Net gearing, %	**-17.5**	-16.2	n/a	1,273.0	194.4
Capital expenditure, MEUR	**1.8**	2.8	19.9	31.5	22.6
Number of personnel at period end*	**668**	691	664	3,979	3,981
Average number of personnel*	**703**	680	763	3,982	4,111

*) Personnel figures in 2016–2018 include only current continued operations. The figures for 2014–2015 include whole group.

**) The company changed in 2018 the calculation of key figures return on investment and return on equity. The comparison key figures are presented according to the new calculations.

Per share data

	2018	2017
Earnings per share (EPS), EUR	**0.01**	0.70
Earnings per share, with dilution (EPS), EUR	**0.01**	0.70
Cash flow per share, EUR	**0.02**	0.02
Equity per share, EUR	**0.11**	0.10
Dividend per share, EUR*	**0.00**	0.00
Payout ratio, %*	**0.00**	0.00
Effective dividend yield, %*	**0.00**	0.00
P/E multiple	**25.47**	0.21
Share price at year end, EUR	**0.15**	0.14
Average trading price, EUR	**0.18**	0.20
Lowest trading price, EUR	**0.14**	0.11
Highest trading price, EUR	**0.26**	0.38
Market capitalization at year end, MEUR	**26.6**	25.5
Trading volume, 1,000 shares	**109,147**	364,326
Trading volume, %	**61.6**	205.9
Weighted average of the number of shares, 1,000 shares	**177,269**	176,985
Number of shares at year end, 1,000 shares	**177,269**	177,269

*) The company cannot distribute a dividend due to ongoing restructuring process.

Calculation of key financial figures

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

Group development

Group development is not part of the official financial statements.

Group development, Jan 1–Dec 31

	2018*	2017*	2016*	2015**	2014
Net sales, MEUR	**120.7**	122.4	138.9	210.1	495.2
Operating profit, MEUR	**1.2**	26.3	-32.3	-18.5	2.2
Operating result margin, %	**1.0**	21.5	-23.3	-8.8	0.4
Financial income and expenses, MEUR	**0.0**	102.1	33.1	-16.6	-30.9
Profit/loss after financial items, MEUR	**1.2**	128.3	0.8	-35.1	-28.7
Profit for the financial period, MEUR	**1.0**	128.8	-6.1	-62.2	-28.6
Profit for the financial period, Discontinued operations, MEUR	**-**	-4.8	-209.5	-20.4	-
Order book at period end	**21.7**	23.6	20.4	31.4	88.9***
Change in net sales, %	**-1.4**	-11.8	-33.9	-57.6	-3.0
Share of export and foreign activities in net sales, %	**77.8**	79.2	80.0	91.3	91.7

*) The figures for 2016 - 2018 include only current continued operations.
**) The figures for 2015 are 2016 continued operations figures and were published in 2016 financial statement and include Wirsbo sub-group. The figures for 2014 include whole group.
***) Order book on 8 January 2015.

Group development excluding items affecting comparability, Jan 1–Dec 31

MEUR	2018*	2017*	2016*	2015**	2014
Net sales	**120.7**	122.4	138.9	210.1	495.2
Operating profit	**2.9**	2.9	-2.6	0.4	15.1
Financial income and expenses	**0.0**	-0.4	-9.8	-16.6	-27.3
Profit/loss after financial items	**2.9**	2.5	-12.3	-16.2	-12.2

*) The figures for 2016 - 2018 include only current continued operations.
**) The figures for 2015 are 2016 continued operations figures and were published in 2016 financial statement and include Wirsbo sub-group. The figures for 2014 include whole group.

Consolidated financial statements

Consolidated income statement

MEUR	Note	Jan 1–Dec 31, 2018	%	Jan 1–Dec 31, 2017	%
Continued Operations:					
NET SALES	1	120.7	100.0	122.4	100.0
Other operating income	4	2.4		31.5	
Operating expenses	5,6,7	-119.4		-124.1	
Depreciation, amortization and write-down of non-current assets	8	-2.5		-3.5	
Share of the associated companies' result		0.0		0.0	
OPERATING RESULT		1.2	1.0	26.3	21.5
Financial income	9	0.2		110.3	
Financial expense	9	-0.2		-8.2	
Financial income and expenses in total		0.0		102.1	
RESULT AFTER FINANCIAL ITEMS		1.2	1.0	128.3	104.8
Income taxes	10	-0.2		0.5	
RESULT FOR THE FINANCIAL PERIOD, Continued Operations		1.0		128.8	
Discontinued Operations:					
Result for the financial period, Discontinued Operations		0.0		-4.8	
RESULT FOR THE FINANCIAL PERIOD		1.0		124.1	
Allocation of net profit for the period					
To equity holders of the parent		1.0		124.1	
To non-controlling interest		0.0		0.0	
		1.0		124.1	
Earnings per share calculated on the profit attributable to the shareholders of the parent company					
Earnings per share, Group, EUR	11	0.01		0.70	
Earnings per share, Continued operations, EUR	11	0.01		0.73	
Earnings per share, Discontinued operations, EUR	11	–		-0.03	
Earnings per share with dilution, Group, EUR	11	0.01		0.70	

Consolidated statement of comprehensive income

MEUR	Jan 1–Dec 31, 2018	Jan 1–Dec 31, 2017
Net result	1.0	124.1
Continued Operations:		
Other comprehensive income	–	–
Items that will not be reclassified subsequently to profit or loss		
Revaluation of land and property	0.0	0.0
Items that may be reclassified subsequently to profit or loss		
Translation differences	–0.1	–0.9
Cash flow hedges	0.0	0.1
Other items	0.0	–0.2
Total items that may be reclassified to profit or loss subsequently	–0.1	–1.0
Income tax on other comprehensive income	0.0	0.0
Other comprehensive income, net of tax, Continued operations	–0.1	–1.0
Discontinued Operations:		
Revaluation of land and property, net of tax	–	0.0
Translation differences	–	–0.6
Actuarial gains and losses, net of tax	–	0.0
Other items	–	0.0
Other comprehensive income, net of tax, Discontinued operations	–	–0.6
TOTAL COMPREHENSIVE INCOME	0.9	122.5
Allocation of total comprehensive income		
To equity holders of the parent	0.9	122.5
To non-controlling interest	0.0	0.0
	0.9	122.5

The notes are an integral part of these financial statements.

Consolidated statement of financial position

MEUR	Note	Dec 31, 2018	Dec 31, 2017
ASSETS			
Non-current assets			
Intangible assets	12	0.4	0.2
Tangible assets	13	20.4	21.0
Investment properties	18	0.0	0.5
Receivables	25	0.3	0.4
Deferred tax assets	17	–	–
		21.1	22.1
Current assets			
Inventories	14	14.3	14.3
Receivables	15,16	8.2	9.3
Tax receivables	16	0.0	0.0
Cash and cash equivalents	25	5.3	5.5
		27.8	29.1
Assets classified as held for sale	18,19	0.0	1.5
		0.0	1.5
TOTAL ASSETS		48.9	52.8

MEUR	Note	Dec 31, 2018	Dec 31, 2017
LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY			
Share capital		1.0	1.0
Share premium reserve		0.0	0.0
Unrestricted equity reserve		0.4	0.4
Other reserves		29.5	29.5
Cash flow hedges		0.0	0.0
Translation differences		-1.0	-0.9
Retained earnings		-11.7	-135.8
Profit/loss for the financial period		1.0	124.1
Equity attributable to equity holders of the parent company	20	19.2	18.3
Non-controlling interest		0.0	0.0
Shareholders' equity		19.2	18.3
LIABILITIES			
Non-current liabilities			
Capital loans	25	–	0.0
Interest bearing	25	1.5	1.4
Other non-interest bearing	26	13.7	15.3
Provisions	24	0.0	0.0
Deferred taxes	17	1.4	1.3
Current liabilities			
Other interest bearing	25	0.5	1.1
Other non-interest bearing	26,27	12.6	15.3
Tax liability		0.0	0.0
Provisions	24	0.0	0.1
		29.7	34.4
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		48.9	52.8

The notes are an integral part of these financial statements.

Cash flow statement

MEUR	Jan 1–Dec 31, 2018	Jan 1–Dec 31, 2017
Cash flow from operations		
Continued Operations		
Result after financial items	1.2	128.3
Depreciation, amortization and write-down	2.5	3.5
Net financial income and expenses	0.0	-102.1
Other income and expenses, adjustments to cash flow	0.6	-29.5
Change in net working capital		
Inventories	0.0	-1.0
Current non-interest bearing receivables	1.1	6.2
Current non-interest bearing liabilities	-1.9	-2.5
Other working capital items	0.0	0.0
Interest received	0.0	0.0
Interest paid	0.0	-0.1
Other financial income and expenses	0.0	0.0
Dividends received	0.0	0.0
Taxes paid	0.0	0.0
Cash flow from Continued operations	3.5	2.8
Cash flow from Discontinued operations	0.0	1.3
Net cash flow from operations	3.5	4.1
Cash flow from investing activities		
Continued Operations		
Capital expenditure on tangible and intangible assets	-1.8	-1.8
Business divestments and proceeds from tangible and intangible assets	1.7	0.0
Other investments and loans granted	0.0	0.0
Proceeds from other investments and repayments of loan receivables	0.0	0.3
Net cash flow from investing activities, Continued operations	-0.2	-1.4
Net cash flow from investing activities, Discontinued operations	0.0	-1.2
Net cash flow from investing activities	-0.2	-2.6

MEUR	Jan 1–Dec 31, 2018	Jan 1–Dec 31, 2017
Cash flow from financing activities		
Continued Operations		
Dividends paid	–	–
Expences of convertible bond	0.0	0.0
Repayment of finance lease liabilities	-0.4	0.1
Draw-down (+)/ repayment (-) of current loans*	-3.1	0.0
Draw-down of non-current loans	0.0	0.0
Repayment of non-current loans and other changes	0.0	-0.1
Net cash flow from financing activities, Continued operations	-3.5	0.0
Net cash flow from financing activities, Discontinued operations**	0.0	-0.5
Net cash flow from financing activities	-3.5	-0.4
Change in liquid assets	-0.2	1.1
Cash and bank accounts at the beginning of the period	5.5	4.4
Effects of exchange rate changes on cash	0.0	0.0
Cash and bank accounts at period end	5.3	5.5

The notes are an integral part of these financial statements.

*) Includes repayment of EUR 2,9 million on restructuring debt, of which EUR 0,6 million was interest-bearing debt.
**) Includes the derecognition of cash funds of the discontinued operations from the Group's statement of financial position in the comparison period.

Statement of changes in consolidated shareholders' equity

MEUR	Share capital	Share premium account	Unrestricted equity reserve	Revaluation of buildings and land areas	Other reserves	Cash flow hedges	Trans-lation diffe-rences	Retained earnings	Total	Non-controlling interest	Share-holders' equity total
Shareholders' equity on Jan 1, 2018	**1.0**	**0.0**	**0.4**	**0.0**	**29.5**	**0.0**	**-0.9**	**-11.7**	**18.3**	**0.0**	**18.3**
Net result								1.0	1.0		1.0
Comprehensive income items:											
Translation differences							-0.1	0.0	-0.2		-0.2
Cash flow hedges						0.0			0.0		0.0
Revaluation of buildings and land areas									0.0		0.0
Other comprehensive income items									0.0		0.0
Total comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	1.0	0.9	0.0	0.9
Transaction with owners:											
Option and share-based compensation								0.0	0.0		0.0
Transactions with owners, total								0.0	0.0		0.0
Shareholders' equity on Dec 31, 2018	**1.0**	**0.0**	**0.4**	**0.0**	**29.5**	**0.0**	**-1.0**	**-10.7**	**19.2**	**0.0**	**19.2**

MEUR	Share capital	Share premium account	Unrestricted equity reserve	Revaluation of buildings and land areas	Other reserves	Cash flow hedges	Trans-lation diffe-rences	Retained earnings	Total	Non-controlling interest	Share-holders' equity total
Shareholders' equity on Jan 1, 2017	**21.9**	**15.0**	**191.1**	**0.0**	**5.6**	**-0.1**	**0.6**	**-363.6**	**-129.7**	**0.0**	**-129.7**
Net result								124.1	124.1		124.1
Comprehensive income items:											
Translation differences							-0.9		-0.9		-0.9
Actuarial gains and losses									0.0		0.0
Cash flow hedges						0.1			0.1		0.1
Revaluation of buildings and land areas									0.0		0.0
Other comprehensive income items					-0.2				-0.2		-0.2
Comprehensive income items, discontinued operations							-0.6		-0.6		-0.6
Total comprehensive income	0.0	0.0	0.0	0.0	-0.2	0.1	-1.5	124.1	122.5	0.0	122.5
Transaction with owners:											
Option and share-based compensation											
Transactions with owners, total									0.0		0.0
Other items:											
Issue of convertible bond									0.0		0.0
Convertible bond, conversion to shares			0.6						0.6		0.6
Re-classifications	-20.9	-15.0	-191.2		-0.8			227.9	0.0		0.0
Capital loan					27.0				27.0		27.0
Write-down of hybrid bond					-2.0				-2.0		-2.0
Total other items	-20.9	-15.0	-190.7	0.0	24.2	0.0	0.0	227.9	25.6	0.0	25.6
Shareholders' equity on Dec 31, 2017	**1.0**	**0.0**	**0.4**	**0.0**	**29.5**	**0.0**	**-0.9**	**-11.7**	**18.3**	**0.0**	**18.3**

Notes to the consolidated financial statement

Accounting principles for the consolidated financial statements

Basic information about the Group

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 farming machinery industries.

The Group's parent company is Componenta Corporation (business ID 1635451-6), whose shares are quoted on the NASDAQ Helsinki stock exchange (Nasdaq Helsinki Ltd). The parent company is domiciled in Helsinki. The registered street address is Teknobulevardi 7 H, FI-01530 Vantaa, Finland.

A copy of the consolidated financial statements can be obtained on the internet at www.componenta.com or from the head office of the Group's parent company at Teknobulevardi 7 H, 01530 Vantaa, Finland. The financial year for all Group companies is the calendar year and it ends on 31 December.

In its meeting on 11 April 2019, the Board of Directors of Componenta Corporation approved these financial statements for publication. According to the Finnish Limited Liability Companies Act, shareholders have the opportunity to approve, reject or amend the financial statements at the Annual General Meeting held after publication. The Annual General Meeting can also amend the financial statements.

Corporate restructuring

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

The District Court of Helsinki confirmed the restructuring programme for Componenta Corporation and its subsidiary Componenta Finland Ltd on 23 August 2017. On the basis of the restructuring programme, the unsecured debts of Componenta Corporation were cut by approximately 94% and the lowest-priority debts were cut in their entirety. The secured debts of Componenta Finland Ltd will be paid in their entirety, whereas unsecured debts were cut by 75%. The payment programmes for both companies will commence in May 2019 and end in November 2023.

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

Componenta Wirsbo AB and Componenta Arvika AB, both located in Sweden, were declared bankrupt on 17 July 2017. According to the terms of the restructuring programmes, the companies should have paid restructuring debts of some EUR 4.9 million in July 2017. The primary goal was to agree with creditors on postponing payment of the restructuring debts and to arrange refinancing by January 2018. In July 2017, it became clear that arranging external financing and postponing the payment of the restructuring debts until January 2018 was unlikely due to insufficient support from the creditors. Componenta Främmestad AB's restructuring application was approved, and the restructuring proceedings commenced on 1 September 2016.

In 2018, the Group focused on the implementation of restructuring programmes. In March 2018, Componenta Främmestad AB paid its restructuring debt of EUR 2.3 million in external restructuring debt and EUR 0.6 million in salary guarantees to the Swedish government that would have fallen due in July 2018. Componenta sold its property and two parcels of land in Pietarsaari on 23 February 2018 for the market price. Componenta Corporation's subsidiary Oy Högfors-Ruukki Ab sold the entire share capital of Kiinteistöosakeyhtiö Pietarsaaren Tehtaankatu 13 on 5 April 2018 for the market price. Componenta Finland Ltd sold the shares of Asunto-osakeyhtiö Iisalmen Ahjolansato on 25 June 2018 for the market price. Furthermore, Componenta Corporation sold the shares of Kiinteistöosakeyhtiö Ala-Emali and Kiinteistöosakeyhtiö Ylä-Emali owned by it on 29 August 2018. Componenta Corporation and Componenta Finland Ltd sold their shares of Karkkilan Koskikiinteistö Oy owned by it on 29 August 2018. Componenta Finland Ltd's subsidiary Karkkilan Valimokiinteistö Oy sold a parcel of land including the buildings on the land on property owned by it in Karkkila on 31 August 2018 for the market price.

The key content of Componenta Corporation's restructuring programme

In Finland, the District Court of Helsinki issued its decision regarding the commencement of the restructuring proceedings in respect of Componenta Corporation on 30 September 2016. The District Court of Helsinki confirmed the restructuring programme for Componenta Corporation on 23 August 2017. On the basis of the restructuring programme, the unsecured debts of Componenta Corporation were cut by approximately 94% as Componenta Corporation was discharged from the Turkish loan guarantee and the lowest-priority debts were cut in their entirety. The payment programme will commence in May 2019 and end in November 2023. With the confirmation of Componenta Corporation's restructuring programme, the cuts of the company's debt on the balance sheet took effect. On the basis of the debt cuts, the debts on the company's balance sheet decreased by approximately EUR 118 million, which strengthens the company's equity through profit and loss.

During the restructuring programme, the company must sell its real estate companies that are not related to the Group's core business, as well as holdings in them, to parties outside the Group. In addition, the company must sell or dissolve, through liquidation or merger, its non-operational subsidiaries within 18 months of the confirmation of the restructuring programme, to simplify the Group's administrative structure. The company may incur a supplementary payment obligation due to better-than-expected cash flow. Solely the company's unsecured creditors are entitled to supplementary payments. Furthermore, the company may incur a supplementary payment obligation if the final amount of debts that are included in guarantee liabilities, and that have been taken into account as a conditional and maximum amount in the restructuring programme, is lower than the amount recorded in the restructuring programme.

The key content of Componenta Finland Ltd's restructuring programme

In Finland, the District Court of Helsinki issued its decision regarding the commencement of the restructuring proceedings in respect of Componenta Finland Ltd on 30 September 2016. The District Court of Helsinki confirmed the restructuring programmes for Componenta Finland Ltd on 23 August 2017. The secured debts of Componenta Finland Ltd will be paid in their entirety, whereas unsecured debts were cut by 75%. The payment programme will commence in May 2019 and end in November 2023. With the confirmation of Componenta Finland Ltd's restructuring programme, the cuts of the company's debt on the balance sheet took effect. On the basis of the debt cuts, the debts on the company's balance sheet decreased by approximately EUR 28 million, which strengthens the company's equity through profit and loss.

During the restructuring programme, the company must sell its real estate companies that are not related to the Group's core business, as well as holdings in them, to parties outside the Group. In addition, the company must sell or dissolve, through liquidation or merger, its non-operational subsidiaries within 18 months of the confirmation of the restructuring programme, to simplify the Group's administrative structure. The company is also under an obligation to sell its fixed assets that are not related to the business operations. The company may incur a supplementary payment obligation due to better-than-expected cash flow. Solely the company's unsecured creditors are entitled to supplementary payments. Furthermore, the company may incur a supplementary payment obligation if the final amount of debts that are included in guarantee liabilities, and that have been taken into account as a conditional and maximum amount in the restructuring programme, is lower than the amount recorded in the restructuring programme.

Componenta Främmestad AB's restructuring ruling

Componenta Främmestad AB's restructuring application was approved, and the restructuring proceedings commenced on 1 September 2016. Componenta Främmestad AB received a restructuring ruling from the District Court of Skaraborg on 3 July 2017 and the ruling gained legal force on 24 July 2017. In accordance with the court ruling, the company was to pay restructuring debts of around EUR 2.3 million to creditors outside the Componenta Group, and a salary guarantee of EUR 0.6 million to the Swedish government, within 12 months. The company paid these liabilities in March 2018. The sufficient support by the creditors was a prerequisite for the confirmation of the restructuring programme and it was obtained as Componenta Främmestad AB and Componenta Turkey signed a separate agreement in May 2017 regarding a EUR 10 million restructuring debt receivable of Componenta Turkey. According to the agreement, the debt is cut by 75% and the remaining EUR 2.5 million shall be paid back within a period of six years, after the repayment of the other restructuring debt. The repayment is tied to EBITDA of Componenta Främmestad AB. Componenta Främmestad AB has a capital loan of EUR 27.0 million from the Group's divested Turkish subsidiary. The loan carries no interest and no repayment schedule has been specified for it. The loan should be paid off before a potential distribution of dividends by the subsidiary in question.

Ability to continue as a going concern

The financial statements for the financial year 2018 have been prepared on the going concern basis. It is assumed that Componenta can, during the foreseeable future, realise its assets and pay back its liabilities as part of normal operations within the framework of the restructuring programmes. When assessing the going concern principle, Componenta's management has taken into account the uncertainties and risks related to the various confirmed restructuring programmes, available funding sources and the cash flow estimates for the coming 12 months of the companies under restructuring proceedings. Due to limitations arising from the restructuring programmes, Componenta's assessment is that it has only a limited opportunity to influence how it can transfer cash funds and bank receivables between Group companies (such as the subsidiaries' ability to distribute funds in the form of dividends, Group contributions or intra-Group loans) and the nature of new financing the Group can acquire. In assessing the ability to continue as a going concern, the management has analysed the impact of the approved restructuring programmes on the financial position and cash flow of the Group, the companies under restructuring proceedings and the parent company.

The Group's liquidity and the company's financial performance as well as the success of the restructuring programmes and financing transactions are affected by the material uncertainty in accordance with the IFRS standards, which the Group management has taken into account when assessing the company's ability to continue as a going concern. It is possible that the restructuring is unsuccessful, and the Group companies will file for bankruptcy. The implementation of the restructuring programmes may be unsuccessful due to, for example, the companies under restructuring being unable to repay the restructuring debts confirmed in the restructuring programmes confirmed by the courts, and the creditors in such circumstances being unwilling to renegotiate debt repayment arrangements that the companies would be able to satisfy.

When assessing the ability to continue as a going concern, the most significant risks and uncertainties related to the restructuring procedures are as follows:

- Componenta Corporation and Componenta Finland Ltd will be able to make the payments in accordance with the restructuring programme that will begin in May 2019. A material risk to the success of the restructuring programmes is the availability of working capital, because the main customers will support Componenta with shorter-than-normal sales terms and because the group companies do not at the moment have access to external financing.
- The objective of the change of Componenta Främmestad AB's operational model is the structural reduction of committed working capital and need for working capital. Changing the operational model includes the risk that the projected sales volumes and margins will not be realised if the customers in question switch over to the competition.
- When analysing cash flow and liquidity forecasts for the companies over the next 12 months, the management has estimated the companies' future sales volumes, net sales, EBITDA margins, capital expenditure and working capital needs.

When preparing cash flow forecasts for the companies, the management has estimated the companies' future sales volumes, net sales, EBITDA margins, capital expenditure and working capital needs. These estimates are subject to significant uncertainty in accordance with the IFRS standards, as there is no certainty that the anticipated sales volumes, sales prices and EBITDA margins will be achieved or that capital expenditure can be implemented as expected.

Basis of preparation of the consolidated financial statements

Componenta Corporation is a Finnish public limited company domiciled in Helsinki. Componenta Group ("Componenta" or "the Group") is composed of Componenta Corporation and its subsidiaries. Componenta's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), applying the IAS and IFRS standards and SIC and IFRIC interpretations in force on 31 December 2018. IFRS standards refers to standards and interpretations as adopted by the EU in accordance with the procedure established in EU regulation (EC) 1606/2002 as required by the Finnish Accounting Act and related provisions. The notes to the consolidated financial statements also conform to Finnish accounting and corporate legislation.

Following the confirmation of the restructuring decision, a restructuring programme supervisor was assigned to Componenta. According to the restructuring programme, the supervisor is required to submit an annual report on the implementation of the restructuring programme as well as a final report at the conclusion of the restructuring programme. At the request of a creditor or the supervisor, the court may order that the restructuring programme is to lapse. Despite the limitations related to control under IFRS 10 Consolidated financial statements, the company believes that the inclusion of Componenta Finland Ltd, Componenta Främmestad AB, Componenta Wirsbo AB and Componenta Arvika AB in the consolidated financial statements of Componenta is justified and gives a true and accurate picture of the Group's result and financial position.

In the management's opinion, the preparation of a consolidated financial statements is justified because the functions of the company and its consolidated subsidiaries are closely related to each other and are interdependent. Accordingly, Componenta's financial information for the financial year ending on 31 December 2018 is given in consolidated financial statements, which cover the company and its subsidiaries under corporate restructuring as well as other companies under the parent company's control.

Subsidiaries acquired by Componenta are included in the consolidated financial statements from the moment that the Group gains control and divested subsidiaries up to the time the control ends. Intra-corporate shareholdings have been eliminated using the acquisition method. The acquisition consideration, including deferred and contingent consideration, as well as the identifiable assets acquired and liabilities assumed, is measured at the acquisition date fair values. The acquisition-related costs are accounted as expenses for the period in which they are incurred. All intra-corporate transactions, receivables, liabilities and unrealised profits, as well as the distribution of profits within the Group have been eliminated in the consolidated financial statements.

Discontinued operations

In 2018, Componenta had no discontinued operations.

Componenta Wirsbo AB and Componenta Arvika AB, both located in Sweden, were declared bankrupt on 17 July 2017. According to the terms of the restructuring programmes, the companies should have paid restructuring debts of some EUR 4.9 million in July 2017. The primary goal was to agree with creditors on postponing payment of the restructuring debts and to arrange refinancing by January 2018. In July 2017, it became clear that arranging external financing and postponing the payment of the restructuring debts until January 2018 was unlikely due to insufficient support from the creditors. At the same time, Componenta was negotiating with potential buyers for the forge operations, but the negotiations ended without result.

The consolidation of the statements of financial position of Componenta Wirsbo AB and Componenta Arvika AB was discontinued in July 2017 and their impact on the result is presented in accordance with IFRS 5 Non-current assets held for sale and discontinued operations, as discontinued operations. In the company's view, the company lost control of Componenta Wirsbo AB and Componenta Arvika AB when they filed for bankruptcy. Following the bankruptcies of Componenta Wirsbo AB and Componenta Arvika AB, the Group no longer has forge operations.

Segment information

Componenta offers its clients services throughout the whole supply chain by offering planning, casting, machining, painting and logistical services, which offer clients value added complex solutions. The main products sold by Componenta are non-machined, machined and painted iron cast components. Componenta serves specific industrial branches, which have mutual synergies and with which companies Componenta has strong and long-term relationships. Geographically Componenta operates in Europe, but collaborations exist with companies that operate globally. Sales revenue that is insignificant from the Group's perspective is received from the leasing of office space and industrial premises.

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

Due to the business and organisation model as well as the nature of operations of Componenta, the business operations of Componenta is presented as one reporting segment.

Accounting principles requiring judgment by the management

When consolidated financial statements are being prepared in accordance with International Financial Reporting Standards, the management needs to make estimates and assumptions concerning the future. The following are the estimates and assumptions that have a significant risk of material changes in the carrying amounts of assets and liabilities within the next financial year.

In preparing Componenta's financial statements, the management has exercised significant discretion in evaluating the company's ability to continue as a going concern. The uncertainties related to the Company's ability to continue as a going concern are described in more detail above in the section "Assumption of ability to continue as a going concern." The management has made significant estimates and assumptions in determining the valuation in the financial statements of assets such as investment properties, tangible and intangible assets and inventories, the realisability of deferred tax assets as well as contingent liabilities.

Real estate and land revaluation

Valuations of investment property recorded at fair value, as well as property and land areas used in the Group's own operations, are carried out by independent, qualified, external evaluators, following each evaluator's own process and the method considered most appropriate for the asset being valued, starting with a review of macroeconomic factors and available market information and ending with the use of an appropriate model and a fair value calculated with this. In the revaluation of fixed assets, the yield value method is used for real estate, the market-based model is used for land areas, and the acquisition cost based model is used for real estate in markets in which there is no active rental market. Valuations may also be based on actual concluded reference deals and their prices if such information has been available and is otherwise suitable for use as a valuation basis. As a rule, in the yield value method, the rental rates are based on the market rents on the date of valuation. The reliability of the valuation is classified as levels 2 and 3, level 3 consisting mainly of industrial properties, for which there is no active market and no price can be derived from observable market data. Determining the fair value of assets requires significant assumptions and, consequently, the valuation of buildings and land involves uncertainty. The valuation is based on the best possible use of the asset and, therefore, the values determined do not correspond to the fair realisable value. According to the restructuring decision, Componenta Corporation and Componenta Finland Ltd have the obligation during the restructuring programmes to sell investment properties that are not part of their business operations. These assets have been valued at the probable realizable value in the consolidated financial statements.

Impairment of fixed assets

According to the Group's accounting policies, the carrying amounts of tangible and intangible assets are re-examined for potential impairment whenever circumstances indicate a potential impairment. Componenta has tested the tangible and intangible assets for impairment by comparing the carrying amount of an asset and its recoverable amount. Measuring the recoverable amount of the tangible and intangible assets, the management is required to make estimates and assumptions about the tangible and intangible asset groups' future sales cash flows, production costs, discount rates and future capital expenditure required to maintain the assets in their current condition. When making these estimates and assumptions, the management considers the impact of the corporate restructuring proceedings on the cash flows and forecasts. These estimates and assumptions involve risks and uncertainty, and therefore it is possible that as conditions change, these forecasts change, which may affect the assets' recoverable amount.

Inventory measurement

The net realisable value of inventory is assessed on each reporting date. Net realisable value refers to the estimated selling price in the ordinary course of business less variable selling expenses. Determination of the net realisable value includes the management's estimates on the selling price of inventories.

Ability to utilise deferred tax assets

Discretion is required when evaluating the recognition of deferred tax assets and certain deferred tax liabilities on the balance sheet. Deferred tax assets are recognised only if it is considered likely that they are recoverable, which will depend on the existence of sufficient future taxable income. Assumptions of future taxable income are based on the management's estimates of future cash flows. These estimates of future cash flows are, in turn, dependent on the management's estimates, inter alia, of the future volume of sales, operating expenses and financing costs. The company's ability to accumulate taxable income also depends on general economic, financial, competitive and regulatory factors that are not under its own control. Estimates and assumptions involve risks and uncertainties, and thus it is possible that expectations change as circumstances change. This may affect the amount of deferred tax assets and liabilities on the balance sheet and the amount of temporary differences.

Alternative performance measures in financial reporting

Componenta complies with the instructions of the European Securities and Market Authority (ESMA) regarding alternative performance measures. In addition to the IFRS key figures, the company publishes specific commonly used other key figures that can, in the main, be derived from the income statement and balance sheet. In addition to IFRS key figures, the company discloses alternative performance measures to describe the underlying operational business performance and to enhance comparability between financial periods.

Alternative performance measures released by the company contain key figures measuring operational performance and profitability. These key figures exclude items that are not related to normal business operations and therefore affect comparability. The most common items affecting comparability are capital gains and losses, inefficiencies in production related to plant closures, extraordinary write-downs, or reversals of write-downs, expenses due to accidents and natural disasters, provisions for planned restructuring, environmental matters and penalties. All items resulting from deconsolidation and presented under discontinued operations are classified as affecting comparability. In connection with the restructuring proceedings, the company's debt has been cut and, on the basis of the cuts in debts, composition income has been created. This income is classified as items affecting comparability. The Group's management exercises discretion in making decisions regarding the classification of items affecting comparability.

Componenta publishes the following performance measures adjusted by items affecting comparability: "Adjusted turnover", "Adjusted EBITDA" and "Adjusted operating profit". In addition, Componenta presents EBITDA as an alternative performance measure. The performance measures adjusted by items affecting comparability are unaudited, as are the items affecting comparability.

Exchange rate differences of operative balance sheet items

The foreign currency receivables and liabilities of the parent company and subsidiaries domiciled in the euro area are translated into euros at the exchange rate on the balance sheet date. The 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 accounts payables and accounts 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 recognised under financial income and expenses.

Operative exchange rate differences arise, for example, from foreign currency accounts payables and accounts receivables and also from other operative foreign currency denominated receivables and payables. The impact on the result of derivatives that are hedging operative foreign currency position has also been included by definition in the operative exchange rate differences.

The new applied standards

The consolidated financial statements have been prepared using the same accounting principles as in 2017, with the exception of the following amended standards that the Group has applied as of 1 January 2018:

- IFRS 9, Financial Instruments

  The IFRS 9 standard, Financial Instruments, will replace the IAS 39 standard, Financial Instruments: entering and valuation. The new standard specifies the classification and valuation of financial assets and liabilities, the specification of their depreciation as well as the principles of hedge accounting application. Additionally, IFRS 9 introduces expanded disclosure requirements and changes in presentation. Componenta adopted the standard on 1 January 2018 according to the simplified retrospective approach, in which case the overall impact of adopting IFRS 9 will be shown as an equity adjustment in the opening balance. The accounting of financial liabilities has not changed after adopting the new standard.

  The Group does not currently hold any other investments or derivatives, that is, financial assets and liabilities valued at the fair value subject to the IFRS 9 standard. Hence, for financial assets, the standard is only applied to accounts receivables and other receivables. The effect of the IFRS 9 standard at Componenta is evident in the value adjustment of the estimated uncertain receivables formed by the application of the expected credit loss model. Componenta uses a simplified approach when specifying the credit loss risk of accounts receivables. The expected credit losses are assessed and entered in accordance with the accounts receivable age analysis on the basis of the classification. The history information and knowledge of the customers' payment behaviour are also taken into account. Previously realised credit losses have remained at a low level as a result of Componenta's financially sound global customers. The application of the new expected credit loss model has not had a material effect on the Componenta Group. As a result of this, the comparative figures from 2017 have not been corrected. On 31 December 2018, Componenta entered in accordance with the new expected credit loss model EUR 0.1 million in the credit losses of the result and the accounts receivables of the balance sheet. The implementation of IFRS 9 did not have a material impact on the transactions and balances recognized in consolidated financial statements.

- IFRS 15, Revenue from Contracts with Customers

  The IFRS 15 standard, Revenue from Contracts with Customers, replaced IAS 11, Construction Contracts, and IAS 18, Revenue, and the related interpretations. Componenta retrospectively applied the standard in full on 1 January 2018. The IFRS 15 standard includes a five-step model for recognising sales revenue from contracts with customers.

  Sales revenue is only entered according to the agreed amount, or transaction price, taking into account potential discounts. The customers will agree to the transaction prices by signing the contract. The Group does not have any long-

Financial assets classified applying IFRS 9:

	Classification according to IAS 39	Classification according to IFRS 9
Accounts receivables and other receivables	Loans and other receivables	At amortised cost
Other investments	Financial assets held for sale	At the fair value through profit and loss (or through other comprehensive income)
Hedge derivatives, hedge accounting is applied	Derivatives used for hedging (at fair value through other comprehensive income)	At fair value through other comprehensive income)
Hedge derivatives, hedge accounting is not applied	At fair value through profit and loss	At fair value through profit and loss

term contracts in which the period of time from the moment the company hands over the promised goods to the customer to when the customer pays for the goods is longer than one year. As a result, no material transaction price changes occur in the Group for performance obligations.

The Group's responsibility for offering compensation for faulty products within normal warranty periods will be entered as a qualification in accordance with IAS 37 Provisions, contingent liabilities and contingent assets.

The effects of the IFRS 15 standard that was adopted on 1 January 2018 have been assessed. Consequently, it was stated that the standard had no material effect on the Group's revenue recognition. In accordance with IAS 18 Revenue, the sales revenue was recorded when the significant risks pertaining to the ownership of the goods were transferred to the customer, whereas in accordance with the new IFRS 15 standard, the sales revenue will not be entered until control is transferred to the customer. The risks linked to the ownership of goods and the time of transferring control are identical at Componenta. Hence, the new standard did not have an effect on the income statement, balance sheet or cash flow of the financial year or the previous financial year. Hence, the financial information from 2017 has not been corrected.

Componenta manufactures and sells iron casts and machined iron casts. Componenta records the sales revenue when it has fulfilled its performance obligation by handing over the agreed goods to the customers. Componenta meets the performance obligation at one moment. Control is transferred to the customer when the goods have been delivered to the location of the customer's choosing in accordance with the terms of delivery. After the transfer of control, the customer may decide the use of the goods and receive a material part of the existing use of the goods. In practice, the customers use Componenta's products to produce their own products, adding value to their own products.

The majority of Componenta's customers are major, financially stable, global companies. The amount of expected credit losses from these customers is low. The credit loss allocation is based on historical and customer-specific reports. The implementation of IFRS 15 did not have a material impact on the transactions and balances recognized in consolidated financial statements.

Upcoming new and amended standards and interpretations not yet effective in 2018

The following new standards published by IASB (International Accounting Standards Board) are believed to be significant for Componenta's business operations and financial position once they are applied.

- IFRS 16, Leases

Componenta will adopt the new IFRS 16 Leases standard as of 1 January 2019 (effective for financial periods beginning on or after 1 January 2019). The standard includes principles for the recognition, measurement, presentation and disclosure of leases. As a result of the application of the new standard, nearly all leases will be recognised on the balance sheet because operating leases and finance leases will no longer be separated from each other. According to the new standard, the asset (the right to use the leased asset) and the lease liability are recognised. The only exceptions are short-term leases and leases where the underlying asset has a low value. There will be no significant changes in the lessor accounting procedure.

In adoption of the standard Componenta will apply the modified retrospective method and consequently the comparative financials will not be restated. Based on the preliminary simulation, the adoption of IFRS 16 will have impacts on certain key ratios. The expectation is that net debts will increase, and EBITDA will improve. Additionally, impacts are expected in cash flow. Cash flow from financing activities is expected to decrease and cash flow from operations is expected to improve. The amount of Componenta's other leasing commitments outside the balance sheet at the end of the financial year was EUR 0.6 million.

Other published IFRS standards or IFRIC interpretations that are not yet effective are not expected to have material impact on the Group.

Notes to the consolidated interim financial statements

Figures are in millions of euros unless otherwise stated.

1 Net sales

Componenta offers its clients services throughout the whole supply chain including planning, casting, machining, painting and logistical services. The main products sold by Componenta are non-machined, machined and painted iron cast components. Componenta serves clients, with which Componenta has strong and long-term relationships. Geographically Componenta operates in Europe, but collaborations exist with companies that operate globally. Sales revenue that is insignificant from the Group's perspective is received from the leasing of office space and industrial premises.

Net sales by market area, continued operations

MEUR	Jan 1 – Dec 31, 2018	Jan 1 – Dec 31, 2017
Sweden	46.3	44.1
Finland	26.8	25.5
Benelux countries	19.0	24.6
Germany	7.0	7.3
Other European countries	15.9	16.6
Other countries	5.7	4.4
Continued operations	120.7	122.4
Discontinued operations	–	27.2
Internal items/eliminations	–	-0.2
Total	120.7	149.5

Country-specific net sales reflect the destination where goods have been delivered.

Net sales by business area, continued operations

%	2018	2017
Heavy truck	63	65
Other	37	35
Total	100	100

Net sales by customer

Componenta has two significant custemers, which share of the net sales are over 10%. The first customers share of the Group net sales is 41.6% (42.2%) and the second customers is 15.6% (16.9%).

Accounting principles

Revenue recognition
The revenue streams consist of the sale of goods and services. The main sales products are non-machined, machined and painted iron cast components. Sales revenue that is insignificant, is received from the leasing of office space and industrial premises.

The sale of sold products to customers will be recognized when disposed, that is the moment when the customer assumes control of the goods. The control of goods is transferred to the customer when the goods have been delivered to the location of the customer's choosing in accordance with the terms of delivery. After the transfer of control, the customer may decide the use of the goods and receive a material part of the existing use of the goods. In practice, the customers use Componenta's products to produce their own products, adding value to their own products.

Sales revenue is only entered according to the agreed amount, or transaction price, taking into account potential discounts. The customers will agree to the transaction prices by signing the contract. The Group does not have any long-term contracts in which the period of time from the moment the company hands over the promised goods to the customer to when the customer pays for the goods is longer than one year. As a result, no material transaction price changes occur in the Group for performance obligations. The Group companies offer compensation for faulty products within normal warranty periods.

Componenta presents sales revenues from contracts with customers less indirect taxes in the revenue. Componenta recognises revenue, when (or as) it satisfies a performance obligation, by delivering agreed upon products to its customers. Componenta satisfies its performance obligation at a point in time.

The majority of Componenta's customers are major, financially stable, global companies. The amount of expected credit losses from these customers is low. The credit loss allocation is based on historical and customer-specific reports.

Componenta recognizes rental income monthly. Revenue is recognized as the performance obligation is satisfied by giving the premises to be utilized by the customers. The performance obligation is satisfied at the end of every month. The transaction price is recognised to the same amount as in the signed contract.

2 Business acquisitions and business divestments

There were no business acquisitions in 2017 and in 2018.

Divested business operations in 2018

According to the restructuring programmes, Componenta should sell its real estate properties which are unrelated to the core business. One real estate property and two parcels of land were sold in Pietarsaari on 23 February 2018. The real estate and both parcels were sold at market price and the total cash flow impact of all sales on the Group was EUR 0.2 million. The subsidiary of Componenta Corporation, Oy Högfors-Ruukki Ab, sold on 5 April 2018 the whole capital stock of a real estate Company named Kiinteistöosakeyhtiö Pietarsaaren Tehtaankatu 13. The sale was carried out at market price and the total cash flow impact on the Group was EUR 0.4 million. Additionally, Componenta Finland Ltd sold the shares of a housing company named Asunto-osakeyhtiö Iisalmen Ahjolansato on 25 June 2018. The sale was carried out at market price and the total cash flow impact on the Group was EUR 0.2 million.

Additionally, Componenta Corporation sold the whole capital stock of its wholly owned real estate companies called Kiinteistöosakeyhtiö Ala-Emali and Kiinteistöosakeyhtiö Ylä-Emali on 29 August 2018. Componenta Corporation and Componenta Finland Ltd both sold the whole capital stock of their jointly owned real estate Company named Karkkilan Koskikiinteistö Ltd on 29 August 2018. The subsidiary of Componenta Finland Ltd, Karkkilan Valimokiinteistö Ltd, sold a parcel of land including buildings on the land in Karkkila on 31 August 2018. The real estate transactions in August were carried out at market price. The total cash flow impact of all sales in 2018 on the Group was EUR 1.7 million and had a total of EUR -0.1 million effect on the result on the Group.

Divestment of Real estate and two parcels in Pietarsaari

MEUR	
The carrying value of the sold net assets	0.1
Sales price of the sold net assets	0.2
Sales profit	0.1
Cash flow impact in 2018	0.2

Divestment of Real estate Pietarsaaren Tehtaankatu 13

MEUR	
The carrying value of the sold net assets	0.4
Sales price of the sold net assets	0.4
Sales profit	0.0
Cash flow impact in 2018	0.4

Divestment of Housing company Iisalmen Ahjolansato

MEUR	
The carrying value of the sold net assets	0.0
Sales price of the sold net assets	0.2
Sales profit	0.2
Cash flow impact in 2018	0.2

Divestment of Real estate Ala-Emali

MEUR	
The carrying value of the sold net assets	0.3
Sales price of the sold net assets	0.1
Sales profit	-0.2
Cash flow impact in 2018	0.1

Divestment of Real estate Ylä-Emali

MEUR	
The carrying value of the sold net assets	0.4
Sales price of the sold net assets	0.5
Sales profit	0.1
Cash flow impact in 2018	0.5

Divestment of Karkkilan Koskikiinteistö Oy

MEUR	
The carrying value of the sold net assets	0.7
Sales price of the sold net assets	0.2
Sales profit	-0.6
Cash flow impact in 2018	0.2

Divestment of Parcel of land including buildings in Karkkila

MEUR	
The carrying value of the sold net assets	0.5
Sales price of the sold net assets	0.2
Sales profit	-0.3
Cash flow impact in 2018	0.2

Divested business operations in 2017

The shareholding of the Turkish subsidiary Componenta Dökümcülük Ticaret ve Sanayi A.Ş. was sold to Döktaş Metal Sanayi ve Ticarte A.Ş. at a nominal price. The parties signed the sale and purchase agreement on 4 August 2017 and the transactions were finalised on 27 September 2017. The transaction had no cash flow impact. The consolidation of Componenta Dökümcülük Ticaret ve Sanayi A.Ş. in the Group financial statement ended on 31 December 2016.

Divestment of Componenta Dökümcülük Ticaret ve Sanayi A.Ş.

MEUR	
The carrying value of the sold net assets	0.0
Sales price of the sold net assets	0.0
Sales profit	0.0
Cash flow impact in 2017	0.0

3 Discontinued operations

Me	Jan 1– Dec 31. 2018	Jan 1– Dec 31. 2017
Net profit of discontinued operations total, IFRS	–	-4.8
Net profit of discontinued operations total, excluding items affecting comparability	–	0.1
Operating profit of discontinued operations total, excluding items affecting comparability	–	0.2

Cash flow of discontinued operations

MEUR	Jan 1– Dec 31. 2018	Jan 1– Dec 31. 2017
Net cash flow from operating activities	–	1.3
Net cash flow from investing activities	–	-1.2
Net cash flow from financing activities	–	-0.5
Change in liquid assets	–	-0.4

Componenta Wirsbo AB and Componenta Arvika AB, both located in Sweden, were declared bankrupt on 17 July 2017 on their own petition. The companies were classified as discontinued operations in accordance with IFRS 5 standard Non-current Assets Held for Sale and Discontinued operations''. The consolidation of Componenta Wirsbo AB and Componenta Arvika AB in the Group financial statement ended in July 2017. inued operations.

Componenta Wirsbo sub-group's net profit for the period in discontinued operations were totalling EUR -4.8 million. The write-downs of net assets of Componenta Wirsbo sub-group's operations were EUR -0.8 million in 2017. In addition, the parent company recorded losses of EUR -1.7 million related to provided guarantees for external parties, on behalf of Componenta Wirsbo sub-group's.

Discontinued operations in 2018

Componenta had no discontinued operations in 2018.

Discontinued operations in 2017

Componenta Wirsbo sub-group

MEUR	Jan 1 – Dec 31, 2017
Net sales, 1-6/2017	27.2
Operating profit excluding items affecting comparability	0.5
Result after financial items excluding items affecting comparability	0.5
Net profit excluding items affecting comparability, 1-6/2017	0.5
Items affecting comparability under Componenta Wirsbo sub-group Income Statement before the derecognition from Group's statement of financial position, 1-6/2016	-4.1
Net profit, IFRS, before the derecognition from Group's statement of financial position, 1-6/2017	-3.6
Items affecting comparability, all write-downs of receivables from Componenta Wirsbo sub-group registered by the remaining consolidated companies within the corporation	-0.8
Items affecting comparability, recorded liabilities by the parent company related to provided guarantees for external parties, on behalf of Componenta Wirsbo sub-group	-1.7
Items affecting comparability, items moved from consolidated statement of comprehensive income to consolidated income statement	0.5
Items affecting comparability, derecognition of Componenta Wirsbo sub-group net assets from the Group's statement of financial position	0.8
Componenta Wirsbo sub-group, discontinued operations net profit, IFRS	-4.8

Componenta Wirsbo sub-group bankruptcy and derecognition from Group's statement of financial position, impact to Group shareholders' equity, reconciliations

MEUR	Dec 31, 2017
Derecognition of Componenta Wirsbo sub-group net assets from the Group's statement of financial position through income statement or through statement of other comprehensive income	0.8
All write-downs of receivables from Componenta Wirsbo sub-group registered by the remaining consolidated companies within the corporation	-0.8
Recorded liabilities by the parent company related to provided guarantees for external parties, on behalf of Componenta Wirsbo sub-group	-1.7
Componenta Wirsbo sub-group bankruptcy and derecognition from Group's statement of financial position, impact to Group shareholders' equity	-1.7

MEUR	2017
Derecognition of Componenta B.V's group external assets from the Group's statement of financial position	-12.0
Derecognition of Componenta B.V's group external liabilities from the Group's statement of financial position	12.0
Recorded liabilities by the parent company related to provided guarantees for external parties, on behalf of Componenta Wirsbo sub-group	-1.7
Componenta Wirsbo sub-group bankruptcy and derecognition from Group's statement of financial position, impact to Group shareholders' equity	-1.7

Accounting principles

Componenta classifies components of an entity as discontinued in accordance with IFRS 5 standard "Non-current Assets Held for Sale and Discontinued operations". Discontinued operations disclosed by Componenta are components of an entity that have been disposed.

4 Other operating income

Continued operations MEUR	Jan 1– Dec 31. 2018	Jan 1– Dec 31. 2017
Rental income	0.3	0.4
Profit from sale of non-current assets	0.3	0.0
Exchange gains and losses of accounts receivables and payables, incl. hedges	0.2	-0.1
Reconstructuring write-downs	0.0	29.7
Other operating income	1.6	1.5
Other operating income total, continued operations	2.4	31.5
Rental income from investment properties are included in net sales, continued operations	0.3	0.6

Accounting principles

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 accounts payables and accounts receivables are presented under other operating income.

5 Operating expenses

Continued operations MEUR	Jan 1– Dec 31. 2018	Jan 1– Dec 31. 2017
Change in inventory of finished goods and work in progress	0.0	-0.2
Materials, supplies and products	-61.4	-61.3
External services	-7.6	-7.7
Personnel expenses	-28.7	-29.2
Rents	-0.8	-0.7
Maintenance costs of investment properties	-0.2	-1.9
Waste, property and maintenance costs	-5.4	-4.8
Energy	-5.2	-6.0
Sales and marketing	0.0	0.0
IT costs	-1.4	-1.3
Tools for production	-2.9	-2.9
Freights	-0.2	-0.4
Decrease in fair value of investment properties	-0.6	-2.6
Other operating expenses	-5.1	-5.0
Total operating expenses, continued operations	-119.4	-124.1
Audit fees	-0.2	-0.2
Other fees*	-0.1	-0.2
Total fees paid to auditors, continued operations	-0.4	-0.4

*) PricewaterhouseCoopers Oy has provided non-audit services to the entities of Componenta Group in total of 44 thousand euros (97 thousand euros) during the financial year 2018. These services included tax consulting and other services.

6 Personnel expenses

Continued operations

MEUR	Jan 1– Dec 31, 2018	Jan 1– Dec 31, 2017
Personnel expenses, continued operations		
Salaries and fees	–22.7	–22.4
Pension costs	–3.5	–3.4
Other personnel costs	–2.5	–3.5
Personnel expenses, total	–28.7	–29.2

Average number of personnel, excluding leased personnel

MEUR	Jan 1– Dec 31, 2018	Jan 1– Dec 31, 2017
Continued operations	596	567
Discontinued operations	–	106
Group total	596	673

Personnel expenses include costs related to share-based payment EUR 9 (0) thousand.

7 Research and development costs

Continued operations

MEUR	Jan 1– Dec 31, 2018	Jan 1– Dec 31, 2017
The following amounts have been recognized in the income statement under research and development costs	–	–

Accounting principles

Research costs are recognised in the income statement as an expense. Expenditure on development activities relating to new products is capitalised and recognised 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.

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

Continued operations

MEUR	Jan 1– Dec 31, 2018	Jan 1– Dec 31, 2017
Depreciation and amortization		
Intangible assets		
Intangible rights	–	–
IT software	–0.1	–0.2
Other capitalized expenditure	–0.1	–0.1
	–0.2	–0.3
Tangible assets		
Buildings and structures	–0.6	–0.6
Machinery and equipment *)	–1.3	–1.0
Other tangible assets	0.0	–0.1
	–1.9	–1.7
Write-downs on tangible and intangible assets **)	–0.4	–1.5
Total depreciation, amortization and write-downs	–2.5	–3.5

*) The units-of-production depreciation method is used for production machinery and equipment. Continued operations planned depreciation based on normal utilized capacity was EUR -1.7 (-1.2) million and capacity utilization correction was EUR 0.4 (0.4) million.

**) There were write-downs in tangible assets EUR 0.0 (-1.5) million for Swedish business operations. The weighted average cost of capital used in the impairment tests for the Finnish companied was 7.3% (8.1%). The decrease in discount rate is mainly an outcome of the decreased expenses regarding the average cost of equity. A write-down of EUR 0,4 million in 2018 has been recorded on a moulding line in Pori, the so called Disa line.

Accounting principles

Planned depreciation, except for production machinery and equipment, is calculated on a straight-line basis on the original acquisition cost, based on the estimated useful economic life. The Group uses the units-of-production depreciation method 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 the straightline method, especially when capacity utilisation rates change quickly. Estimated useful economic lives by asset group are as follows:

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

9 Financial income and expenses

Continued operations

MEUR	Jan 1–Dec 31, 2018	Jan 1–Dec 31, 2017
Interest income from loans and other receivables	0.0	0.0
Exchange rate gains from financial assets and liabilities recognized at amortized cost	0.2	0.1
Other financial income	0.0	110.2
Effective interest expenses for financial liabilities recognized at amortized cost*	-0.1	-5.1
Exchange rate losses from financial assets and liabilities recognized at amortized cost	-0.1	-0.1
Interest expenses and commissions for supplier factoring	0.0	0.0
Interest expenses and commissions for sold accounts receivables	0.0	0.0
Realized exchange rate losses from currency derivatives	0.0	0.0
Other financial expenses	0.0	-3.0
Financial income and expenses, total, continued operations	0.0	102.1

*) 2017 interest expence came mainly from the accrued interest cost of restructuring debts until the debt cut on 23 August, 2017.

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 0.2 (-0.1) million in exchange rate gains and losses arising from foreign currency denominated sales and purchases.

10 Income taxes

MEUR	Jan 1–Dec 31, 2018	Jan 1–Dec 31, 2017
Income taxes, continued operations		
Income taxes for financial period	0.0	0.0
Change in deferred taxes (see note 17)	-0.2	0.5
Continued operations total	-0.2	0.5
Income taxes, discontinued operations		
Income taxes for financial period	–	0.0
Change in deferred taxes	–	0.2
Discontinued operations total	–	0.2
Income taxes, Group	-0.2	0.7

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

MEUR	Jan 1–Dec 31, 2018	Jan 1–Dec 31, 2017
Profit before tax, continued operations	1.2	128.3
Income tax using Finnish tax rate	-0.2	-23.2
Difference between Finnish tax rate and rates in other countries	0.0	-0.3
Tax exempt income *)	-0.1	28.6
Non-deductible expenses	0.4	-1.4
Adjustments to the taxable income for previous years	0.0	0.0
Tax losses from which no deferred tax assets have been recorded	-0.3	-2.9
Re-assessment of deferred taxes **)	0.0	-0.3
Taxes total	-0.2	0.5

*) The tax exempt incomes in 2017 are mainly related to the debt cuts of long-term interest bearing loans.
**) In 2017 the revaluation of deferred tax of continued operations includes mainly the net of tax from write-downs of hybrid bonds.

Accounting principles

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 recognised on 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 utilised. 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 become, in practice, certain.

11 Earnings per share

	Jan 1–Dec 31, 2018	Jan 1–Dec 31, 2017
Profit for the period attributable to the shareholders of the parent company, 1,000 EUR *)	**1,044**	124,064
Weighted average number of outstanding shares during the financial year, 1,000 shares	**177,269**	176,985
Basic earnings per share, EUR	**0.01**	0.70
Dilution effect of share options and share-based incentive plans, 1,000 shares	4,430	–
Weighted average number of outstanding shares during the financial year, 1,000 shares	181,699	176,985
Diluted earnings per share, EUR	0.01	0.70

*) The unpaid and accrued interests of the financial period 2017 and previous financial periods included unpaid and accrued interest on the Hybrid bonds 2012 and 2013 of EUR 1.8 million, calculated until the approval of restructuring programmes, and was written-down after the confirmation of restructuring programme, resulting in a corresponding financial return in 2017. The interests after deferred taxes have been taken into account as a factor reducing the result for the period attributable to equity holders of the parent company when calculating the earnings per share. Due to the write down of the accrued and unpaid interest and 100% debt cut on the hybrid loans in the restructuring programme, there is no accrued and unpaid interests on these loans for the financial period 2018. The profit for the period attributable to the equity holders of the parent company presented in the consolidated income statement was EUR 1.0 million (124.1 million).

Accounting principles

Basic earnings per share is calculated by dividing the result for the period attributable to shareholders of the parent company by the weighted average number of outstanding shares during the financial year. Diluted earnings per share is calculated by adjusting the weighted average number of shares by the effect of potential diluting shares due to share options and share-based incentive plan in the Group.

Notes to the consolidated statement of financial position

12 Intangible assets

MEUR	2018	2017
Intangible rights		
Acquisition cost on Jan 1	1.6	1.6
Additions	0.3	–
Disposals	–	–
Re-classifications	–	–
Translation differences	0.0	0.0
Acquisition cost on Dec 31	1.9	1.6
Accumulated amortization on Jan 1	-1.6	-1.6
Accumulated amortization on decreases and re-classifications	–	–
Translation differences	0.0	0.0
Amortization during the period	–	–
Accumulated amortization on Dec 31	-1.6	-1.6
Book value on Dec 31	0.3	0.0

MEUR	2018	2017
IT software		
Acquisition cost on Jan 1	4.9	4.9
Additions	–	–
Disposals	–	–
Re-classifications	0.2	0.0
Translation differences	0.0	0.0
Acquisition cost on Dec 31	5.0	4.9
Accumulated amortization on Jan 1	-4.9	-4.5
Accumulated amortization on decreases and re-classifications	0.0	-0.2
Translation differences	0.1	0.0
Amortization during the period	-0.1	-0.2
Accumulated amortization on Dec 31	-4.9	-4.9
Book value on Dec 31	0.1	0.0

MEUR	2018	2017
Other capitalized expenditure		
Acquisition cost on Jan 1	10.7	10.7
Additions	–	–
Disposals	–	–
Re-classifications	–	–
Translation differences	0.0	0.0
Acquisition cost on Dec 31	10.7	10.7
Accumulated amortization on Jan 1	-10.5	-10.4
Accumulated amortization on decreases and re-classifications	–	–
Translation differences	0.0	0.0
Amortization during the period	-0.1	-0.1
Accumulated amortization on Dec 31	-10.6	-10.5
Book value on Dec 31	0.0	0.1

MEUR	2018	2017
Advance payments for intangible assets		
Acquisition cost on Jan 1	0.1	0.0
Additions	0.0	0.1
Disposals	–	–
Re-classifications	-0.1	0.0
Book value on Dec 31	0.0	0.1
TOTAL INTANGIBLE ASSETS	0.4	0.2

Capital expenditure on intangible assets during the financial period totalled EUR 0.3 (0.1) million.

Accounting principles

Intangible assets include mainly computer software and capitalised development costs. For intangible assets that have a limited useful economic life, straight-line depreciation is entered as an expense in the income statement over their useful economic lives.

The Group has no intangible assets that have an unlimited useful economic life.

13 Tangible assets

MEUR	2018	2017
Land and water areas		
Acquisition cost on Jan 1	0.9	1.2
Additions	–	–
Disposals	–	-0.3
Re-classifications	–	–
Revaluation on land and water areas*	–	–
Translation differences	0.0	0.0
Book value on Dec 31	0.9	0.9

MEUR	2018	2017
Buildings and constructions		
Acquisition cost on Jan 1	31.3	35.9
Additions	0.2	0.1
Disposals	–	-3.5
Re-classifications	–	-1.0
Revaluation on buildings*	0.0	0.0
Translation differences	-0.2	-0.2
Acquisition cost on Dec 31	31.3	31.3
Accumulated depreciation on Jan 1	-22.1	-23.9
Accumulated depreciation on decreases and re-classifications	–	2.3
Translation differences	0.1	0.1
Depreciation and write-downs during the period	-0.6	-0.6
Accumulated depreciation on Dec 31.	-22.6	-22.1
Book value on Dec 31	8.6	9.2

MEUR	2018	2017
Machinery and equipment		
Acquisition cost on Jan 1	95.1	153.7
Additions	1.2	0.7
Disposals	-0.8	-57.2
Re-classifications	0.6	-1.5
Translation differences	-0.8	-0.6
Acquisition cost on Dec 31	95.3	95.1
Accumulated depreciation on Jan 1	-86.7	-138.0
Accumulated depreciation on decreases and re-classifications	0.7	52.5
Translation differences	0.6	0.5
Depreciation and write-downs during the period**	-1.5	-1.7
Accumulated depreciation on Dec 31	-86.8	-86.7
Book value on Dec 31	8.4	8.4

MEUR	2018	2017
Machinery and equipment, finance leasing		
Acquisition cost on Jan 1	14.5	14.6
Additions	–	0.6
Disposals	0.1	-0.4
Re-classifications	0.4	0.0
Translation differences	-0.4	-0.3
Acquisition cost on Dec 31	14.5	14.5
Accumulated depreciation on Jan 1	-12.9	-12.7
Accumulated depreciation on decreases	0.0	0.4
Translation differences	0.3	0.2
Depreciation during the period	-0.2	-0.8
Accumulated depreciation on Dec 31	-12.8	-12.9
Book value on Dec 31	1.7	1.6

MEUR	2018	2017
Other tangible assets		
Acquisition cost on Jan 1	0.6	5.7
Additions	–	–
Disposals	0.0	-5.1
Re-classifications	–	–
Translation differences	0.0	0.0
Acquisition cost on Dec 31	0.6	0.6
Accumulated depreciation on Jan 1	-0.2	-1.1
Accumulated depreciation on decreases and re-classifications	0.0	1.0
Translation differences	0.0	0.0
Depreciation during the period	0.0	-0.1
Accumulated depreciation on Dec 31	-0.2	-0.2
Book value on Dec 31	0.4	0.4

MEUR	2018	2017
Advance payments and fixed assets under construction		
Acquisition cost on Jan 1	0.5	0.4
Additions	0.1	0.3
Disposals	–	-0.2
Re-classifications	-0.4	0.0
Translation differences	0.0	0.0
Book value on Dec 31	0.2	0.5

TOTAL TANGIBLE ASSETS	20.4	21.0

*) The accounting principles for the consolidated financial statements contain further information about the treatment of changes in the value of land and buildings. According to the accounting principles for the consolidated financial statements, changes in the value of land and buildings are measured at three year intervals. The previous revaluation process throughout the Group was carried out in 2015. The valuation is mainly based on the income approach. The difference in book value and fair value of buildings and land EUR 0.0 million is booked through other comprehensive income items under discontinued operations, for the part that it has in previous years been booked at revaluation reserve. The Group buildings and land revaluation reserve under equity stood, after deferred taxes, at EUR 0,0 (0.0) million. The current treatment of revaluation in the accounting principles was introduced in 2012. The reliability of the valuation of property is classified as Level 3, in other words there is no active market for these mainly industrial properties and the price cannot be deduced from verifiable market data. The valuation is based on the income approach and determining the fair value involves considerable discretion.

**) Write-downs, under continued operations, on machinery and equipment included in tangible assets in Swedish business operations were EUR 0.0 (-1.5) million.

Capital expenditure on tangible assets during the financial period totalled EUR 1.5 (1.7) million. Componenta has terminated one significant customer contract in the financial period. As part of the adjustment measures a write-down of EUR 0.4 million has been recorded on a moulding line in Pori, the so called Disa line.

Accounting principles

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

Componenta uses the revaluation model permitted by IAS 16 Leases, according to which land areas, buildings and constructions are recorded at fair value, which is based on assessments made by independent evaluators, and for buildings is the fair value less depreciation after the revaluation. Land and water areas are not depreciated. Measurements of value are made sufficiently regularly so that the fair value of a revalued asset does not differ materially from its carrying amount. Valuations of assets subject to revaluation are carried out at a maximum of three-year intervals. However, valuations are carried out more frequently if substantial changes are about to take place that may affect the valuation of the assets. Valuations are carried out by independent, qualified, external evaluators in Finland and Sweden, following each evaluator's own process and the method considered most appropriate for the asset being valued, starting with a review of macroeconomic factors and available market information and ending with the use of an appropriate model and a fair value calculated with this. The valuation is based on what is probably the most productive use of the asset and on valuation models where the input used portrays the facts and conditions of each economic environment (such as level of employment, general economic situation, recent transactions). In the revaluation of fixed assets, the yield value method is used for real estate, the market-based model is used for land areas, and the acquisition cost based model is used for real estate in markets in which there is no active rental market. During the financial year that ended on 31 December 2016, valuations were made for all the company's asset items located in Finland and being revalued, and entries based on these have been made to the values of the assets. The values determined do not reflect the fair realisation value of the asset. In the revaluation of fixed assets, the yield value method is used for real estate, the market-based model is used for land areas, and the acquisition cost based model is used for real estate in markets in which there is no active rental market. Valuations may also be based on actual concluded reference deals and their prices if such information has been available and is otherwise suitable for use as a valuation basis. As a rule, in the yield value method, the rental rates are based on the market rents on the date of valuation. The reliability of the valuation is classified as levels 2 and 3, level 3 consisting mainly of industrial properties, for which there is no active market and no price can be derived from observable market data. Determining the fair value of assets requires significant assumptions and, consequently, the valuation of buildings and land involves uncertainty. During the financial year that ended on 31 December 2016, valuations were made for all the company's asset items located in Finland and being revalued, and entries based on these have been made to the values of the assets. The valuation is based on the best possible use of the asset and, therefore, the values determined do not correspond to the fair realisable value.

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 bare 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.

Maintenance and repair costs are usually recognised in the income statement as an expense as incurred. Major refurbishment costs are capitalised 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. As a rule, the depreciation period after installation is 3 years.

Planned depreciation, except for production machinery and equipment, is calculated on a straight-line basis on the original acquisition cost, based on the estimated useful economic life. The Group uses the units-of-production depreciation method 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 the straightline method, especially when capacity utilisation rates change quickly. Estimated useful economic lives by asset group are as follows:

buildings and constructions	25 – 40 years
computing equipment	3 – 5 years
other machinery and equipment	5 – 25 years
other tangible assets	3 – 10 years.

Impairment of assets

The carrying amounts of the Group's assets are reviewed on 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 recognised 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. Due to the inherent uncertainties arising from the restructuring programmes, and also partially due to operational challenges and lower yield expectations, the Group has recorded in 2017 an impairment of EUR 1.5 million on Componenta Främmestad AB's machinery and equipment. The impairment is mainly due to lower yield expectations. The assets are tested for impairment either by using future cash flows or sales prices of the assets.

According to the Group's accounting policies, the carrying amounts of tangible and intangible assets are re-examined for potential impairment whenever circumstances indicate a potential impairment. Componenta has tested the tangible and intangible assets for impairment by comparing the carrying amount of an asset and its recoverable amount. Measuring the recoverable amount of the tangible and intangible assets, the management is required to make estimates and assumptions about the tangible and intangible asset groups' future sales cash flows, production costs, discount rates and future capital expenditure required to maintain the assets in their current condition. When making these estimates and assumptions, the management takes into account the impact of the corporate restructuring proceedings on the cash flows and forecasts. These estimates and assumptions involve risks and uncertainty, and therefore it is possible that as conditions change, these forecasts change, which may affect the assets' recoverable amount.

14 Inventories

MEUR	Dec 31, 2018	Dec 31, 2017
Raw Materials and Consumables	2.2	1.4
Work in Progress	1.7	1.9
Finished products and goods	6.9	7.4
Other inventories	3.3	2.9
Advance Payments	0.2	0.7
Total Inventories	**14.3**	14.3

Other inventories include mainly patterns, fixtures, tools and spareparts.

Accounting principles

Inventories are stated at the lower of acquisition cost and net realisable 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 property, plant and equipment, are recorded under inventories.

The net realisable value of inventory is assessed on each reporting date. Net realisable value refers to the estimated selling price in the ordinary course of business less variable selling expenses. Determination of the net realisable value includes the management's estimates on the selling price of inventories.

15 Accounts receivables

MEUR	Dec 31, 2018	Dec 31, 2017
Accounts receivables	6.6	7.5
Total	6.6	7.5

Accounts receivables by currency

%	Dec 31, 2018	Dec 31, 2017
EUR	83.6	82.4
SEK	16.4	17.6
Total	100.0	100.0

Aging of accounts receivables

	Dec 31, 2018		Dec 31, 2017	
MEUR	Accounts receivables	Loss allowance	Accounts receivables	Loss allowance
Not due	0.7		2.2	
Overdue				
less than 1 month	3.5		3.2	
1 - 3 months	1.4		0.6	
3 - 6 months	0.2		0.3	
more than 6 months	1.0	0.2	1.6	0.5
Total	6.8	0.2	8.0	0.5

Credit risk

Componenta's credit risk is related to receivables that are accounts receivables from delivered products. Group companies are primarily responsible for the risks related to customer receivables. The Group Treasury sets guidelines and monitors credit risk management, and evaluates the creditworthiness and ability of customers to fulfill their payment obligations. The collection of customer receivables is carried out in accordance with the Group's debt collection policy.

The credit loss provision for accounts receivables is estimated on the basis of the quality and aging of the receivables by adjusting the customer receivables based on the customer's previous 12-month payment behavior to the receivable open at the time of the financial statements. The effect of the IFRS 9 Financial instruments at Componenta is evident in the value adjustment of the estimated uncertain receivables formed by the application of the expected credit loss model. On 31 December 2018, Componenta entered in accordance with the new expected credit loss model EUR 0.1 million in the credit losses of the result and the accounts receivables of the balance sheet.

Credit losses including the provision for credit lossed during the reporting period totalled EUR -0.8 (-0.5) million. The Group's credit loss risk was EUR 6.6 (7.5) million. The credit loss risk covers all short-term receivables excluding tax and interest receivables.

Accounting principles

Accounts receivables are receivables that result from selling goods or delivering services to customers in the ordinary course of business. Other receivables are contract assets, other accrued income and financial assets with fixed or determinable payments that are not quoted in an active market. Accounts receivables and other receivables are classified as current assets if customer payment is expected to be received within one year. Otherwise they are presented as non-current assets. The expected credit losses are assessed and entered in accordance with the accounts receivable age analysis on the basis of the classification. The history information and knowledge of the customers' payment behaviour are also taken into account. Changes in impairment loss for doubtful accounts receivable are recognized as expenses in the consolidated statement of income.

Componenta does not invoice sales in advance. The order book includes the confirmed customer orders for the following two months.

16 Other short-term receivables and accrued income

MEUR	Dec 31, 2018	Dec 31, 2017
Loan receivables	0.0	0.1
Prepayments and accrued income	0.9	1.0
VAT receivables	0.3	0.3
Other receivables	0.4	0.3
Total	1.6	1.7

Prepayments and accrued income include mainly prepaid accrued expenses.

Prepayments and other accrued income

MEUR	Dec 31, 2018	Dec 31, 2017
Energytax	0.3	0.1
Personnel	0.1	0.1
Insurance	0.0	0.1
Other accrued income	0.5	0.7
Total	0.9	1.0

17 Deferred tax assets and liabilities

Changes in deferred taxes during the financial year 2018

MEUR	Jan 1	Recognized in income statement	Recognized in equity	Translation differences	Dec 31
Deferred tax assets					
Other differences	0.9	0.0			0.9
Total	0.9	0.0			0.9
Offset with deferred tax liabilities	-0.9	0.0			-0.9
Total	0.0	0.0			0.0

In 2018 deferred tax assets were recorded EUR 0.0 million.

MEUR	Jan 1	Recognized in income statement	Recognized in equity	Translation differences	Dec 31
Deferred tax liabilities					
Finance leases	0.7	0.1			0.8
Other differences	1.5	0.1			1.5
Total	2.2	0.2			2.4
Offset with deferred tax assets	-0.9	0.0			-0.9
Total	1.3	0.2			1.4

Deferred income tax assets and liabilities are netted on the balance sheet primarily on a country-by-country basis when the country in question allows the balancing of taxable profits and losses between Group companies or when there is only one subsidiary in the country in question.

Changes in deferred taxes during the financial year 2017

MEUR	Jan 1	Recognized in income statement	Recognized in equity	Translation differences	Dec 31
Deferred tax assets					
Other differences	0.6	0.3			0.9
Total	0.6	0.3			0.9
Offset with deferred tax liabilities	-0.6	-0.3			-0.9
Total	0.0	0.0			0.0

MEUR	Jan 1	Recognized in income statement	Recognized in equity	Translation differences	Dec 31
Deferred tax liabilities					
Finance leases	1.1	-0.5			0.7
Other differences	1.9	-0.4			1.5
Total	3.1	-0.9			2.2
Offset with deferred tax assets	-0.6	-0.3			-0.9
Total	2.4	-1.2			1.3

Deferred income tax assets and liabilities are netted on the balance sheet primarily on a country-by-country basis when the country in question allows the balancing of taxable profits and losses between Group companies or when there is only one subsidiary in the country in question.

The net amount of deferred tax assets, which mainly consist of unused tax losses, was EUR 0.0 million (EUR 0.0 million) and the value of deferred tax liabilities was EUR 2.4 million (EUR 2.2 million). In 2017, a EUR 0.3 million write-down was made for deferred tax assets due to a hybrid bond interest write-down. Due to the significant inherent uncertainties arising from the restructuring proceedings, as well as partially due to operational challenges and lower yield expectations, the Group has recorded in its financial statements in Finland and Sweden an impairment of EUR 0.0 million (EUR 0.0 million) in the deferred tax assets related to tax losses.

Accounting principles

Deferred tax assets for confirmed losses or for losses for the financial period have only been recognised to the extent to which it is probable that future profits will be generated that can be offset with the temporary differences. If a Group company has in the recent past made a loss, a deferred tax asset is only recorded to the extent that the company has sufficient taxable temporary differences or some other convincing proof of its ability to make use of the tax loss. Deferred tax assets are recognised only if it is considered likely that they are recoverable, which will depend on the existence of sufficient future taxable income. Assumptions of future taxable income are based on the management's estimates of future cash flows. These estimates of future cash flows are, in turn, dependent on the management's estimates, inter alia, of the future volume of sales, operating expenses and financing costs. The company's ability to accumulate taxable income also depends on general economic, financial, competitive and regulatory factors that are not under its own control. Estimates and assumptions involve risks and uncertainties, and thus it is possible that expectations change as circumstances change. This may affect the amount of deferred tax assets and liabilities on the balance sheet and the amount of temporary differences.

A deferred tax liability is recognised for the retained earnings of subsidiaries only if it can be considered that the tax payment will take place in the foreseeable future. Deferred tax liabilities have been calculated by using effective tax rates.

Deferred tax liabilities and assets are offset on the balance sheet in so far as they have the same recipient of the tax and when they can be allocated to each other. Because of the material uncertainty related to the companies ability to continue as a going concern, no net deferred tax assets have been recognised in Finland and Sweden in the 2018 financial statements.

18 Investment properties

MEUR	2018	2017
Book value on Jan 1	0.5	3.6
Additions	0.0	0.0
Disposals	-0.5	0.0
Transfers	0.0	1.0
Classified as held for sale	0.0	-1.5
Profit/loss from the fair valuation	0.0	0.0
Write-downs	0.0	-2.6
Book value on Dec 31	0.0	0.5

According to the restructuring programme confirmed on 23 August 2017, the group should sell all its investment properties during the restructuring programme. Componenta has executed this programme by selling almost all its investment properties in 2018. The remaining investment properties are recognised as EUR 0,0 million. While executing the restructuring programme in 2017 purchase offers were received, which gave indications of the market value of the properties. The fair values in 2017 were based on these indications. Based on the purchase offers some of the investment properties, some EUR 1.5 million, were classified as held for sale according to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Accounting principles

The real estate companies within the group hold land areas and buildings, which the group do not have in own use and from which the group recognise rental income. Therefor these real estate companies are classified as investment properties according to IAS 40 Investment Property. The group applies the fair value model for measuring the investment properties. The fair value reflects the market conditions at the end of the reporting period with no transaction costs incurred.

Valuations of investment properties recorded at fair value, as well as properties and land areas used in the Group's own operations, are carried out by professionally qualified and independent external valuators. These external valuators carry out the valuations by following each valuator's own process and the method considered most appropriate for the asset being valuated, starting with a review of macroeconomic factors and available market information and ending with the use of an appropriate model and a fair value calculated with this. In the revaluation of fixed assets, the yield value method is used for real estate, the market-based model is used for land areas, and the acquisition cost based model is used for real estates in markets in which there is no active rental market. Valuations may also be based on actual concluded reference deals and their prices if such information has been available and is otherwise suitable for use as a valuation basis. As a rule, in the yield value method, the rental rates are based on the market rents on the date of the valuation. determining the fair value of assets requires significant assumptions and, consequently, the valuation of buildings and land involves uncertainty. The valuation is based on the best possible use of the asset and, therefor, the values determined do not correspond to the fair realisable value. According to the restructuring decision, Componenta Corporation and Componenta Finland Ltd have the obligation during the restructuring programmes to sell investment properties that are not part of their business operations. These assets have been valued at the probable realisable value in the consolidated financial statements.

Investment properties are not depreciated. Gains and losses arising from change in the fair value of investment properties 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 properties is recorded in the Group's net sales.

19 Assets classified as held for sale

Non-current assets held for sale

MEUR	Dec 31, 2018	Dec 31, 2017
Investments	0.0	1.5
Assets classified as held for sale total	0.0	1.5

Non-current assets held for sale represent investment properties held for sale. Due to the restructuring programme the company should sell the real estate companies that are not part of the company's core business. The implementations of restructuring programmes have proceeded as planned and all non-current assets held for sale in 2017 have been sold during 2018. In 2017 some of the real estate companies, EUR 1.5 million, that met the requirements of IFRS 5, were classified as Non-current assets held for sale. The investment properties were measured at fair value and in fiscal year 2017 an impairment charge of EUR -2.6 million was recognised. The investment properties are provided in note 18.

Accounting principles

Componenta classifies some of its real estate companies as non-current assets held for sale according ti IFRS 5, because the comparable booking value will be carried mainly from selling the asset. Investment properties are measured at fair value.

20 Share capital, share premium reserve and other reserves

2018	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
Book value on Jan 1	177,269	1.0	0.0	0.0	0.4	0.0	29.5
Issue of the convertible capital loan and conversions to shares							
Transfers to retained earnings							
Debt cut of hybrid bond							
Option and share-based compensation					0.0		
Other comprehensive income				0.0			
Book value on Dec 31	177,269	1.0	0.0	0.0	0.4	0.0	29.5

2017	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
Book value on Jan 1	176,137	21.9	15.0	-0.1	191.1	0.0	5.6
Issue of the convertible capital loan and conversions to shares	1,132				0.6		
Transfers to retained earnings		-20.9	-15.0		-191.2		-0.8
Debt cut of hybrid bond							-2.0
Capital loan							27.0
Option and share-based compensation							
Other comprehensive income				0.1			-0.2
Book value on Dec 31	177,269	1.0	0.0	0.0	0.4	0.0	29.5

In 2018 the Board of Directors resolved, authorised by the General Annual Meeting, to implement two new share-based incentive plans for the key emplyees, a Stock Option Plan and a Restricted Share Plan.

In 2017 the General Annual Meeting resolved to reduce the Company's share capital by EUR -20.9 million for loss coverage. This amount was recognised in retained earnings primarily for covering losses from reporting periods before 2016 and secondary for covering losses from reporting period 2016.

In 2017 the General Annual Meeting resolved to reduce the Company's share premium reserve by EUR -15.1 million for loss coverage. This amount was recognised in retained earnings primarily for covering losses from reporting periods before 2016 and secondary for covering losses from reporting period 2016. 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 recognised in the unrestricted equity reserve. Cash flow hedges include the valuations of commodity derivatives. The fair value changes in effective portion of hedging instruments in hedging reserve, before taxes, was EUR 0.0 (0.1) million, the amount released to income statement from the hedging reserve, before taxes, was EUR 0.0 (0.0) million and the change of deferred taxes in hedging reserve was EUR 0.0 (0.0) million.

In 2017 the General Annual Meeting resolved to reduce the Company's unrestricted equity reserve by EUR -197,7 million for loss coverage. This amount was recognised in retained earnings primarily for covering losses from reporting periods before 2016 and secondary for covering losses from reporting period 2016. The net effect of changes in the current financial year was affected by costs of issuing shares EUR -2.9 million and credit fees for convertible bonds EUR -3.6 million. In May 2016 Componenta issued EUR 40 million convertible capital loan. By the end of the 2016 interim financial statements period 78,868,000 shares had been converted and the capital loans used for payments for the conversions were EUR 39.4 million, netted with the transaction costs, EUR -0.6 million, related to the issue of the capital loan, and recorded as an increase under Unrestricted equity reserve. By the end of the 2017 interim financial statements period 1,132,000 shares had been converted and the convertible bonds EUR 0.6 million used for payments for the conversions were recorded as an increase under Unrestricted equity reserve.

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 was EUR 0.0 million (EUR 0.0 million).

Other reserves include the conversion option component of the convertible capital notes EUR 2.5 (2.5) million, share-based payments EUR 0.0 (0.0) million according to IFRS 2 Share-based payment. Legal reserve EUR 0.0 (0.0) million is also included in other reserves. In 2017 the General Annual Meeting resolved to reduce the Company's legal reserve by EUR 5 thousand for loss coverage. This amount was recognised in retained earnings primarily for covering losses from reporting periods before 2016 and secondary for covering losses from reporting period 2016. The remaining hybrid bond EUR 2.6 million was cut by 100% in the third quarter of year 2017 in accordance with the restructuring programme after being classified as a lowest priority loan. At the end of reporting period 2018 other reserves included non-interest bearing capital loan in total EUR 27.0 (27.0) million in Componenta Främmestad AB.

The cumulative translation differences EUR -0.1 (-0.9) 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. The cumulative translation differences are mainly related to the changes in Swedish crown.

Pursuant to Chapter 9 Section 58 of the Restructuring of Enterprises Act it is forbidden to pay dividend between confirmation and end of the restructuring programme. Also, pursuant to Chapter 14 Section 2.2 of the Limited Liability Company Act, the company may not distribute the unrestricted equity to the shareholders during three years, since the company has redused the share capital for loss coverage on 11 May, 2017.

21 Capital management

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

The Board of Directors and Corporate Executive Team regularly monitor the capital structure of the Group. The Group monitors in particular the compliance of the restructuring programme and no separate target is set on the equity ratio. The equity ratio increased from previous year and stood at 39.3% (34.8%). The net gearing increased from previous year and stood at -17.5% (-16.2%).

The key indicators for capital structure

%	Dec 31, 2018	Dec 31, 2017
Net gearing	-17.5	-16.2
Equity ratio	39.3	34.8

22 Share-based payment

Share-based incentive scheme

The Board of Directors of Componenta Corporation has resolved to implement two new share-based incentive plans for the Group key employees, a Stock Option Plan and a Restricted Share Plan. The Board of Directors resolved on the new stock option plan by virtue of an authorization granted by the Annual General Meeting of Shareholders held on 24 May 2018.

A maximum of 20 key employees, including the members of the Corporate Executive Team, belong to the target group of the stock option plan. The Restricted Share Plan is intended for approximately 15 key employees resolved by the Board of Directors, including the members of the Corporate Executive Team.

The reward from the Restricted Share Plan 2018 will be based on the key employee's valid employment or service and the continuation of work during the vesting period. The Restricted Share Plan is intended for key employees. The rewards to be paid on the basis of the Restricted Share Plan 2018 correspond to the value of a maximum total of 1,999,500 Componenta Corporation shares including also the proportion to be paid in cash. The total dilution of the stock option plan and the restricted share plan is 4.99%, in the maximum, if all shares to be subscribed for and to be paid as reward (including the cash proportion of the restricted share reward) on the basis of the plans are new shares.

Options

During financial period 2018 Componenta resolved of one option programme. The purpose of the stock options is to encourage the key employees to work on a long-term basis to increase the shareholder value. The purpose is also to retain the key employees at the company.

The maximum total number of stock options issued is 7,320,500, and they entitle their owners to subscribe for a maximum total of 7,320,500 new shares in the company or existing shares held by the company. The stock options are issued gratuitously. Of the stock options, 2,430,000 are marked with the symbol 2018A, 2,445,250 are marked with the symbol 2018B and 2,445,250 are marked with the symbol 2018C. The share subscription period, for stock options 2018A, will be 1 December 2021—30 November 2023, for stock options 2018B, 1 December 2022—30 November 2024, and for stock options 2018C, 1 December 2023—30 November 2025. At the end of 2018 Componenta had no outstanding options. In 2018 the Board of Directors resolved on stock option 2018A.

Options	Options granted to employees	Unexercised options	Number of shares that can be subscribed for with the option	Share subscription price, EUR	Share subscription period
2018A	2,430,000	-	1	0.17	1 December, 2021 - 30 November, 2023

The value of the option programme is calculated by using the Black-Scholes option price model. The parametres used in defining the fair vales are:

	2018A
Share-price at the date of issue, EUR	0.16
Original subscription price, EUR	0.17*
Duration (years)	3
Expected volatility, %	66.9
Risk-free interest rate, %	0.0
Fair value of option at the date of issue, EUR	0.09
Number of plan participants	16

*) Trade-weighted average share price on Nasdaq Helsinki Ltd 12 October–8 November 2018.

Possible dividends are taken into account in the calculations.

Restricted share plan

The reward from the Restricted Share Plan 2018 will be based on the key employee's valid employment or service and the continuation of work during the vesting period. The reward will be paid partly in the company´s shares and partly in cash after the expiry of a 36 month vesting period by the end of December 2021, at the latest. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the key employee.

The Restricted Share Plan is intended for approximately 15 key employees resolved by the Board of Directors, including the members of the Corporate Executive Team. The rewards to be paid on the basis of the Restricted Share Plan 2018 correspond to the value of a maximum total of 1,999,500 Componenta Corporation shares including also the proportion to be paid in cash. The vesting period starts on 12 November, 2018 and ends on 11 November, 2021.

Restricted share plan	
Grant date	12 November, 2018
Vesting conditions	Employment
Payment method	Shares and cash
Share price at grant date, EUR	0.16
Fair value of share at grant date, EUR	0.16
Estimated number of plan participants at end of vesting period, %	97%
Number of plan participants	17

Share-based payments

Share-based payments recognized as an expense

MEUR	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
To be paid in shares	0.0	-
To be paid in cash	0.0	-
Total	0.0	-

Accounting principles

The fair value of granted options from option programmes has been determined at the grant date and will be recognised as an expense over the vesting period. The fair value is calculated by using the Black-Scholes option price model. At each consolidated statement of financial position date, the Group revises its estimates of the number of options that are expected to become exercisable and recognise the impact of the revision of original estimates as an expense in the statement of income. When options are exercised, the impacts of changes in the share capital which exceed the accounting par value of the shares are included in the paid-up unrestricted equity reserve.

Componenta has two share-based incentive plans for the Corporate Executive Team and the Group key employees, a Stock Option Plan and a Restricted Share Plan. Pursuant to the share ownership plans, the reward to the management will be settled as a combination of shares and cash when the criteria set in the terms and conditions for the plan are met. The key employee's valid employment or service and the continuation of work during the vesting period are key conditions.

The reward from the Restricted Share Plan will be based on the key employee's valid employment or service and the continuation of work during the vesting period. The rewards to be paid on the basis of the incentive plan correspond to the value of shares including also the proportion to be paid in cash. At each statement of financial position date, the Group revises its estimates of the number of shares, of the share-based incentive plan, that are expected to be distributed. The expense will be recognized over the vesting period. This estimate will be revised at each consolidated statement of financial position date and the impact of the revision of original estimates will be recognized in the statement of income.

23 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 Employee benefits (30 a).

Other benefit plans

The Group has no other benefit plans on 31 December 2018, that would generate commitments.

24 Provisions

Current

MEUR	Reorganisation provisions	Environmental provisions	Other provisions	Total
Jan 1, 2018	0.0	0.0	0.1	0.1
Translation differences	–	–	–	0.0
Additions to provisions	–	–	–	0.0
Utilized during the period	0.0	0.0	-0.1	-0.1
Derecognition from the statement of financial position, discontinued operations	–	–	–	0.0
Dec 31, 2018	0.0	0.0	0.0	0.0
Jan 1, 2017	0.7	0.0	0.1	0.8
Translation differences	–	–	–	0.0
Additions to provisions	–	–	–	0.0
Utilized during the period	-0.6	0.0	0.0	-0.6
Derecognition from the statement of financial position, discontinued operations	-0.1	–	–	-0.1
Dec 31, 2017	0.0	0.0	0.1	0.1

The Group has no non-current provisions.

MEUR	Jan 1 – Dec 31, 2018	Jan 1 – Dec 31, 2017
Change in provisions recognised as operating expenses in income statement under continued operations, increase of expense (–), decrease of expense (+) or in net result of the discontinued operations	**-0.1**	-0.8

The Group Management is not aware of such lawsuits or claims against the Group at the end of the reporting period, that would cause recognition of material provisions.

Accounting principles

A provision is recognised on 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 recognised as a separate asset item, but only when it is, in practice, certain that the compensation will be obtained.

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

25 Financial risks and instruments

The target of management of financial risks related to business operations of Componenta Group is to hedge the profit and the balance sheet of the Group. In the long-term the Group is always exposed to economic risks. Therefore, the amount of financial risks is aimed to be limited to acceptable level by using financial instruments commonly used in the financial markets. The administration of the financial risks is mainly centralized to Group Treasury. Because of the restructuring programmes also local agreements for financing or hedging of foreign exchange risks may be possible providing the terms are accepted by the Group.

Values of financial assets and liabilities

MEUR, Dec 31, 2018	Financial assets and liabilities at fair value through profit and loss	Financial assets and liabilities measured at amortised cost	Investments measured at fair value through other comprehensive income	Total
Non-current assets				
Loan receivables		0.0		0.0
Other receivables		0.1		0.1
Current assets				
Cash and cash equivalents		5.3		5.3
Accounts receivables		6.6		6.6
Total financial assets		12.0		12.0
Non-current liabilities				
Finance leases		0.4		0.4
Other loans		0.4		0.4
Accounts payables and advances received		0.4		0.4
Interest-bearing restructuring debts		0.7		0.7
Current liabilities				
Finance leases		0.2		0.2
Pension loans		–		–
Other loans		0.1		0.1
Accounts payables and advances received		4.1		4.1
Interest-bearing restructuring debts		0.1		0.1
Total financial liabilities		6.4		6.4

MEUR, Dec 31, 2017	Financial assets and liabilities at fair value through profit and loss	Financial assets and liabilities measured at amortised cost	Investments measured at fair value through other comprehensive income	Total
Non-current assets				
Loan receivables		0.1		0.1
Other receivables		0.2		0.2
Current assets				
Cash and cash equivalents		5.5		5.5
Accounts receivables		7.5		7.5
Total financial assets		13.4		13.4
Non-current liabilities				
Finance leases		0.6		0.6
Other loans		–		–
Accounts payables and advances received		–		–
Interest-bearing restructuring debts		0.8		0.8
Current liabilities				
Finance leases		0.5		0.5
Pension loans		0.1		0.1
Other loans		–		–
Accounts payables and advances received		4.2		4.2
Interest-bearing restructuring debts		0.6		0.6
Total financial liabilities		6.8		6.8

Interest free restructuring debts are presented in note 26.

Financing and liquidity risks

In the near future, the financing and liquidity risks of Componenta Group are related to the implementation of the corporate restructuring programmes currently underway. The Group's ability to continue as a going concern depends on that the companies in Finland and Componenta Främmestad in Sweden are able to make the payments stipulated in the approved restructuring programmes. The sufficiency of working capital present a risk to the implementation of the restructuring programmes, as at the moment the Group does not have external financing available.

The company thinks that the corporate restructuring in Finland and Sweden will recover and develop the business in the future. When assessing the ability to continue as a going concern, one of the most significant risks and uncertainties relate to the ability of Componenta Corporation and Componenta Finland Ltd to make the payments in accordance with the restructuring programmes. At the time of financial statements 2018 Componenta Främmestad AB still has the restructuring liability of EUR 2.5 million to the former Turkish subsidiary Componenta Döcümcülük. The debt will be paid off in 6 years time, and the repayment is tied to EBITDA of Componenta Främmestad AB.

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

At the end of the reporting period 31 December 2018, Componenta's cash and cash equivalents totalled EUR 5.3 (5.5) million.

Installments (nominal values) and interest payments on financial liabilities 2018

MEUR	2019	2020	2021	2022	2023	2024+	Total
Finance leases*	-0.2	-0.4	–	–	–	–	-0.6
Pension loans	–	–	–	–	–	–	–
Accounts payables and other debt	-4.0	–	–	–	–	–	-4.0
Interest expenses on loans	-0.1	0.0	0.0	0.0	0.0	–	-0.2
Other loans **	-0.2	-0.2	-0.2	-0.2	-0.4	–	-1.3
Total	-4.6	-0.7	-0.3	-0.3	-0.4	–	-6.2

Installments (nominal values) and interest payments on financial liabilities 2017

MEUR	2018	2019	2020	2021	2022	2023+	Total
Finance leases*	-0.5	-0.2	-0.4	–	–	–	-1.0
Pension loans	-0.1	–	–	–	–	–	-0.1
Accounts payables and other debt	-4.1	–	–	–	–	–	-4.1
Interest expenses on loans	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
Other loans**	-0.6	-0.1	-0.1	-0.1	-0.1	-0.3	-1.4
Total	-5.3	-0.3	-0.5	-0.1	-0.1	-0.3	-6.7

*) 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.

**) Other loans in 2018 are interest bearing restructuring liabilities under guarantee and a hire purchase credit for a machine. Other loans in 2017 are interest bearing restructuring liabilities under guarantee.

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.

Interest-bearing liabilities

MEUR	Dec 31, 2018	Dec 31, 2017
Non-current interest-bearing financial liabilities		
Finance lease liabilities	0.4	0.6
Other loans*	1.1	0.8
Total	1.5	1.4
Current interest-bearing financial liabilities		
Finance lease liabilities	0.2	0.5
Pension loans	–	0.1
Other loans*	0.2	0.6
Total	0.5	1.1
Total interest-bearing liabilities	2.0	2.5

*) Other loans in 2018 are interest bearing restructuring liabilities under guarantee and a hire purchase credit for a machine. Other loans in 2017 are interest bearing restructuring debts under guarantee.

Currency breakdown of interest-bearing financial liabilities

%		2018	2017
Non-current	EUR	44.8	58.7
	SEK	55.2	41.3
Total		100.0	100.0
Current	EUR	28.1	7.5
	SEK	71.9	92.5
Total		100.0	100.0

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

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

%	2018 Nominal interest rates	2018 Effective interest rates	2017 Nominal interest rates	2017 Effective interest rates
Finance lease liabilities	2.5 – 2.6	3.1 – 6.0	2.2 – 2.3	3.1 – 6.0
Pension loans	–	–	5.0 – 5.0	5.1 – 5.1
Other loans*	2.5 – 2.5	3.9 – 4.0	2.5 – 2.5	2.9 – 2.9

*) Other loans are interest bearing restructuring liabilities under guarantee.

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 accounts receivables and accounts payables in the balance sheet and initial exposures derived from the highly probable forecasted foreign currency cash flows. The highly probable period is defined normally within 1–6 months but the highly probable period can be extended up to 12 months. These form the part of the transaction position in which changes affect 'Operating profit'. The other part of transaction exposure includes items where the impact of changes in exchange rates are recorded in the income statement in 'Financial income and expenses' such as foreign currency cash in hand and at bank and the Group's internal and external foreign currency loans and loan receivables.

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

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

The currency with the most significant currency risk exposure is the Swedish crown.

The table below shows the sensitivity for price changes of the Group's open currency exposures in the balance sheet, including the currency derivatives used for hedging 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.

Dec. 31, 2018	Closing rate Dec 31, 2018	Open transaction exposure MEUR	Open translation exposure MEUR	Estimate on potential currency rate change %	Impact of change in currency rate + / – To income statement	To equity
EUR/SEK	10.2548	1.0	15.9	10	-0.1 / 0.1	-1.5 / 1.8
EUR/RUB	79.7153	–	–	10		

Dec. 31, 2017	Closing rate Dec 31, 2017	Open transaction exposure MEUR	Open translation exposure MEUR	Estimate on potential currency rate change %	Impact of change in currency rate + / – To income statement	To equity
EUR/SEK	9.8438	-2.0	16.3	10	0.2 / -0.2	-1.5 / 1.8
EUR/RUB	69.3920	–	0.0	10		-0.0 / 0.0

Interest rate risk

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

Income statement – financial expenses

	31.12.2018 for 2019		31.12.2017 for 2018	
Me	**Forecast change in financial expenses**	**Sensitivity interest rate curve +100bp**	**Forecast change in financial expenses**	**Sensitivity interest rate curve +100bp**
Korolliset velat	0.0	0.0	0.0	0.0

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

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

Commodity risk

Group's commodity risk arises mainly from the price risk of the electricity and of the raw materials. From the beginning of the year 2018 a considerable share of the electricity price has been fixed for the next 12 months forward. In 2017, electricity was purchased at market price, so the changes in the market price of electricity at that time directly affected the Group's result. For the Group's business operations it is imperative that it can source certain raw materials, such as recycled steel and iron blocks at competitive prices. The cost risk associated with raw materials is primarily managed using pricing agreements, with which the prices of products are adjusted according to the prices of their raw materials. Group also has the availability risk of the raw materials as it has been in cash sale during the restructuring process as Group has lost credit insurance limits. However, in 2018, the situation has improved and competition between suppliers of major raw materials has been established, and normal payment terms achieved within the limits provided by the suppliers.

Accounting principles

The Group's financial assets are initially classified in the following categories: assets measured at amortised cost, at fair value through profit and loss or at fair value through other comprehensive income. When assessing the expected impairment for financial assets measured at amortised cost, the expected credit losses are measured and recognised based on aging classification. Financial liabilities are classified in the following categories: financial liabilities at fair value through profit and loss and financial liabilities at amortised cost.

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

Cash and cash equivalents include cash in hand and cash in bank accounts as well as short-term bank deposits.

The Group does not have derivative financial instruments on which hedge accounting would be applied.

26 Restructuring debts

The implementation of the restructuring programmes progresses as planned. The payment programme in the Group will end in 2024. Interest-bearing restructuring debts are presented in note Financial risks and instruments and they have been measured as Financial liabilities measured at amortised cost.

Total restructuring debt in Group's balance sheet

MEUR	Dec 31, 2018	Dec 31, 2017
Current interest bearing liabilities	0.1	0.6
Non-current interest bearing liabilities	0.7	0.8
Current non-interest bearing liabilities	1.8	2.3
Non-current non-interest bearing liabilities	13.4	15.3
Total	16.0	19.0

Summary of Groups's restructuring debt per each company

MEUR	Dec 31, 2018	Dec 31,2017
Componenta Oyj	7.8	7.8
Componenta Finland Oy	5.7	5.8
Componenta Främmestad AB	2.5	5.4
Total	16.0	19.0

Repayment schedule for external restucturing debts

MEUR	2019	2020	2021	2022	2023	2024+	Total
Componenta Oyj	0.6	0.7	0.7	0.7	5.2	-	7.8
Componenta Finland Oy	0.9	1.0	0.9	0.9	1.9	-	5.7*
Componenta Främmestad AB	0.4	0.4	0.4	0.4	0.4	0.4	2.5**
Total	1.9	2.1	2.0	2.0	7.5***	0.4	16.0

*) Componenta Finland Ltd's restructuring debts round to EUR 5.7 million.

**) The remaining Componenta Främmestad AB's debt to Componenta's former Turkish company will be paid back within a period of six years. The repayment is tied to the EBITDA of Componenta Främmestad AB.

***) The last repayment amounts of Componenta Corporation and Componenta Finland Ltd are bigger as it is assumed that the income from sale of real estate properties unrelated to the core business are used for the repayments at the end of the programme and in addition, it is including the supplementary payment obligation of EUR 3.2 million following the exclusion of loan guarantee of EUR 80 million.

27 Other short-term liabilities and accruals

MEUR	Dec 31, 2018	Dec 31, 2017
Accounts payables	4.0	4.2
Restructuring debts	1.8	2.3
Finance lease	0.2	0.5
Accruals	5.7	7.6
VAT liabilities	0.1	0.1
Other liabilities	0.8	0.6
Total	12.6	15.3

Accruals

MEUR	Dec 31, 2018	Dec 31, 2017
Personnel expenses	4.2	5.5
Other accruals	1.6	2.0
Total	5.7	7.6

28 Reconciliation of financial liabilities to cash flow statement

Componenta has prepared this reconciliation calculation, where the repayments of interest-bearing and restructuring liabilities, which totaled EUR -3,5 million (EUR 0,0 million), are presented as cash from financing activities in the cash flow statement. The non-current non-interest bearing liabilities in the consolidated statement of financial position include EUR 13.4 million (EUR 15.3 million) restructuring debts, which are presented in this reconciliation calculation.

MEUR, 2018	Non-current interest-bearing liabilities	Current interest-bearing liabilities	Total	Non-current non-interest bearing restructuring debt	Current non-intrest bearing restructuring debt	Total
1.1.	1.4	1.1	2.5	15.3	2.3	17.7
Drawdowns						
Repayments*	-0.2	-0.9	-1.0		-2.3	-2.3
Change in liabilities which does not include cash flow:						
Change in restructuring liabilities	-0.1	0.1	0.0	-2.0	1.8	-0.2
Ohter changes	0.4	0.1	0.5			
31.12.	1.5	0.5	2.0	13.4	1.8	15.2

* Repayments of interest bearing liabilities include EUR 0.6 million repayment of restructuring debt.

MEUR, 2017	Non-current interest-bearing liabilities	Current interest-bearing liabilities	Total	Non-current non-interest bearing restructuring debt	Current non-intrest bearing restructuring debt	Total
1.1.	56.6	37.9	94.5	0.0	68.9	68.9
Drawdowns	0.1		0.1			
Repayments		-0.1	-0.1			
Change in liabilities which does not include cash flow:						
Change in restructuring liabilities	-55.0	-35.9	-90.9	15.3	-66.5	-51.2
Ohter changes	-0.4	-0.8	-1.2			
31.12.*	1.4	1.1	2.5	15.3	2.3	17.7

*) Long-term interest-bearing liabilities include EUR 0.8 million restructuring debt and short-term interest-bearing liabilities include EUR 0.6 million restructuring debt.

29 Finance lease liabilities

Componenta has leases for machinery and equipment, that are classified as finance leases. The terms of leases vary case by case. Present value of minimum lease payments equals minimum lease payments deducted by present value of future financial expenses.

Maturity of finance lease liabilities

MEUR	Dec 31, 2018	Dec 31, 2017
Minimum lease payments fall due as follows:		
Not later than one year	0.2	0.5
Later than one year but not later than five years	0.4	0.6
Later than five years	-	-
Total	0.7	1.1
Future financial expenses		
Financial expenses	0.0	0.0
Minimum lease payments and financial expenses total	0.6	1.0

MEUR	Dec 31, 2018	Dec 31, 2017
Present value of minimum lease payments:		
Not later than one year	0.2	0.5
Later than one year but not later than five years	0.4	0.6
Later than five years	-	-
Total	0.6	1.0

Accounting principles

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 recognised on 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 recognised as an asset. Depreciation is made on the fixed asset over its estimated useful economic life according to the Group's depreciation policy, or if there is reasonable certainty that the ownership of the asset will not be 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 recognised 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 recognised as a financial expense. The difference between the floating interest rate agreements and the effective interest rate is recorded as a rental expense.

30 Other leases

Group as lessee

Minimum lease payment schedule for other non-cancellable leases

MEUR	Dec 31, 2018	Dec 31, 2017
Not later than one year	0.4	0.2
Later than one year but not later than five years	0.1	0.0
Later than five years	–	–
Minimum lease payments total	0.6	0.2

Other non-cancellable leases mainly comprise real estate, production equipment and car leases. The leases mature on average in 3-5 years. The 2018 income statement includes lease payments of EUR -0.8 (-0.3) million for other non-cancellable leases.

Group as lessor

The minimum lease receivable schedule for other non-cancellable leases

MEUR	Dec 31, 2018	Dec 31, 2017
Not later than one year	0.2	0.2
Later than one year but not later than five years	0.8	0.7
Minimum lease payments total	1.1	0.9

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 properties are classified, in accordance with IAS 40 Investment property.

Accounting principles

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 recognised on 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 recognised as an asset. Depreciation is made on the fixed asset over its estimated useful economic life according to the Group's depreciation policy, or if there is reasonable certainty that the ownership of the asset will not be obtained at the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful economic life.

A lease is classified as an operating lease if the lessor retains the risks and rewards incidental to ownership and if it is a question of an insignificant finance lease. Lease payments under operating lease agreements are recognised as expenses in the income statement on an accrual basis throughout the lease term.

31 Contingent liabilities

MEUR	Dec 31, 2018	Dec 31, 2017
Real-estate mortgages		
For own debts*	3.2	7.8
Business mortgages		
For own debts**	–	50.0
Pledges		
For own debts***	–	4.0
Muut vastuut	0.8	1.0

*) Figure 2017 includes real-estate mortgages given as security for customer pre-payments programme and for pension loans.
**) Figure 2017 includes a business mortgage of EUR 50 million given as security for customer pre-payments programme.
***) Figure 2017 includes a share pledge of EUR 4 million given as security for customer pre-payments programme.

Secured liabilities

MEUR	Dec 31, 2018	Dec 31, 2017
Liabilities secured with real estate or business mortgages		
Pension loans	0.7	0.7
Customer pre-payments	–	0.1
Total	0.7	0.8

32 Related party disclosures

Group companies (control) 31.12.2018

Company	Domicile	Group share of holding, %	Parent company share of holding, %
Componenta Finland Oy	Karkkila, Finland	100.0	100
Componenta Främmestad AB	Essunga, Sweden	100.0	–
Componenta Karkkilan Palvelut Oy	Karkkila, Finland	100.0	100
Karkkilan Valimokiinteistö Oy	Karkkila, Finland	100.0	–
Oy Högfors-Ruukki Ab	Karkkila, Finland	100.0	100
Pietarsaaren Vanha Valimo Oy	Pietarsaari, Finland	100.0	–

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

Jan 1 – Dec 31, 2018, EUR	Salaries, fees & fringe benefits	Voluntary pension benefits	Share-based payments	Total
Board of Directors	125,000	–	–	125,000
President and CEO Harri Suutari	260,330	–	1,086	261,416
Other members of CET *	462,432	–	2,734	465,166
Total	847,762	–	3,820	851,582

*) Includes fees and salaries for members of CET of continued operations

Jan 1 – Dec 31, 2017, EUR	Salaries, fees & fringe benefits	Voluntary pension benefits	Share-based payments	Total
Board of Directors	125,000	–	–	125,000
President and CEO Harri Suutari	310,529	–	–	310,529
Other members of CET *	702,164	–	–	702,164
Total	1,137,693	–	–	1,137,693

*) Includes fees and salaries for members of CET of continued operations

Remuneration of the Board of Directors and executive management

Remuneration and fees, 1,000 EUR	Jan 1 – Dec 31, 2018	Jan 1 – Dec 31, 2017
President and CEO Harri Suutari	261	311
Members of Board of Directors		
Petteri Walldén	50	50
Asko Nevala	25	–
Tommi Salunen	–	25
Olli Isotalo	25	25
Anne Leskelä	25	25
Total, Board of Directors	125	125

All additional pension agreements have been reversed in 2017. The retirement age of the President and CEO is 63 years.

Other related party disclosures

Loan receivables from related parties at the end of the reporting period was totalling EUR 0.0 (0.0) million.

33 Events after end of period

On 14 March 2019, Componenta announced that Componenta Corporation's company in Sweden that provides machining and painting services, Componenta Främmestad AB, will decrease its business operations and has commenced measures to reduce its personnel. A workforce reduction announcement was submitted to the labour authorities of Sweden on 28 February 2019 in preparation for the redundancy of more than a hundred persons. The number of employees made redundant cannot yet be confirmed at this stage. Componenta Främmestad AB employs approximately 200 persons plus approximately 35 agency contract workers. The profitability of Componenta Främmestad AB's business operations has been chronically poor, and the company has been unable to materially improve it. Losing the foundry in Turkey to outside the Group materially reduced the strategic importance of the Swedish business operations for Componenta Group. Componenta Främmestad AB primarily supplies, machines and paints the products of the Turkish foundry company that used to belong to Componenta Group and was sold in 2017. Part of the foundering will be sent to Främmestad from the Pori foundry in Finland. These deliveries represent approximately 40% of the volumes of the unit in Pori. As a result of this, adjustment measures are also planned at the Pori foundry. The Pori foundry employs approximately 205 persons. Componenta has tried to improve the profitability of its business operations in Sweden by renewing customer contracts. However, the negotiations have not led to the desired result, and because of this, Componenta has been forced to terminate some important customerships of Componenta Främmestad AB as unprofitable. The effects of events after end of period have been recorded according to IAS 10 Events after the reporting period.

Parent company financial statements

Parent company income statement, balance sheet and cash flow statement (according to Finnish Accounting Standards)

Parent company income statement

TEUR	Note	Jan 1 – Dec 31, 2018	Jan 1 – Dec 31, 2017
NET SALES	1	3,550.7	4,533.3
Other operating income	2	401.0	3,904.1
Operating expenses	3, 4, 5	–2,904.3	–4,074.3
Depreciation, amortization and write-down of non-current assets	6	–159.8	–421.1
OPERATING RESULT		887.6	3,942.0
Financial income and expenses in total	7	124.7	112,653.8
RESULT AFTER FINANCIAL ITEMS		1,012.2	116,595.8
Appropriations		–	–
RESULT AFTER APPROPRIATIONS		1,012.2	116,595.8
Income taxes		–	–
RESULT FOR THE FINANCIAL PERIOD		1,012.2	116,595.8

Parent company balance sheet

TEUR	Note	Dec 31, 2018	Dec 31, 2017
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	8	**105.2**	173.3
Tangible assets	9	**56.0**	58.2
Investments	10	**12,442.7**	13,345.9
Non-current assets, total		**12,603.9**	13,577.4
CURRENT ASSETS			
Non-current receivables	11	**7,594.1**	7,973.1
Current receivables	11	**1,904.9**	1,651.7
Cash and bank accounts		**3,036.2**	1,499.1
Current assets, total		**12,535.3**	11,123.9
TOTAL ASSETS		**25,139.2**	24,701.4

TEUR	Note	Dec 31, 2018	Dec 31, 2017
LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY	12		
Share capital		**1,000.0**	1,000.0
Unrestricted equity reserve		**366.0**	366.0
Retained earnings		**13,864.5**	-102,731.4
Result for the financial period		**1,012.2**	116,595.8
Shareholders' equity		**16,242.7**	15,230.5
LIABILITIES			
Non-current liabilities	13, 14	**7,549.7**	8,230.0
Current liabilities	13, 14	**1,346.9**	1,240.9
Liabilities		**8,896.6**	9,470.9
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**25,139.2**	24,701.4

Parent company cash flow statement

TEUR	Jan 1–Dec 31, 2018	Jan 1–Dec 31, 2017
CASH FLOW FROM OPERATIONS		
Result after financial items	1,012	116,596
Depreciations according to plan	160	421
Write-downs of non-current assets	–	0
Other income and expenses, non-cash items	–	-2,729
Selling profit of non-current assets	–	47
Financial income and expenses	-125	-112,654
Cash flow before changes in working capital	1,047	1,645
Changes in working capital		
Current non-interest bearing receivables increase (-)/decrease (+)	-253	859
Inventories, increase (-)/decrease (+)	0	0
Current non-interest bearing liabilities increase (+)/decrease (-)	-567	-1,605
Cash flow from operating activities before financial items and taxes	227	899
Interest and payments paid from other financial expenses of operations	–	-29
Dividends received from operations	56	–
Interest received from operations	199	285
Paid income taxes	–	–
CASH FLOW FROM OPERATING ACTIVITIES (A)	483	1,155

TEUR	Jan 1–Dec 31, 2018	Jan 1–Dec 31, 2017
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure in tangible and intangible assets	-89	0
Proceeds from current and non-current assets	765	0
Investments in shares of subsidiary companies	–	–
Other investments	–	–
Loans receivables, decrease (+) / increase (-)	379	55
Proceeds from shares of associated companies	–	–
Proceeds from sale of investments	–	0
CASH FLOW FROM INVESTING ACTIVITIES (B)	1,054	55
CASH FLOW FROM FINANCING ACTIVITIES		
Draw-downs (+) and repayments (-) of current loans	–	–
Draw-downs (+) and repayments (-) of non-current loans	–	–
CASH FLOW FROM FINANCING ACTIVITIES (C)	–	–
CHANGE IN LIQUID ASSETS (A + B +C) increase (+)/decrease (-)	1,537	1,210
Cash and bank accounts at the beginning of the period	1,499	289
Cash and bank accounts at period end	3,036	1,499
Change during the period	1,537	1,210

Componenta Corporation

Accounting principles for the financial statements

The financial statements for Componenta Corporation have been prepared in accordance with the laws and regulations governing the preparation of the financial statements in Finland. The Financial statements have been prepared for the period between January 1 and December 31, 2018.

Corporate restructuring proceedings and ability to continue as a going concern

During 2016 the company implemented financial solutions described in the financial statements for 2016 and the Group also sold non-core business operations during 2016. Despite these measures the company's liquidity remained tight, and as a result of this weak liquidity the company was no longer able to meet all its financial obligations as they fell due. In consequence of this, on 1 September 2016 the company filed an application to begin corporate restructuring proceedings. In Finland the District Court of Helsinki issued its decision regarding the commencement of the restructuring proceedings in respect of Componenta Corporation on 30 September 2016. The District Court of Helsinki confirmed the restructuring programme on 23 August 2017.

At the end of the reporting period Componenta Corporation's restructuring debts were EUR 8.2 million, which are at the same time unsecured debts. EUR 0.4 million of these debts are to group companies and EUR 7.8 million are to third parties. The unsecured debts of Componenta Corporation were cut by 94% and the debts with lowest priority were cut in their entirety in the restructuring programmes. The payment programme for unsecured debts will commence in May 2019 and end in November 2023.

The financial statements for the financial year 2018 have been prepared on the going concern basis and it is assumed that Componenta Corporation can, during the foreseeable future, realize its assets and pay back its liabilities as part of normal operations within the framework of the restructuring programmes. When assessing the ability to continue as a going concern, Componenta Corporation's management has considered the uncertainties and risks related to the confirmed restructuring programmes, available funding sources and the cash flow estimates for the next 12 months of the companies under restructuring proceedings. The company's' liquidity and financial performance as well as the success of the restructuring programme and financing transactions are affected by the material uncertainty, which the management has considered when assessing the company's ability to continue as a going concern. It is important that the subsidiaries' restructuring programmes are successful, because the main sources of income for Componenta Corporation consist of Trade mark license fee and management fee charges from its subsidiaries. It is possible that the restructuring programmes are unsuccessful, and the Company will have to file for bankruptcy.

The content and implementation of restructuring programme is presented in more detail in the consolidated financial statement.

Foreign currency transactions

Business transactions in foreign currencies are recognized at the exchange rate on the date of the transaction. 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.

Positive and negative fair values for exchange rate differences for foreign exchange derivatives are recognized on the closing date in the income statement. The fair values of foreign exchange derivatives presented in the notes also include the fair values of interest rate differences. Due to the missing limits the company had no open derivative contracts at the end of the reporting period.

Revenue recognition

The main sources of income for Componenta Corporations are Trade Mark License Fee- and Service Fee- charges from its subsidiaries. Sales of services are recognized as sales when the services have been rendered or when the work is being carried out.

Pensions

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

Leases

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.

Income taxes

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

Non-current assets and depreciation

Intangible and tangible assets are recorded in the balance sheet at their historical cost less planned depreciation. 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
IT equipment	3 – 10 years
Other machinery and equipment	0 – 25 years
Other tangible assets	5 – 10 years

Capital expenditure on non-current assets are measured at cost, or fair value in case the fair value is less than cost. Capital expenditure on non-current assets include shares in subsidiaries and other shares and investments.

Valuation principles for investments in subsidiaries and receivables from subsidiaries

The Finnish subsidiary Componenta Finland Ltd and its wholly-owned Swedish subsidiaries, Componenta Främmestad AB, Componenta Wirsbo AB and Componenta Arvika AB filed for corporate restructuring in accordance with local restructuring proceedings in 2016. Componenta Wirsbo AB and Componenta Arvika AB filed for bankruptcy at the local district courts in July, 2017. The companies failed to obtain financing for the payment of their restructuring debts. Significant uncertainty relates to the cash generating ability of the subsidiaries of Componenta Corporation and to their ability to pay their debts and, in accordance with the prudence concept, a reduction in value as prescribed in article 13 of chapter 5 of the Finnish Accounting Act has been applied to investments in these companies and to receivables from them.

Cash and cash equivalents

Cash and cash equivalents include cash in-hand and bank account balances.

Share-based payments

Componenta has two share-based incentive plans for the Corporate Executive Team and the company key employees, a Stock Option Plan and a Restricted Share Plan. Pursuant to the share ownership plans, the reward to the management will be settled as a combination of shares and cash when the criteria set in the terms and conditions for the plan are met. The key employee's valid employment or service and the continuation of work during the vesting period are key conditions.

The reward from the Restricted Share Plan will be based on the key employee's valid employment or service and the continuation of work during the vesting period. The rewards to be paid based on the incentive plan correspond to the value of shares including also the proportion to be paid in cash. At each statement of financial position date, the company revises its estimates of the number of shares, of the share-based incentive plan, that are expected to be distributed. The expense will be recognized over the vesting period. This estimate will be revised at each consolidated statement of financial position date and the impact of the revision of original estimates will be recognized in the statement of income.

Notes to the income statement

1 Net sales by market area

TEUR	Jan 1–Dec 31, 2018	Jan 1–Dec 31, 2017
Finland	1,771.0	2,731.4
Other Nordic countries	1,723.0	1,683.9
North America	0	0
Central Europe	8.8	19.6
Other countries	47.9	98.4
Net sales total	3,550.7	4,533.3

2 Other operating income

TEUR	Jan 1–Dec 31, 2018	Jan 1–Dec 31, 2017
Rental income	277.8	384.3
Sales gains of fixed assets	40.3	0.0
Other operating income	83.0	3,519.7
Other operating income total	401.0	3,904.1

3 Personnel expenses

TEUR	Jan 1–Dec 31, 2018	Jan 1–Dec 31, 2017
Salaries and fees	-962.6	-1,566.7
Pension costs	-58.2	-255.2
Other personnel costs	-10.4	-45.6
Total	-1,031.1	-1,867.5

Salaries and other remuneration of the Corporate Executive Team	-516.1	-1,046.5
Fringe benefits of the Corporate Executive Team	-0.4	-3.1

Additional pension agreements, see the consolidated financial statements, note 32.

Average number of personnel	12	22

4 Other operating expenses

TEUR	Jan 1–Dec 31, 2018	Jan 1–Dec 31, 2017
Rents		
Other operating expenses	-265.5	-488.7
Other operating expenses total	-1,607.7	-1,718.1
Total	-1,873.2	-2,206.8

5 Audit fees

TEUR	Jan 1–Dec 31, 2018	Jan 1–Dec 31, 2017
Audit fees	-92.1	-113.6
Other fees	-32.5	-90.6
Total fees paid to auditors	-124.6	-204.2

6 Depreciations and write-downs

TEUR	Jan 1–Dec 31, 2018	Jan 1–Dec 31, 2017
Intangible assets		
Other long-term expenditure	-146.5	-337.1
Tangible assets		
Machinery and equipment	-13.3	-14.1
Other tangible assets	0.0	-70.0
Total depreciation and write-downs	-159.8	-421.1

7 Financial income and expenses

TEUR	Jan 1–Dec 31, 2018	Jan 1–Dec 31, 2017
Income from other investments held as non-current assets		
Dividend income		
From group companies	65.8	–
Total	65.8	–
Interest and other finance income		
Group companies	198.3	11,273.0
Others	218.9	113,854.6
Total	417.2	125,127.6
Interest and other finance expenses		
Group companies	0.0	-7.7
Others	-355.8	-10,639.9
Total	-355.8	-10,647.6
Write-downs on investments of non-current assets*	-2.5	-930.2
Write downs of current asset investments **	0.0	-896.0
Financial income and expenses, total	124.7	112,653.8
Financial income and expenses include exchange gains/losses (net)		
Group companies	-12.7	-6.3
Others	1.3	-1.0
Total	-11.4	-7.3

*) The comparison period includes significant write downs of group company shares and convertible loans.

**) The comparison period includes significant write downs of loans granted to group companies.

The District Court of Helsinki confirmed the restructuring programmes for Componenta Corporation on 23 August 2017. The unsecured debts of Componenta Corporation were cut by approximately 94% and the debts with lowest priority were cut in their entirety. The impact on the result from the debt cuts of Componenta Corporation has been recorded in the third quarter of 2017. The financial income and expenses include debt cuts in accordance with the restructuring decision in total EUR 114.2 million. The payment programme of the restructuring programme will commence in May 2019 and end in November 2023.

Notes to the balance sheet

Non-current assets

8 Intangible assets

TEUR	2018	2017
Other long-term expenditure		
Acquisition cost on Jan 1	5,009.7	5,009.7
Additions	78.3	0.0
Transferred with business acquisition	–	–
Re-classifications	–	–
Acquisition cost on Dec 31	5,088.0	5,009.7
Accumulated planned amortization on Jan 1	-4,836.4	-4,499.3
Accumulated depreciation of divested business	–	–
Amortization during the period	-146.5	-337.1
Accumulated amortization on Dec 31	-4,982.8	-4,836.4
Book value on Dec 31	105.2	173.3
TOTAL INTANGIBLE ASSETS	105.2	173.3

9 Tangible assets

TEUR	2018	2017
Machinery and equipment		
Acquisition cost on Jan 1	1,001.9	1,002.3
Additions	11.1	0.0
Disposals	–	-0.4
Transferred with business acquisition	–	–
Acquisition cost on Dec 31	1,013.0	1,001.9
Accumulated planned depreciation on Jan 1	-959.7	-945.6
Depreciation during the period	-13.3	-14.1
Accumulated depreciation on business acquisition	–	–
Accumulated depreciation on Dec 31	-973.0	-959.7
Book value on Dec 31	40.0	42.2
Other tangible assets		
Acquisition cost on Jan 1	86.0	168.7
Disposals	–	-82.7
Acquisition cost on Dec 31	86.0	86.0
Accumulated planned depreciation on Jan 1	-70.0	0.0
Depreciation during the period	–	-70.0
Accumulated depreciation on Dec 31	-70.0	-70.0
Book value on Dec 31	16.0	16.0
TOTAL TANGIBLE ASSETS	56.0	58.2

10 Investments

TEUR	2018	2017
Shares in group companies		
Acquisition cost on Jan 1	338,187.3	338,187.3
Additions	–	–
Disposals	-849.3	0.0
Acquisition cost on Dec 31	337,338.0	338,187.3
Accumulated write-downs on Jan 1	-324,892.7	-323,962.6
Write-downs during the period	-2.6	-930.2
Accumulated write-downs on Dec 31	-324,895.3	-324,892.7
Book value on Dec 31	12,442.7	13,294.6
Other shares		
Acquisition cost on Jan 1	4.2	671.0
Additions	–	–
Write-downs during the period	-4.2	–
Acquisition cost on Dec 31	0.0	671.0
Accumulated write-downs on Jan 1	0.0	-666.7
Write-downs during the period	–	–
Book value on Dec 31	0.0	4.2
Capital note investments in group companies		
Acquisition cost on Jan 1	47.1	0.0
Additions	–	47.1
Write-downs during the period	-47.1	0.0
Acquisition cost on Dec 31	0.0	47.1
INVESTMENTS TOTAL	12,442.7	13,345.9

CURRENT ASSETS

11 Receivables

TEUR	Dec 31, 2018	Dec 31, 2017
Non-current receivables		
Loan receivables from group companies	**7,594.1**	7,973.1
Total non-current receivables	**7,594.1**	7,973.1
Lyhytaikaiset saamiset		
Receivables from group companies		
Accounts receivables	**1,456.3**	635.7
Loan receivables	**1.3**	243.3
Other receivables	**126.2**	359.2
Prepayments and accrued income	**97.6**	161.2
Total	**1,681.3**	1,399.4
Current receivables		
Accounts receivables	**37.2**	30.8
Loan receivables	**8.6**	12.1
Other receivables	**99.2**	89.9
Prepayments and accrued income	**78.6**	119.4
Total	**223.7**	252.3
Total current receivables	**1,904.9**	1,651.7

TEUR	Dec 31, 2018	Dec 31, 2017
Prepayments and accrued income		
Interest receivables	**90.3**	153.9
Insurance payments	**43.7**	106.4
Rents	**0.0**	2.1
Others	**42.2**	18.3
Total	**176.2**	280.6

12 Shareholders' equity

2018, TEUR	Share capital	Share premium reserve	Reserve fund	Unrestricted equity reserve	Retained earnings	Result for the financial period	Total
Shareholders' equity on Jan 1	1,000.0	0.0	0.0	366.0	-102,731.4	116,595.8	15,230.5
Reclassifications					116,595.8	-116,595.8	0.0
Result for the financial period						1,012.2	1,012.2
Shareholders' equity on Dec 31	1,000.0	0.0	0.0	366.0	13,864.5	1,012.2	16,242.7

2017, TEUR	Share capital	Share premium reserve	Reserve fund	Unrestricted equity reserve	Retained earnings	Result for the financial period	Total
Shareholders' equity on Jan 1	21,891.4	15,114.5	5.0	197,477.0	-99,922.5	-236,496.7	-101,931.4
Reduction of share capital	-20,891.4				20,891.4		0.0
Additions and share issue				566.0			566.0
Reclassifications					-236,496.7	236,496.7	0.0
Loss settlement		-15,114.5	-5.0	-197,677.0	212,796.4		0.0
Result for the financial period						116,595.8	116,595.8
Shareholders' equity on Dec 31	1,000.0	0.0	0.0	366.0	-102,731.4	116,595.8	15,230.5

Calculation of distributable equity

TEUR	Dec 31, 2018	Dec 31, 2017
Retained earnings	13,864.5	-102,731.4
Unrestricted equity reserve	366.0	366.0
Result for the financial period	1,012.2	116,595.8
Total	15,242.7	14,230.5

Persuant to Chapter 9 Section 58 of the Restructuring of Enterprises Act it is forbidden to pay dividend between confirmation and end of the restructuring programme. The restructuring programme is expected to continue until 2023. Also, pursuant to Chapter 14 Section 2 of the Limited Liability Company Act, the company may not distribute the unrestricted equity to the shareholders during three years, since the company has reduced the share capital for loss settlement.

13 Liabilities

TEUR	Dec 31, 2018	Dec 31, 2017
Interest bearing liabilities	–	–
Non-interest bearing liabilities	8,896.6	9,470.9
Total	8,896.6	9,470.9
Non-current interest bearing liabilities		
Liabilities to group companies	361.1	449.2
Other non-current interest bearing liabilities	–	–
Other non-current interest free liabilities	7,188.6	7,780.8
Non-current interest bearing liabilities total	7,549.7	8,230.0
Non-current liabilities fall due as follows		
Not later than one year	0.0	0.0
Later than one year but not later than five years	7,549.7	3,016.8
Later than five years	–	5,213.2
Total	7,549.7	8,230.0
Liabilities to group companies		
Accounts payables	1.8	17.7
Accrued expenses and deferred income	0.0	0.0
Total	1.8	17.7
Liabilities to others		
Accounts payables	157.7	187.8
Other current liabilities	767.5	108.9
Accrued expenses and deferred income	419.9	926.5
Total	1,345.0	1,223.2
Current non-interest bearing liabilities total	1,346.9	1,240.9
CURRENT LIABILITIES TOTAL	1,346.9	1,240.9

TEUR	Dec 31, 2018	Dec 31, 2017
Accrued expenses and deferred income		
Annual salaries with social security	177.2	143.6
Exchange rate losses	35.6	294.6
Pensions	20.5	79.5
Parent company's liability towards National Emergency Supply Organisation	116.5	349.5
Others	70.0	59.2
Total	419.9	926.5
TOTAL LIABILITIES	8,896.6	9,470.9

14 Restructuring debt included in the balance sheet

TEUR	Dec 31, 2018	Dec 31, 2017
Non-current non-interest bearing liabilities		
Loans to group companies	354.0	439.3
Loans to third parties	7,023.7	7,590.3
Accounts payables to group companies	7.1	9.9
Accounts payables to third parties	164.9	190.6
Total	7,549.7	8,230.0
Current non-interest bearing liabilities		
Accounts payables to group companies	1.2	–
Accounts payables to third party	27.2	–
Accrued expenses to group companies	0.0	–
Accrued expenses to third party	0.0	–
Loans to group companies	59.1	–
Other liabilities to third party	583.3	–
Total	670.8	–
Restructuring debt total	8,220.5	8,230.0

15 Secured liabilities, contingent liabilities and other commitments

TEUR	Dec 31, 2018	Dec 31, 2017
Guarantees		
On behalf of group companies	18.0	18.0
Total	18.0	18.0
Other commitments		
Future payments of the lease liabilities		
Not later than one year	59.0	69.7
Later than one year	19.1	17.4
Total	78.1	87.1
Other commitments on behalf of group companies	341.0	533.6
Other commitments	342.1	359.4

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 80,929,806.28 (EUR 86,825,724.27). The related deferred tax receivables of these losses are EUR 16,185,961.26 (EUR 17,365,144.85).

Signatures for the financial statement and board of directors' report

Helsinki, April 11, 2019

Petteri Walldén
Chairman of the Board

Olli Isotalo
Vice Chairman of the Board

Anne Leskelä
Member of the Board

Asko Nevala
Member of the Board

Harri Suutari
CEO

The auditor's note

Our auditors' report has been issued today.

Helsinki, April 12, 2019

PricewaterhouseCoopers Oy
Authorised Public Accountants

Samuli Perälä
Authorised Public Accountant

Auditor's Report

(Translation of the Finnish Original)

To the Annual General Meeting of Componenta Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion

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

Our opinion is consistent with the additional report to the Board of Directors.

What we have audited

We have audited the financial statements of Componenta Oyj (business identity code 1635451-6) for the year ended 31 December 2018. The financial statements comprise:

- the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement and notes, including a summary of significant accounting policies

- the parent company's balance sheet, income statement, cash flow statement and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.
To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 6 to the Financial Statements.

Material uncertainties related to going concern

We draw attention to the accounting principles of the consolidated financial statements and of the financial statements of the parent company, which describe the status and progress of the corporate restructuring proceedings of the group companies and their ability to continue as a going concern.

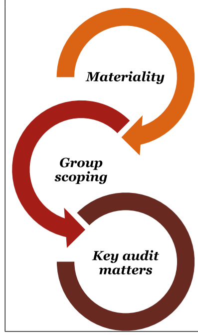
The Board of Directors and Management of Componenta Group have assessed the company's ability to continue as going concern taking into consideration the company's liquidity situation and the impact of the restructuring proceedings to the financial position and cash flows of the group and group companies. The Board of Directors and Management assessed that the liquidity situation, the financial performance of the group companies as well as the success of the restructuring programmes and the financing transactions are affected by significant uncertainty factors. The Board of Directors and Management conclude that the cash flow forecasts and financing of group companies under restructuring programmes include significant estimates and assumptions as well as uncertainties. Significant estimates and assumptions and uncertainties related to the ability to continue as a going concern are described in the accounting principles of the consolidated financial statements.

The Board of Directors and Management consider that the company can, within the foreseeable future, realize its assets and pay back its liabilities as part of normal business operations within the framework of the restructuring programmes. As such, the Board of Directors and Management believe that going concern basis of presentation in the consolidated and parent company financial statements is appropriate. In our opinion, the success of the restructuring programmes as well as the outcome of the cash flow forecasts are such uncertainties that may cast significant doubt on the Componenta Group's and its subsidiaries' ability to continue as a going concern.

Our opinion is not qualified in respect of this matter.

Our Audit Approach

Overview

	• Overall group materiality: € 1 200 000 euros
	• Audit scope: The group audit scope has included the parent company and its subsidiaries in Finland and Sweden.
	Key Audit Matters in the audit of the financial statements in the current period • Timing of revenue recognition • Valuation of assets taking into consideration the corporate restructuring proceedings and reorganisation of the business operations • The effect of the corporate restructuring proceedings and reorganising of the business operations to the parent company's financial statements

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

Materiality

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

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

Overall group materiality	1 200 000 euros (previous year 1 200 000 euros)
How we determined it	Overall group materiality is determined as a percentage of the group's FY2018 net sales.
Rationale for the materiality benchmark applied	We chose net sales as the benchmark because, in our view, it is the appropriate benchmark, which the users of the financial statements regularly use to evaluate the performance of the group.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates. The scope included the parent company and its subsidiaries in Finland and Sweden.

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

Key Audit Matters

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

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

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

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Timing of revenue recognition **Refer to Note 1 of the consolidated financial statements** Componenta's revenue consist of sale of goods and services. The main sales products are non-machined, machined and painted iron cast components. Products sold to customers are recognized when disposed, that is the moment when the customer assumes control of the goods. The timing of revenue recognition has been considered a key audit matter in the auditing of the consolidated financial statements due to the significance of revenue to the financial statements.	Our audit procedures included for example the following procedures: – Evaluation of internal control activities over revenue recognition and testing of key controls. – Analysis of significant sales contracts to test correct accounting treatment. – Testing timeliness of revenue recognition by comparing individual sales transactions to delivery documents and by checking significant credit notes issued after year-end. – Analysis of revenue transactions using data analysis techniques. – Testing of accounts receivables by requesting confirmations from the company's customers and by reconciling cash payments received after the year end against the accounts receivable balances at the year end.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Valuation of assets taking into consideration the corporate restructuring proceedings and reorganisation of the business operations **Refer to accounting principles and Note 13 of the consolidated financial statements** The Componenta Group's parent company Componenta Corporation and its Swedish subsidiary Componenta Främmestad AB and Finnish subsidiary Componenta Finland Oy are under corporate restructuring programmes. The uncertainties described in section "Material uncertainties related to going concern" cast significant doubt on the group's ability to continue as a going concern. The Board of Directors and Management have used significant judgment in assessing the effect of above mentioned matters in valuation of assets. For this reason the valuation of assets taking into consideration the corporate restructuring proceedings and reorganising of the business operations are considered a key audit matter in the group audit.	Our audit procedures included for example the following procedures: – We updated our perception of the contents of the corporate restructuring proceedings and progress. – We discussed with the management and examined the matters discussed by the board of directors related to reorganization of the business operations. – We assessed cash flow analysis prepared by management and reviewed by the board of directors used as a basis of valuation of assets. – We assessed the management´s estimates related to valuation of properties.

Key audit matter in the audit of the parent company	How our audit addressed the key audit matter
The effect of the corporate restructuring proceedings and reorganising of the business operations to the parent company's financial statements **Refer to the accounting principles of the consolidated financial statements and the parent company's financial statements** The Componenta Corporation's Swedish subsidiary Componenta Främmestad AB and the Finnish subsidiary Componenta Finland Oy are under corporate restructuring programmes. The assets on Componenta Corporation's balance sheet consist to a large extent of subsidiary shares and loan receivables from subsidiaries. Management have used significant judgment in assessing the valuation of subsidiary shares and loan receivables. When making the assessment the Management have considered among other things the effect of the parent company's and subsidiaries' restructuring proceedings and their ability to continue as a going concern. The Management have used significant judgment and estimations of future development in assessing the effect of above mentioned matters in Componenta Corporations financial statements. For this reason this matter is considered a key audit matters in the audit of the parent company.	Our audit procedures included for example the following procedures: – We have updated our perception of the contents of the corporate restructuring proceedings and progress. – We read the analyses of alternative outcomes of restructuring programmes and reorganisations of business prepared by management and approved by the board of directors. – We assessed cash flow analysis prepared by management used as a basis of valuation of certain assets. – We assessed the management´s estimates related to valuation of properties.
We have not identified significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.	

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment

We were first appointed as auditors by the annual general meeting on 28 February 2011.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Review, but does not include the financial statements and our auditor's report thereon.

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

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

In our opinion

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

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

Helsinki 12 April 2019

PricewaterhouseCoopers Oy
Authorised Public Accountants

Samuli Perälä
Authorised Public Accountant (KHT)

Information for shareholders

Annual General Meeting

The Annual General Meeting of Shareholders of Componenta Corporation will be held at Messukeskus Helsinki meeting room 201, at address Messuaukio 1, 00520 Helsinki on Thursday 16 May 2019 at 13.00 EET. Notice of the annual general meeting has been published in a separate stock exchange release.

Right to participate

Shareholders who are registered on the record date for the Annual General Meeting, 6 May 2019, in the company's shareholder register maintained by Euroclear Finland Oy are entitled to participate in the AGM.

Notice of attendance

Shareholders registered in the shareholder register who wish to participate in the AGM shall give notice of their attendance by 16.00 EET on 13 May 2019 (nominee registered shares by 10.00 EET), by email to ir.componenta@componenta.com, by telephone between 9 am to 4 pm to +358 10 403 2202, or in writing to Componenta Corporation/ Pia Juntunen, Teknobulevardi 7, FI-01530 Vantaa, Finland. Letters or messages with notice of attendance must arrive before the close of the period for giving notice.

Dividend and dividend policy

The Board of Directors proposes to the Annual General Meeting that no dividend will be distributed for the fiscal year 1 January – 31 December 2018.

Financial information in 2019

Business Review for January – March 2019 on Thursday 16 May 2019

Half-Year Financial Report for January – June 2019 on Friday 2 August 2019

Business Review for January – September 2019 on Friday 15 November 2019

Componenta's publications and releases are available on Componenta's website immediately after publication.

Componenta's 2018 Annual Review has been created as an interactive pdf and is available on Componenta's website at www.componenta.com. Previous annual reports, sustainability reports and interim reports are also available on the company's website. A printed version of a publication can be ordered by email from ir.componenta@componenta.com.

All releases published by Componenta can be ordered in e-mail on the company website.

All Componenta's financial publications are in Finnish and English.

Investor relations and contact details

Our goal is to provide comprehensive information about Componenta, its business environment and financial standing in support of investment decisions.

Before publishing the financial statements releases and interim reports we observe a 30 day silent period, when we do not hold meetings with investors or comment on financial performance.

Componenta serves investors and shareholders by email at ir.componenta@componenta.com.

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