Annual review
2019

COMPONENTA

Contents

Componenta in brief

Componenta is the leading manufacturer of metal components in Finland. We specialize in supplying cast and machined components, as well as forged blanks, hydraulic pipes and plate cuttings, to our customers who are local and global manufacturers of vehicles, machines and equipment. We provide a one-stop-shop service and support our customers through the whole process from design and engineering to production and deliveries.

Componenta has foundries in Pori and Karkkila, machining services in Jyväskylä, Härmä, Kurikka and Sastamala, and material services (plate cuttings, hydraulic pipes and forged blanks) in Jyväskylä and Leppävesi in Finland.

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

Net sales (continued operations)
MEUR 50.7

Distribution of net sales by customer segment

Machine building	39%
Agricultural machinery	25%
Forestry machines	10%
Energy industry	12%
Defence industry	3%
Other industries	11%

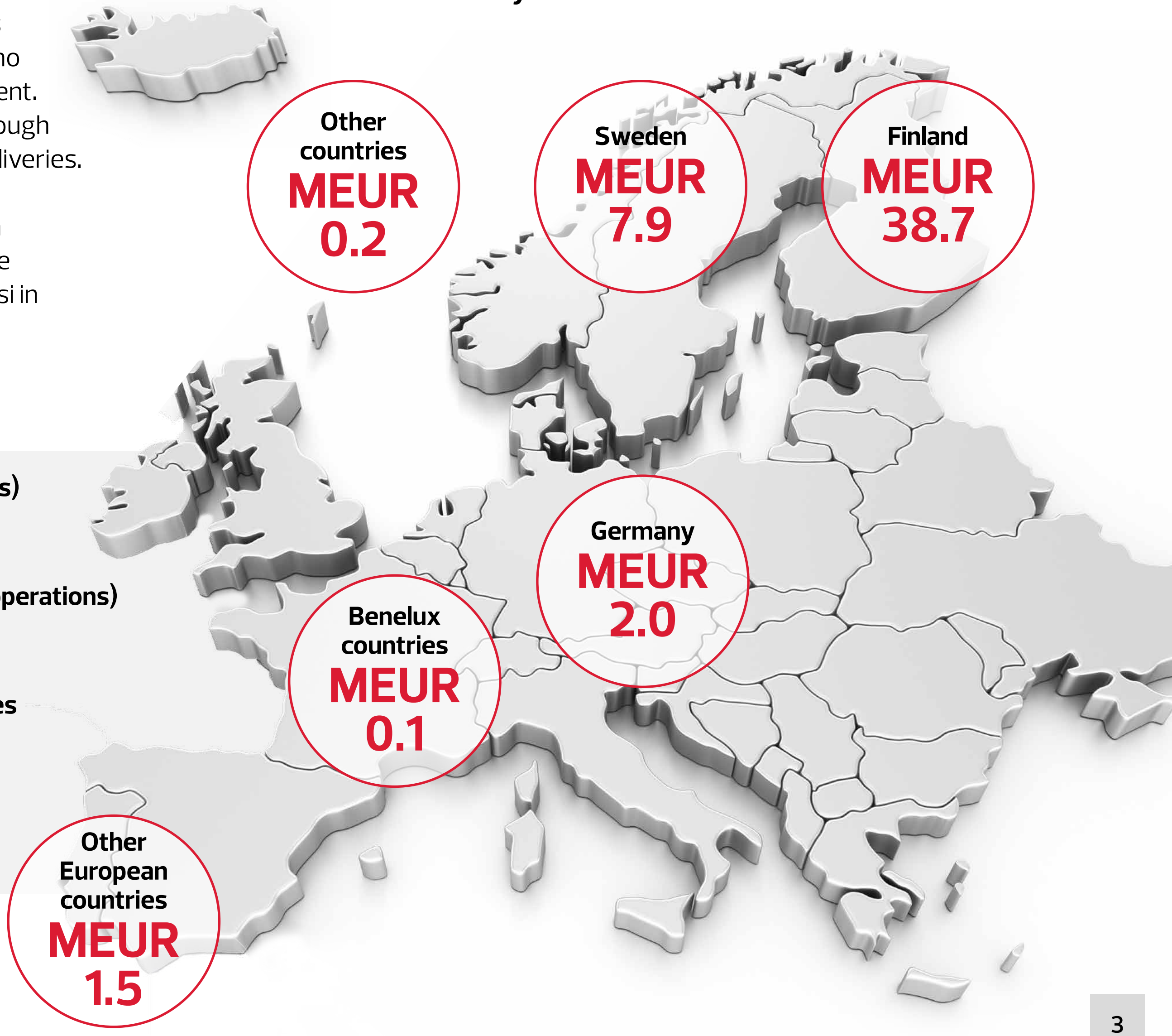
EBITDA (continued operations)
MEUR 1.6

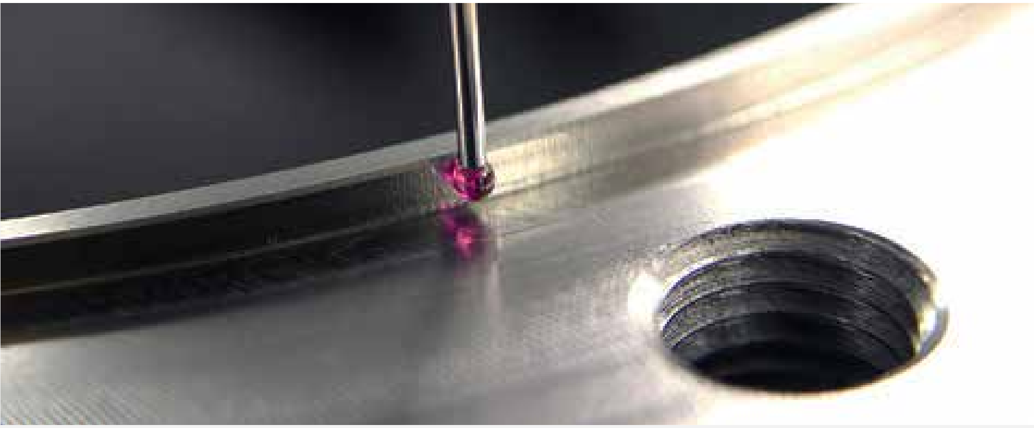
Operating result (continued operations)
MEUR –1.7

Average number of employees
~510

Order book
MEUR 9.0

Net sales by market area in 2019





Year 2019 in brief

- Net sales of continued operations increased from the previous year but EBITDA weakened. Cash flow from operating activities strengthened. The Group's liquidity remained good.
- In August 2019, Componenta acquired the machining company Komas Oy (currently Componenta Manufacturing Oy). This acquisition made Componenta the leading manufacturer of metal components in Finland.
- Despite our efforts we were not able to make the operations of Componenta Främmestad AB in Sweden permanently profitable. At the end of September 2019, Componenta Främmestad AB filed for bankruptcy.
- The implementation of restructuring programmes has progressed as planned. We paid EUR 1.6 million of external restructing debts.

Key figures

Key figures	2019	2018	Change
Net sales, continued operations, MEUR	**50.7**	39.3	29.0%
EBITDA, continued operations, MEUR	**1.6**	3.2	-50.2%
Operating result, continued operations, MEUR	**-1.7**	1.0	-274.7%
Operating result, continued operations, %	**-3.3**	2.4	-235.4%
Result after financial items, continued operations, MEUR	**-2.1**	0.9	-322.9%
Net result, continued operations, MEUR	**-2.1**	0.9	-321.8%
Net result, including discontinued operations, MEUR	**14.6**	1.0	1,295.6%
Basic earnings per share, EUR	**0.08**	0.01	1,278.7%
Diluted earnings per share, EUR	**0.07**	0.01	660.1%
Cash flow from operating activities, continued operations, MEUR	**4.1**	1.3	211.5%
Interest-bearing net debt, MEUR	**8.7**	-3.4	359.8%
Return on equity, %	**83.0**	5.6	1,392.5%
Return on investment, %	**3.2**	6.0	-47.1%
Equity ratio, %	**29.4**	39.3	-25.2%
Gross investments incl. lease liabilities, continued operations, MEUR	**2.8**	1.1	155.1%
Group's restructing debt, MEUR	**12.3**	16.0	-23.2%
Number of personnel at the end of the period, incl. leased workers, continued operations	**617**	439	40.5%
Average number of personnel during the period, incl. leased workers, continued operations	**508**	473	7.4%
Order book at the end of the review period, continued operations, MEUR	**9.0**	5.8	56.0%

CEO's review

In 2019, Componenta became the leading manufacturer of metal components in Finland.

For a long time, our customers had expressed their wish that Componenta would have a wider offering of assembly-ready components. That is why we acquired Komas Oy (currently Componenta Manufacturing Oy), a machining company, in August 2019. We can now serve the industries purchasing cast and machined components even better. Our expanded product and service offering has been received well among the customers. In addition to cast and machined components, we can now offer forged blanks, hydraulic pipes and plate cuttings.

In 2019, we focused on improving the profitability of our operations and the implementation of the measures stipulated by the restructing programmes. The first restructuring debt payments were made by Componenta Corporation and Componenta Finland Oy (currently Componenta Castings Oy).

For years, we worked to improve the profitability of our Swedish machine shop, Componenta Främmestad AB. The profitability of its customer relationships was weak, and we could not significantly improve profitability through negotiations on renewing customer agreements. In addition, the products were low in added value and most of the business consisted of refining and supplying of castings from outside the Group.

Since we did not manage to make the operations permanently profitable, there was no point to continue them, and Componenta Främmestad AB filed for bankruptcy on 25 September 2019. Giving up the unprofitable customer accounts of the Swedish machine shop business released capital and allowed us to focus on the component and series sizes aligned with our core business, and to diversify the range of service offering in our production units in Finland.

To achieve synergy benefits and strengthen the Componenta brand, the name of Componenta Finland Oy was changed to Componenta Castings Oy and the name of Komas Oy was changed to Componenta Manufacturing Oy, as of 1 January 2020.

We will continue to enable profitable growth for Componenta and make good use of the synergy potential for the benefit of our customers and shareholders. To all our customers, who are manufacturers of vehicles, machines and equipment, we want to be a flexible and trusted partner.

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

Sami Sivuranta
President and CEO

Report by the Board of Directors 2019

Business model

Componenta's business model is to supply cast and machined components, as well as forged blanks, hydraulic pipes and plate cuttings from its production facilities in Finland to its customers who are local and global manufacturers of vehicles, machines and equipment. Componenta's business model is based on long-term customer relationships. The comprehensive offering of the production units covers component sizes ranging from hundreds of grams to thousands of kilograms, and series sizes ranging from small to 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.

Summary of the key events of the year

Implementation of the restructuring programmes of Componenta Corporation and Componenta Finland Oy (currently Componenta Castings Oy), confirmed by the district court on 23 August 2017, began in May 2019. In 2019, Componenta paid EUR 0.8 million of internal restructuring debts and a total of EUR 1.6 million of external restructuring debts.

The Sweden-based company Componenta Främmestad AB filed for bankruptcy on 25 September 2019. Componenta Främmestad AB was classified as a discontinued operation in accordance with IFRS 5 on 25 September 2019 and will be presented under discontinued operation in the 2019 consolidated financial statements. The bankruptcy did not jeopardise the equity of Componenta Corporation, Componenta Finland Oy (currently Componenta Castings Oy) or the Group.

On 16 May 2019, Componenta signed an agreement on the acquisition of shares and capital loans of Komas Oy, a machining company, from funds managed by CapMan, Fortaco Oy and certain private individuals. The transaction was completed on 30 August 2019. Componenta conducted a directed share issue for the sellers of Komas (currently Componenta Manufacturing Oy) as a form of paying the purchase price. The purchase price of the acquisition was paid by issuing shares in the company to the sellers in accordance with the authorisation granted by Componenta's Extraordinary General Meeting of Shareholders on 1 July 2019. The purchase price consisted of 60 million new shares issued by Componenta. After the new share issue, these shares represent approximately 25.3% of the outstanding shares in the company. The purchase price, EUR 7.8 million, was based on the share price at the time of the transaction.

Restructuring programmes

The implementation of restructuring programmes progressed as planned. The repayment programmes of Componenta Corporation and Componenta Finland Oy (currently Componenta Castings Oy) began in 2019 and will end in 2023.

On 31 December 2019, the Group's external restructuring debt totalled EUR 12.3 million (31 December 2018: EUR 16.0 million, including EUR 2.5 million of external restructuring debts of Componenta Främmestad AB). Of the Group's external restructuring debts, short-term debts amounted to EUR 1.6 million. The external restructuring debts included EUR 0.7 million of interest-bearing debt, of which EUR 0.1 million was short-term.

According to the restructuring programmes, a supplementary payment obligation to creditors is incurred for Componenta Corporation and Componenta Finland Oy (currently Componenta Castings Oy), if the company's generated operating cash flow exceeds in any calendar year (starting from 2018 and ending in 2022) the operating cash flow predicted in the programme balance sheet for 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.

Only the company's unsecured creditors are entitled to supplementary payments. In that case, the company has an obligation to pay a supplementary payment 50% of the amount by which the generated operating cash flow exceeded the operating cash flow predicted in the programme balance sheet for 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. However, there will be no supplementary payment obligation if the generated operating cash flow has exceeded the operating cash flow predicted in the programme balance sheet by a maximum of 10%. For 2019, no obligation to make a supplementary payment was created for Componenta Corporation or Componenta Finland Oy (currently Componenta Castings Oy).

Continued operations

Continued operations during the review period included foundries in Pori and Karkkila, Finland, and metal product plants in Jyväskylä, Härmä, Kurikka, Leppävesi and Sastamala, Finland. Furthermore, the continued operations include Finnish real estate companies of limited importance.

Repayment schedule for external restructuring debt

MEUR	2020	2021	2022	2023	Total
Componenta Corporation	0.7	0.7	0.7	5.4	7.5
Componenta Castings Oy	0.9	1.0	0.9	1.9	4.7
Total	**1.7**	**1.7**	**1.7**	**7.2***	**12.3**

*) The larger final instalment in Componenta Corporation and Componenta Castings Oy's repayment programme is due to the fact that income from the sale of properties not included in core business operations has been taken into account. This income will be used to pay debt at the end of the programme. The final instalment also includes an additional obligation of EUR 3.2 million arising from the expiry of a loan guarantee of EUR 80 million.

Repayment schedule for the Group's intra-Group restructuring debt

MEUR	2020	2021	2022	2023	Yhteensä
Componenta Corporation	0.0	0.0	0.0	0.0	0.0
Componenta Castings Oy	0.7	0.7	0.7	1.5	3.6
Total	**0.7**	**0.7**	**0.7**	**1.5**	**3.6**

Discontinued operations

The Sweden-based company Componenta Främmestad AB filed for bankruptcy on 25 September 2019. Componenta recorded to its result of discontinued operations the positive effect on profit and loss of EUR 16.6 million caused by the loss of control after the bankruptcy of Componenta Främmestad AB. The profit and loss impact consists of the difference between the assets and liabilities of Componenta Främmestad AB, including the impact of translation differences accrued on equity, of the write-down of Componenta Group's receivables from Componenta Främmestad AB, as well as of the EUR 27.0 million capital loan of Componenta Främmestad AB to a third party which the Group had classified as equity and which, due to loss of control, was recognized through profit and loss in the result of discontinued operations.

Order book

MEUR	2019	2018	Change
Order book	9.0	5.8	55.2 %

At the end of 2019, Componenta's order book of continued operations stood at EUR 9.0 million (EUR 5.8 million). The order book contains the orders confirmed to customers for the next two months.

Net sales

Net sales by market area

MEUR	Jan 1 – Dec 31, 2019	Jan 1 – Dec 31, 2018
Sweden	7.9	7.8
Finland	38.7	26.6
Benelux countries	0.1	0.1
Germany	2.0	2.5
Other European countries	1.5	2.0
Other countries	0.2	0.0
Rental income	0.2	0.3
Continued operations	50.7	39.3
Discontinued operations	42.6	81.4
Internal items/eliminations	11.2	20.7
Total	93.3	120.7

Continued operations during the financial period included foundries in Pori and Karkkila, Finland, and metal product plants in Jyväskylä, Härmä, Kurikka, Leppävesi and Sastamala, Finland. Additionally, the Group has real estate business operations in Finland that are of limited importance.

Net sales of continued operations increased by 29.0% from the previous year to EUR 50.7 million (EUR 39.3 million). Componenta's net sales increased due to the consolidation of Komas (currently Componenta Manufacturing Oy) into Componenta Group as of 1 September 2019.

By customer segment, Componenta's net sales in the financial period were as follows: Machine building 39%, agricultural machinery 25%, forestry machines 10%, energy industry 12%, defence industry 3% and other industries in all 11%.

Result

Continued operations	Jan 1 – Dec 31, 2019	Jan 1 – Dec 31, 2018
Operating result, MEUR	-1.7	1.0
Operating result margin, %	-3.3	2.4
Result after financial items, MEUR	-2.1	0.9
Result, MEUR	-2.1	0.9

EBITDA of the Group's continued operations weakened from the previous year to EUR 1.6 million (EUR 3.2 million). The impact of exchange rate differences on EBITDA was EUR 0.0 million (EUR 0.0 million). The operating result of the Group's continued operations weakened from the previous year to EUR -1.7 million (EUR 1.0 million).

Besides the decrease in sales volumes during the last quarter, Componenta's profitability was burdened by slightly increased quality costs and EUR 0.4 million in advisory fees related to the acquisition of Komas (currently Componenta Manufacturing Oy), recognized in profit and loss. The advisory fees entered in equity were EUR 0.3 million.

In addition, the Group's administrative costs have increased in proportion to its continued operations' net sales and operating result because of Componenta Främmestad AB's bankruptcy, since the administrative costs of Componenta Corporation, the parent company, have not changed due to Componenta Främmestad AB's bankruptcy, but continue to burden the continued operations' result while Componenta Främmestad AB's net sales and direct costs are no longer part of the continued operations' result.

The net financing items of the Group's continued operations, including the items affecting comparability, were EUR -0.4 million (EUR 0.0 million). The change was due to increased expenses of interest-bearing debt related to the acquisition of Komas Oy (currently Componenta Manufacturing Oy). The continued operations' result after financial items was EUR -2.1 million (EUR 0.9 million). The taxes of the continued operations totalled EUR 0.0 million (EUR 0.0 million) for the financial period.

The result of the Group's continued operations totalled EUR -2.1 million (EUR 0.9 million) for the financial period. In 2019, Componenta had discontinued operations due to the bankruptcy of Componenta Främmestad AB, and the result of discontinued operations was EUR 16.6 million (EUR 0.1 million).

The Group's result for the financial period was EUR 14.6 million (EUR 1.0 million). The undiluted result per share for the financial period was EUR 0.08 (EUR 0.01), and the undiluted result per share of continued operations was EUR -0.01 (EUR 0.01). The diluted result per share for the financial period was EUR 0.07 (EUR 0.01), and the diluted result per share of continued operations was EUR -0.01 (EUR 0.01).

Balance sheet, financing and cash flow

Cash flow and balance sheet	2019	2018
Cash flow from operations, continued operations MEUR	4.1	1.3
Interest bearing net debt, continued operations, MEUR	8.7	-3.4
Net gearing, %	54.9	-17.5
Equity ratio, %	29.4	39.3
The Group restructuring debt, MEUR	12.3	16.0
Return on equity, %	83.0	5.6
Return on investment,%	3.2	6.0

At the end of the financial period, the Componenta Group's total liabilities were EUR 38.2 million (EUR 29.7 million), of which the external restructuring debts were EUR 12.3 million (EUR 16.0 million). Componenta Corporation's share of the external restructuring debts was EUR 7.5 million (EUR 7.8 million) and Componenta Castings Oy's share was EUR 4,7 million (EUR 5.7 million). The external restructuring debt includes EUR 0.7 million (EUR 0.8 million) of interest-bearing debt, of which EUR 0.1 million (EUR 0.1 million) is short-term. In addition, other long-term liabilities amounted to EUR 10.7 million (EUR 2.6 million) and short-term accounts payable, accrued debts and other debts amounted to EUR 15.2 million (EUR 11.2 million). Other long-term and short-term debts increased mainly due to the acquisition of Komas (currently Componenta Manufacturing Oy).

At the end of 2019, net gearing stood at 54.9% (-17.5%). Net gearing includes only interest-bearing liabilities of the restructuring debts. At the end of 2019, the Group's equity ratio stood at 29.4% (39.3%). The change in net gearing and equity ratio is mainly due to the acquisition of Komas Oy (currently Componenta Manufacturing Oy). Each of the Group companies had positive equity at the end of 2019. The Group's equity was positive at EUR 15.9 million (EUR 19.2 million).

At the end of the financial period, the company's invested capital stood at EUR 29.1 million (EUR 21.2 million), the return on investment was 3.2% (6.0%) and the return on equity 83.0% (5.6%).

At the end of the financial period, cash and cash equivalents totalled EUR 4.5 million (EUR 5.3 million). Additionally, at the end of the financial period, Group had EUR 2.8 million undrawn committed credit facilities. The net cash flow of continued operations for the financial period was EUR 4.1 million (EUR 1.3 million). The improved net cash flow from continued operations is mainly due to the favourable development of working capital. At the end of the financial period, working capital of continued operations (incl. inventory and receivables deducted by accounts payable) was EUR 6.7 million (EUR 5.4 million). Less capital is employed in inventory and days payables outstanding (DPO) has prolonged. Furthermore, days sales outstanding (DSO) has shortened.

Personnel

Personnel	2019	2018
Personnel expenses, MEUR, continued operations	-18.4	-13.3
Average number of personnel during the period, Group	602	596
Average number of personnel during the period, incl. leased personnel, Group	650	703
Number of personnel at period end, continued operations	617	412
Number of personnel at period end, incl. leased personnel, continued operations	617	439

The number of personnel of continued operations at the end of the reporting period was 617 (412).

Capital expenditure

MEUR	2019	2018
Non-current assets	1.3	1.1
Leases	1.5	0.0
Total	2.8	1.1

The investments of continued operations amounted to EUR 1.3 (EUR 1.1). The Group's net cash flow from investments was EUR -0.7 million (EUR -0.2 million), which includes the cash flow from the Group's investments in tangible and intangible assets, and the additions due to acquisition of a subsidiary. The cash flow from investments of continued operations was EUR -0.2 million (EUR 0.6 million). For the reporting period, additions in right-of-use assets regarding leases were in total EUR 1.5 million (EUR 0.0 million)

Research and development activities

During the financial period, the research and development costs of Componenta's continued operations totalled EUR 0.0 million (EUR 0.0 million). There were no research and development costs, because Componenta manufactures customer products.

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 surplus sand and dust. Every year, the company reports information related to environmental responsibility for the Group's production units.

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.

The actual figures in this statement include those of Komas Oy (now Componenta Manufacturing Oy) that was acquired in 30 August 2019. Comparison figures do not include the Komas Oy data. The actual figures do not include Componenta Främmestad AB that was part of the Group until 25 September 2019. Its impact has also been eliminated from the comparison figures.

Description of business model

Componenta's business model is to supply cast and machined components, as well as forged blanks, hydraulic pipes and plate cuttings from its production facilities in Finland to its customers who are local and global manufacturers of vehicles, machines and equipment. Componenta's business model is based on long-term customer relationships. The comprehensive offering of the production units covers component sizes ranging from hundreds of grams to thousands of kilograms, and series sizes ranging from small to 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.

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 to do with the energy consumption of cast component production, the surplus sand and dust generated as a by-product in production, as well as any emissions possibly caused by the operation of 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 figures are actively monitored, and the company seeks to improve the efficiency of energy usage e.g. with quality development activities, by committing to an energy efficiency agreement (Componenta Manufacturing Oy's units) and with cast planning and by carrying out the necessary energy reviews (Componenta Castings Oy's units). Energy efficiency is also influenced by production volumes and the evenness of the load.

In 2019, Componenta's total energy consumption decreased by 14% from the previous year to 67.6 GWh (2018: 78.6 GWh). Of the energy consumed, 81% was electrial energy (2018: 84%). The other energy sources were district heat, liquid gas and oil, which represented 19% of total energy consumption (2018: 16 %). Relative to production volume, the energy consumption of the iron foundries increased by 1.4%. The goal for 2019 was to limit the increase in relative energy consumption to a maximum of 10%, and that goal was achieved. Decreasing production volumes at the iron foundries has 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. Taking into account the production volume estimates of foundries for 2020 and the negative impact of a possible decrease in production volumes on relative energy consumption and energy efficiency referred to above, the goal for 2020 is to limit the increase in energy consumption in relation to production to a maximum of 5%.

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. Componenta considers it important to promote the recycling of waste materials and to find new uses for them. 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 material. In 2019, recycled steel accounted for 61% (2018: 59%) 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 2019, Componenta's production units generated a total of 19,025 tonnes (2018: 23,855 tonnes) of waste, of which approximately 86% (2018: 85%) was reused. The target of recycling 86% of waste was achieved during the period under review. Almost all waste generated at Componenta is sorted, and unsorted waste accounted for 0.36% in 2019 (2018: 0.26%) of the total amount of waste. The recycled waste materials include metals, slag, sand and dust. The final products manufactured by Componenta can also be recycled. Componenta's aim is to ensure that all sand and dust, in particular, is reused. In 2019, the development projects related to the sorting and recycling of waste included an overall mapping of the waste handling process and investment in a waste compactor in the Jyväskylä unit of Componenta Manufacturing Oy. The 2020 target for waste recycling is 90%.

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. Foundry dust emissions in 2019 were 0.2 kg per tonne of cast components (2018: 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 automatic monitoring of dust filtration systems helps to react rapidly to the need to replace the filter and automation has been systematically introduced to the filtration systems of foundries. In addition, Componenta monitors and measures raw material consumption and emissions from production, namely particle and VOC emissions as well as environmental noise caused by production.

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 2019, the environmental expenses amounted to 1.41% (2018: 2.08 %) 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.

Social responsibility and employees

At the end of 2019, the number of personnel in Componenta's continued operations was 617 (2018: 412). 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 operations. 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 the production environment requires investments in occupational safety and healthy work methods. Significant direct and indirect costs caused by absences due to illness and accidents have an adverse effect on Componenta's operating prerequisites. Particularly long sick leaves and the accidents causing them are risk factors for the operations, because it may take a long time to replace human knowledge and skills.

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 invests in working ability management e.g. by training managers and supervisors and by increasing the awareness of actions maintaining the ability to work, such as the early intervention model.

In 2019, the percentage of long and short absences due to illness and accidents from the planned work time decreased from the previous year to 4.62% (2018: 5.5%), thus being well below the 2019 target of 5.5%. 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 actions compliant with this model is to prevent illness from leading to incapacity for work. The target for 2020 is that the amount of absences due to illness does not exceed 4.5%.

Componenta monitors and logs regularly not only actual occupational accidents, but also "close calls". The operations are based on the premise that no accidents occur at work. In 2019, there were 54 accidents (2018: 85) causing an absence from work per million working hours. There were two serious accidents during the period under review, but no fatalities. The target for 2019 (less than 70 accidents per million working hours) was met. The 2020 target at Componenta is not to have more than 40 accidents per million working hours. Among other things, this is strived at through systematic development of the safety culture, by paying particular attention to the induction training of new employees, by providing appropriate instructions for work and by encouraging employees (e.g. by rewarding) to bring up and report any safety-related observations concerning their own working environments.

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.

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 2019, Componenta arranged training on the company's Code of Conduct for all white-collar employees, including practices related to human rights. A total of 79% of the Group's white-collar employees attended the training. The training is arranged annually.

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 2019 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 2019 also aimed at increasing awareness of the channels provided for reporting potential violations. No reports were made through the whistleblowing channel in 2019.

Shares and shareholders

The shares of Componenta Corporation are listed on the Nasdaq Helsinki stock exchange. During the financial year, the average share price was EUR 0.13, the lowest share price was EUR 0.11 and the highest was EUR 0.17. The share price at the end of 2019 was EUR 0.11 (EUR 0.15). At the end of the financial period, the market value of the company's shares was EUR 26.6 million (EUR 26.6 million). Out of the entire share capital, 25.4% (61.6%) were traded during the financial year.

Componenta Corporation's share capital was EUR 1.0 million (EUR 1.0 million) at the end of the financial year. At the end of the financial year, the total number of company's shares was 237,269,224 (177,269,224). The company had 7,632 (7,633) shareholders at the end of the financial year.

The majority owners of Komas (currently Componenta Manufacturing Oy), i.e. the funds managed by CapMan and CapMan's portfolio company Fortaco Oy ("Majority Owners"), have in the share purchase agreement undertaken not to exercise the voting rights attached to their prospective shares until the shareholding of the Majority Owners in Componenta has decreased below 10%. In accordance with the restriction, the Majority Owners will abstain from exercising the voting rights at the general meetings of Componenta to the extent that the voting rights represent 50% or more of the votes represented in the general meeting concerned.

Largest registered shareholders on 31 December 2019

	Share-holder	Shares	%
1	Capman Buyout VIII Fund A L.P.	26,196,435	11.04
2	Etra Capital Oy	20,000,000	8.43
3	Fortaco Oy	10,706,866	4.51
4	Varma Mutual Pension Insurance Company	10,406,279	4.39
5	Elo Mutual Pension Insurance Company	8,901,288	3.75
6	Capman Buyout VIII Fund B Kommanditbolag	5,821,395	2.45
7	Nikula Jukka-Pekka	5,215,883	2.20
8	Nordea Bank ABP*	3,078,705	1.30
9	University of Lapland	2,873,000	1.21
10	Suutari Harri Yrjö Kalevi	2,499,000	1.05
Nominee-registered shares		5,317,027	2.24
Other shareholders		139,332,051	57.43
Total		237,269,224	100.00

*) Nominee-registered shares

Breakdown of share ownership on 31 December 2019

Number of shares	Share-holders	%	Shares	%
1-100	674	8.83	38,194	0.02
101-500	1,190	15.59	365,259	0.15
501-1000	937	12.28	803,377	0.34
1001-5000	2,181	28.58	6,191,204	2.61
5001-10 000	994	13.02	8,127,610	3.43
10 001-50 000	1,201	15.74	28,810,915	12.14
50 001-100 000	210	2.75	15,769,384	6.65
100 001-500 000	191	2.50	39,729,374	16.74
500 001-999 999 999	54	0.71	139,332,051	57.92
Total = total issued	7,632	100.00	237,269,224	100.00

Shareholders by sector on 31 December 2019

	%
Finnish companies	20.16
Financial institutions and insurance companies	1.31
General government bodies	9.49
Households	51.19
Non-profit institutions	0.85
Nominee-registered shares and other foreign shareholders	17.00
	100.00

Notifications of major shareholding

During 2019, Componenta received four notifications of major shareholding compliant with the Securities Markets Act and issued separate stock exchange releases for them.

According to the notifications of major shareholding, the share of Etra Capital Oy of the total number of shares and voting rights in Componenta Corporation fell below 10% (on 4 September 2019), the share of Mutual Pension Insurance Company Varma of the total number of shares and voting rights in Componenta Corporation fell below 5% (on 5 September 2019), the share of Elo Mutual Pension Insurance Company of the total number of shares and voting rights in Componenta Corporation fell below 5% (on 5 September 2019), and the share of CapMan Buyout VIII Fund A L.P. and its portfolio company Fortaco Oy of the total number of shares and voting rights in Componenta Corporation exceeded 15% (on 5 September 2019).

The announced changes in ownership were associated with Componenta's directed share issue arranged for paying the price of the acquisition of Komas Oy (currently Componenta Manufacturing Oy). In the directed share issue, 60 million new shares were subscribed, after which the total number of Componenta Corporation's shares was 237,269,224.

Resolutions of the Annual General Meeting

The Annual General Meeting of Componenta Corporation, held on 16 May 2019, adopted the financial statements and the consolidated financial statements for the financial period from 1 January to 31 December 2018 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 shall be distributed for the financial period ended which on 31 December 2018.

The number of the members of the Board of Directors was resolved to be four (4). The General Meeting resolved to re-elect Anne Leskelä, Asko Nevala and Petteri Walldén, all currently members of the Board Directors, and to elect Harri Pynnä 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 annual remuneration payable to other members of the Board of Directors shall be EUR 25,000. In addition, the members of possible 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 Authorized Public Accountants PricewaterhouseCoopers Oy as the company's auditor.

The General Meeting resolved to amend the Articles of Association of the company so that general meetings may be held, in addition to the domicile of the company, alternatively in Vantaa, Espoo or Karkkila.

After the amendment, Section 8 of the Articles of Association reads as follows:

"8. Notice of meeting: "The notice of General Meeting shall be delivered by releasing the notice of meeting on the company's webpage and as stock exchange release no more than three (3) months and no less than three (3) weeks prior to the General Meeting, however, always at least nine (9) days prior to the record date of the General Meeting. The Board of Directors may in addition decide to announce the notice of meeting in other ways. A shareholder wishing to participate in the General Meeting shall register his/her participation as required in the notice of meeting and at the latest on the date stated in the notice, which may be no earlier than ten (10) days before the meeting. The General Meeting may be held either at the company's domicile or in Vantaa, Espoo or Karkkila."

Resolutions of the Extraordinary General Meeting

The Extraordinary General Meeting of Componenta Corporation held on 1 July 2019 resolved to give required authorizations for the Board of Directors of the company to conclude the transaction related to the acquisition of shares and capital loans of Komas Oy (currently Componenta Manufacturing Oy). The resolutions of the Extraordinary General Meeting included the following main items:

In accordance with the terms and conditions of the corporate transaction, the contract price will be paid by giving the sellers the company's shares. The General Meeting resolved to authorise the Board of Directors to decide on a new share issue so that the maximum number of shares to be issued by virtue of the authorization is 60,000,000 new shares, equivalent to approximately 33.8% of the total number of all shares of the company on the date of notice of meeting. The shares to be issued by virtue of the authorization may be used as payment in the contemplated transaction. New shares may be issued through a directed share issue in deviating from the shareholders' pre-emptive subscription right if there is a weighty financial reason for the deviation from the company's point of view. The subscription price of the new shares can be paid as a contribution in kind. Based on the authorization, the Board of Directors is entitled to resolve on all other matters related to the share issue. The authorization is valid until 30 June 2020 at the latest.

In accordance with the provisions of the transaction, the company would take its own shares issued to the sellers as a security. The General Meeting resolved to authorize the Board of Directors to decide on taking the company's own shares up to a maximum of 12,000,000 shares as a security in one or more tranches. Based on the authorization, the Board of Directors may not make a resolution based on which the number of shares to be taken as a security, together with the shares possibly held by the company or its subsidiaries, would constitute one tenth or more of the total number of shares in the company. The Board of Directors is, based on the authorization, entitled to resolve on all other conditions for acquiring and/or taking own shares as a security. The authorization is valid until 30 June 2020 at the latest.

With respect to the possible realization of the company's own shares taken as a security based on the authorization given above, the General Meeting resolved to authorize the Board of Directors to decide on the transfer of own shares held by the company in one or several parts, either against payment or without payment. The total number of new shares to be transferred may amount to a maximum of 12,000,000 shares, equivalent to approximately 6.8% of the total number of shares of the company on the date of the notice of meeting. The authorization entitles the Board of Directors to decide on all terms and conditions related to the transfer of shares, including the right to deviate from the shareholders' pre-emptive subscription rights. The authorization is valid until 31 December 2020 at the latest.

The General Meeting resolved that the number of the members of the Board of Directors be increased from four to five. It was resolved to elect Harri Suutari as a new Board member for a term ending at the close of the next Ordinary General Meeting. President and CEO Harri Suutari had earlier stated that if he is elected Board member, he will resign his post as President and CEO and a new President and CEO will be appointed for the company. Marko Penttinen assumed the position of Componenta's President and CEO when the acquisition of Komas Oy was implemented.

The General Meeting resolved that the annual remuneration payable to a board member in accordance with the resolution of the Ordinary General Meeting dated 16 May 2019 shall be paid to Harri Suutari pro rata temporis for the duration of his term. In other respects, the resolutions of the Ordinary General Meeting held on 16 May 2019 regarding remuneration of the Board of Directors remain in force unaltered.

Share-based incentive scheme

On 12 November 2018, the Board of Directors of Componenta Corporation decided to introduce two share-based incentive schemes for the Group's key employees: an option scheme and a restricted share plan. The schemes are used to encourage key employees to commit to long-term employment at the Company in order to increase shareholder value. The schemes are also used to make the key employees commit to the Company.

On 10 February 2020, the Board of Directors of Componenta Corporation decided to convert option rights 2018A returned to the company into option rights 2018B. After conversion of the option rights, there are a total of 2,013,750 option rights 2018A, a total of 2,861,500 option rights 2018B and a total of 2,445,250 option rights 2018C.

The subscription periods for shares to be subscribed using the option rights are as follows: 1 December 2021 – 30 November 2023 for option rights 2018A, 1 December 2022 – 30 November 2024 for option rights 2018B and 1 December 2023 – 30 November 2025 for option rights 2018C. One option right entitles to the subscription of one share.

The share subscription price using option right 2018A is EUR 0.17 per share, i.e. the trading volume-weighted average price at Nasdaq Helsinki Oy during the period of 12 October – 8 November 2018, the share subscription price using option right 2018B is EUR 0.128 per share, i.e. the trading volume-weighted average price at Nasdaq Helsinki Oy during the period of 14 October – 8 November 2019, and the share subscription price using option right 2018C will be the trading volume-weighted average price at Nasdaq Helsinki Oy during the period of 12 October – 6 November 2020. The subscription price of the share decreases by the amount of dividends and distribution of assets decided before the subscription. The share subscription price is entered in the company's unrestricted equity reserve.

The reward of the restricted share unit plan for 2018 is based on the key employee's existing contract of employment or service and continuation of the employment during the commitment period. The reward will be paid partly in shares and partly in cash after the commitment period that ends in November 2021, by the end of December 2021 at the latest. The purpose of the cash portion is to cover the taxes and tax-like levies incurred by the key employee. The total remuneration payable from the plan shall not exceed the value of 1,999,500 shares of Componenta Corporation, including the portion paid in cash.

Board of Directors and management

At its organisation meeting held after the Annual General Meeting on 16 May 2019, the Board of Directors elected Petteri Walldén as Chairman of the Board and Anne Leskelä as Vice Chairman of the Board. The Extraordinary General Meeting held on 1 July 2019 resolved to increase the number of Board members from four to five, and Harri Suutari was elected new member of the Board. He started as a Board member on 30 August 2019 when the acquisition of Komas Oy (currently Componenta Manufacturing Oy) was implemented. The Board meeting held on 2 September 2019 elected Harri Suutari as Chairman of the Board, and Petteri Walldén, Anne Leskelä, Asko Nevala and Harri Pynnä continued as Board members.

The Corporate Executive Team was supplemented on 2 September 2019 by appointing Miikka Jämsen as Director, Sales and Marketing, Arto Pitkämö as Director, Machining Services and Sami Sivuranta as Director, Development. The composition of the Corporate Executive Team as of 31 December 2019 was: Marko Penttinen, President and CEO; Mervi Immonen, General Counsel; Miikka Jämsen, Director, Sales and Marketing; Marko Karppinen, CFO; Pasi Mäkinen, Director, Material Services; Arto Pitkämö, Director, Machining Services; and Sami Sivuranta, Director, Development.

Risks and business-related uncertainties

The most significant risks to Componenta's business operations are risks linked to the operating environment (competitive situation, price risks, commodity risks and environmental risks), risks relating to business operations (customer, supplier, productivity, production and process risks, labour market disruptions, contractual and product liability risks, personnel and data security risks) and financing risks (risks relating to the availability of financing and liquidity; currency, interest rate and credit risks). Exchange rate fluctuations are hedged using foreign currency loans and deposits, as well as other natural hedging relationships.

The availability of certain raw materials, such as recycled steel and pig iron, and energy at competitive prices is essentially important for the company's business. The cost risk associated with raw materials is mainly managed with price agreements according to which the prices of products are adjusted to correspond with the changes in commodity prices. An increase in raw material prices may tie more money than expected in working capital.

Componenta's potential risks associated with the availability of working capital and liquidity may have a negative impact on the volumes of new trade in the future and may mean that the customers place smaller orders for new products replacing discontinued ones. Possible cases of losing customers due to commercial reasons may also reduce the volumes.

When assessing the ability to continue as a going concern, the most significant estimates and assumptions as well as uncertainties by the company and its management are as follows:

- Componenta Corporation and Componenta Castings Oy will be able to make the payments in accordance with the restructuring programme. 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 payment terms and because the Group companies undergoing restructuring do not at the moment have access to external financing.
- Componenta Castings Oy will be able to partly make up for the volume that has decreased due to the bankruptcy of Componenta Främmestad AB with new orders placed by existing and new customers and succeed with the adaptation measures, particularly at the Pori foundry.
- 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

As published in a stock exchange release on 27 February 2020, the number of members of the Corporate Executive Team of Componenta Group will decrease from seven to five effective 1 March 2020. The aim of the change is to have a cost-efficient administration and clarity in the management's responsibilities. In connection with this change, Pasi Mäkinen, currently Director, Material Services will be appointed Chief Operating Officer as of 1 March 2020. The composition of the Corporate Executive Team as of 1 March 2020 will be: President and CEO Marko Penttinen, General Counsel Mervi Immonen, CFO Marko Karppinen, COO Pasi Mäkinen, and Director, Development Sami Sivuranta. Miikka Jämsen who was earlier responsible for sales and marketing in the Corporate Executive Team will be reporting to Pasi Mäkinen, and Arto Pitkämö who was earlier responsible for machining services will leave the employment of Componenta.

As published in a stock exchange release on 11 March 2020, the Board of Directors of Componenta have appointed M.Sc. (Eng.) Sami Sivuranta as the new President and CEO of the company, valid immediately. Componenta's previous President and CEO, Marko Penttinen, will be available during the transition period to carry out certain duties as determined by the President and CEO.

Componenta's guidance for 2020

Componenta expects the net sales of continued operations to be EUR 65 – 80 million in 2020. EBITDA is expected to remain positive. Net sales of continued operations in 2019 was EUR 50.7 million and EBITDA was EUR 1.6 million.

Possible increase in raw material prices and the general competitive climate as well as the development of customers' sales volumes may affect the business outlook.

Dividend proposal

On 31 December 2019, the parent company's distributable assets amounted to EUR 26.8 million (15.2 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, because the company has reduced its share capital for loss coverage on 11 May 2017.

Annual General Meeting

The Annual General Meeting of Componenta Corporation will be held on 16 April 2020 at 09.00 EET in Vantaa, Finland. The notice of meeting will be published as a separate stock exchange release.

Corporate Governance Statement

Componenta Corporation will publish its Corporate Governance Statement for 2019 as a separate report. Once published, the statement can be read on the company's website at www.componenta.com.

Key figures

KEY RATIOS, December 31

	2019	2018	2017	2016	2015
Statement of financial position total, MEUR	54.1	48.9	52.8	84.0	402.2
Net interest bearing debt, MEUR	8.7	-3.4	-3.0	90.0	237.0
Invested capital, MEUR	29.1	21.2	20.8	-35.0	261.7
Return on investment, %	3.2	6.0	n/a	n/a	-7.2
Return on equity, %	83.0	5.6	n/a	n/a	-92.6
Equity ratio, %	29.4	39.3	34.8	-165.3	4.6
Net gearing, %	54.9	-17.5	-16.2	n/a	1,273.0
Investments in non-current assets, MEUR	1.3	1.8	2.8	19.9	31.5
Number of personnel at period end*	617	412	691	664	3 979
Average number of personnel*	480	414	680	763	3 982

*) The figures in 2018-2019 include only the number of personnel of current continued operations.The figures in 2016-2017 include only the number of personnel of continued operations valid on 31 December 2017. The figures for 2014-2015 include whole group.

Per share data

	2019	2018
Basic earnings per share (EPS), EUR	0.08	0.01
Diluted earnings per share (EPS), EUR	0.07	0.01
Cash flow per share, EUR	0,00	0.02
Equity per share, EUR	0.07	0.11
P/E multiple	1.45	25.47
Share price at year-end, EUR	0.11	0.15
Average trading price, EUR	0.13	0.18
Lowest trading price, EUR	0.11	0.14
Highest trading price, EUR	0.17	0.26
Market capitalization at year-end, MEUR	26.6	26.6
Trading volume, 1,000 shares	60,170	109,147
Trading volume, %	25.4	61.6
Weighted average of number of shares, 1,000 shares	192,269	177,269
Number of shares at year-end, 1,000 shares	237,269	177,269
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

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
Basic 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
Diluted 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

	2019*	2018*	2017**	2016**	2015***
Net sales, MEUR	**50.7**	39.3	122.4	138.9	210.1
Operating profit, MEUR	**–1.7**	1.0	26.3	–32.3	–18.5
Operating result margin, %	**–3.3**	2.4	21.5	–23.3	–8.8
Financial income and expenses, MEUR	**–0.4**	0.0	102.0	33.1	–16.6
Profit/loss after financial items, MEUR	**–2.1**	0.9	128.3	0.8	–35.1
Profit for the financial period, MEUR	**–2.1**	0.9	128.8	–6.1	–62.2
Profit for the financial period, Discontinued operations, MEUR	**16.6**	0.1	–4.8	–209.5	–20.4
Order book at period end	**9.0**	5.8	23.6	20.4	31.4
Change in net sales, %	**29.0**	–	–11.8	–33.9	–57.6
Share of export and foreign activities in net sales, %	**23.2**	31.8	79.2	80.0	91.3

*) The figures for 2018 – 2019 are current continued operations figures.
**) The figures for 2016 – 2017 are continued operations figures that were published in 2017 financial statement and include Componenta Främmestad AB.
***) The figures for 2015 are continued operations figures that were published in 2016 financial statement and include Wirsbo sub-group.

Consolidated financial statements

Consolidated income statement

MEUR	Note	Jan 1–Dec 31, 2019	%	Jan 1–Dec 31, 2018*	%
Continued Operations:					
Net sales	1	50.7	100.0	39.3	100.0
Other operating income	4	0.0		1.9	
Operating expenses	5,6,7	-49.1		-38.0	
Depreciation, amortization and write-down of non-current assets	8	-3.3		-2.2	
Share of the associated companies' result		0.0		0.0	
Operating result		-1.7	-3.3	1.0	2,4
Financial income	9	0.0		0.0	
Financial expense	9	-0.4		0.0	
Financial income and expenses in total		-0.4		0.0	
Result after financial items		-2.1	-4.0	0.9	2,3
Income taxes	10	0.0		0.0	
Result for the financial period, continued operations		-2.1		0.9	
Discontinued Operations:					
Result for the financial period, Discontinued Operations	3	16.6		0.1	
Result for the financial period		14.6		1.0	
Allocation of net profit for the period					
To equity holders of the parent		14.6		1.0	
		14.6		1.0	
Earnings per share calculated on the profit attributable to the shareholders of the parent company					
Earnings per share, Group, EUR	11	0.08		0.01	
Earnings per share, Continued operations, EUR	11	-0.01		0.01	
Earnings per share, Discontinued operations, EUR	11	0.09		0.00	
Earnings per share with dilution, Group, EUR	11	0.07		0.01	

The notes are an integral part of these financial statements.

*) The comparative figures from 2018 on consolidated income statement and cash flow statement have been adjusted because Componenta Främmestad AB' operations have been classified as discontinued operations according to the IFRS 5 standard

Consolidated statement of comprehensive income

MEUR	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018*
Net result	14.6	1.0
Continued Operations:		
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Translation differences	–	0.0
Cash flow hedges	0.0	0.0
Total items that may be reclassified to profit or loss subsequently	0.0	0.0
Income tax on other comprehensive income	0.0	0.0
Other comprehensive income, net of tax, Continued operations	0.0	0.0
Discontinued Operations:		
Revaluation of land and property, net of tax	0.6	–
Translation differences	1.0	-0.1
Other items	-27.2**	–
Other comprehensive income, net of tax, Discontinued operations	-25.5	-0.1
Total comprehensive income	-11.0	0.9
Allocation of total comprehensive income		
To equity holders of the parent	-11.0	0.9
Total comprehensive income	-11.0	0.9

The notes are an integral part of these financial statements.

*) The comparative figures from 2018 on consolidated income statement and cash flow statement have been adjusted because Componenta Främmestad AB' operations have been classified as discontinued operations according to the IFRS 5 standard.

**) Includes EUR 27.0 million capital loan to a third party which the Group had classified as equity and which, due to loss of control, was recognized through profit and loss account in the result of discontinued operations.

Consolidated statement of financial position

MEUR	Note	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Assets			
Non-current assets			
Intangible assets	12	2.1	0.4
Goodwill	13	3.2	–
Tangible assets	14	31.8	20.4
Investment properties	19	0.0	0.0
Receivables	26	0.4	0.3
Deferred tax assets	18	–	–
Total non-current assets		37.5	21.1
Current assets			
Inventories	15	9.2	14.3
Receivables	16, 17	3.0	8.2
Cash and cash equivalents	26	4.5	5.3
Total current assets		16.6	27.8
Total assets		54.1	48.9

MEUR	Note	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Liabilities and shareholders' equity			
Shareholders' equity			
Share capital		1.0	1.0
Share premium reserve		0.0	0.0
Unrestricted equity reserve		7.9	0.4
Other reserves		3.1	29.4
Cash flow hedges		0.0	0.0
Translation differences		0.0	–1.0
Retained earnings		–10.6	–11.7
Profit/loss for the financial period		14.6	1.0
Equity attributable to equity holders of the parent company	21	15.9	19.2
Shareholders' equity		15.9	19.2
Liabilities			
Non-current liabilities			
Interest bearing	26	10.4	1.5
Other non-interest bearing	27, 28	10.4	13.7
Provisions	25	0.0	0.0
Deferred taxes	18	0.6	1.4
Total non-current liabilities		21.4	16.6
Current liabilities			
Other interest bearing	26	2.8	0.5
Other non-interest bearing	27, 28	13.6	12.6
Tax liability		0.0	0.0
Provisions	25	0.3	0.0
Total current liabilities		16.8	13.1
Total liabilities		38.2	29.7
Total liabilities and shareholders' equity		54.1	48.9

The notes are an integral part of these financial statements.

Cash flow statement

MEUR	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018*
Cash flow from operations		
Continued Operations		
Result after financial items	-2.1	0.9
Depreciation, amortization and write-down	3.3	2.2
Net financial income and expenses	0.4	0.0
Other income and expenses, adjustments to cash flow	1.5	-0.9
Change in net working capital		
Inventories	1.0	-0.4
Current non-interest bearing receivables	2.2	-1.8
Current non-interest bearing liabilities	-1.8	1.3
Interest paid	-0.4	-0.1
Taxes paid	0.0	0.0
Cash flow from continued operations	4.1	1.3
Cash flow from discontinued operations	1.3	2.2
Net cash flow from operations	5.3	3.5
Cash flow from investing activities		
Continued Operations		
Capital expenditure in tangible and intangible assets	-1.3	-1.1
Business divestments and proceeds from tangible and intangible assets	–	1.7
Acquired subsidiaries	1.1	–
Net cash flow from investing activities, continued operations	-0,2	0.6
Net cash flow from investing activities, discontinued operations	-0,5	-0.8
Net cash flow from investing activities	-0.7	-0.2

MEUR	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018*
Cash flow from financing activities		
Continued Operations		
Repayment of lease liabilities	-0.8	0.0
Draw-down of current loans	1.1	0.0
Repayment of current loans and other changes	-1.6	0.0
Repayment of non-current loans	-2.0	-0.1
Net cash flow from financing activities, continued operations	-3.6	-0.1
Net cash flow from financing activities, discontinued operations**	-1.9	-3.4
Net cash flow from financing activities	-5.5	-3.5
Change in liquid assets	-0.8	-0.2
Cash and bank accounts at the beginning of the period	5.3	5.5
Cash and bank accounts at period end	4.5	5.3

The notes are an integral part of these financial statements.

*) The comparative figures from 2018 on income statement and cash flow statement have been adjusted because Componenta Främmestad AB's operations have been classified as discontinued operations according to the IFRS 5 standard.

**) 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	Translation differences	Retained earnings	Share holders' equity total
Shareholders' equity Jan 1, 2019	**1.0**	**0.0**	**0.4**	**-0.1**	**29.5**	**0.0**	**-1.0**	**-10.6**	**19.2**
Net result								14.6	14.6
Comprehensive income items:									
Translation differences									0.0
Cash flow hedges						0.0			0.0
Revaluation of buildings and land areas									0.0
Other comprehensive income items									0.0
Comprehensive income items, discontinued operations				0.6	-27.0*		1.0	-0.2	-25.5
Total comprehensive income	0.0	0.0	0.0	0.6	-27.0	0.0	1.0	14.4	-11,0
Transaction with owners:									
Directed share issue			7.5						7.5
Option and share-based compensation								0.2	0.2
Transactions with owners, total	0.0	0.0	7.5	0.0	0.0	0.0	0.0	0.2	7.6
Shareholders' equity Dec 31, 2019	**1.0**	**0.0**	**7.9**	**0.6**	**2.5**	**0.0**	**0.0**	**3.9**	**15.9**

*) Capital loan EUR 27.0 million to a third party which the Group had classified as equity and which, due to loss of control, was recognized through profit and loss account in the result of discontinued operations.

MEUR	Share capital	Share premium account	Unrestricted equity reserve	Revaluation of buildings and land areas	Other reserves	Cash flow hedges	Translation differences	Retained earnings	Share holders' equity total
Shareholders' equity Jan 1, 2018	**1.0**	**0.0**	**0.4**	**-0.1**	**29.5**	**0.0**	**-0.9**	**-11.6**	**18.3**
Net result								1.0	1.0
Comprehensive income items:									
Translation differences							-0.1	0.0	-0.1
Cash flow hedges						0.0			0.0
Revaluation of buildings and land areas									0.0
Other comprehensive income items									0.0
Total comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	1.0	1.0
Transaction with owners:									
Option and share-based compensation								0.0	0.0
Transactions with owners, total								0.0	0.0
Shareholders' equity Dec 31, 2018	**1.0**	**0.0**	**0.4**	**-0.1**	**29.5**	**0.0**	**-1.0**	**-10.6**	**19.2**

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. 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, agricultural machinery, forestry machines, energy industry and defence industry.

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 27 February 2019, the Board of Directors of Componenta Corporation approved these financial statements for publication.

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 Oy (currently Componenta Castings Oy) 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 Oy (currently Componenta Castings Oy). 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 Oy (currently Componenta Castings Oy) have different compositions due to different creditors.

The District Court of Helsinki confirmed the restructuring program for Componenta Corporation and its subsidiary Componenta Finland Oy (currently Componenta Castings Oy) on 23 August 2017. On the basis of the restructuring program, 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 Oy (currently Componenta Castings Oy) will be paid in their entirety, whereas unsecured debts were cut by 75%. The payment programs 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 programs, 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.

The restructuring application of Componenta Främmestad AB was approved and the restructuring proceedings started on 1 September 2016. In March 2016, Componenta Främmestad AB paid off its restructuring debts, EUR 2.3 million of external restructuring debts and a salary guarantee of EUR 0.6 million to the Swedish government. These amounts would have matured in July 2018. In 2019, Componenta Främmestad AB tried to improve profitability and reduce the capital employed in business operations. As part of its profitability improvement measures, the company engaged in negotiations to renew its significant customer agreements. These negotiations were not successful in terms of ensuring future profitability of operations. Therefore, Componenta Främmestad AB decided to file for bankruptcy on 25 September 2019.

Componenta Corporation and Componenta Componenta Finland Oy (currently Componenta Castings Oy) had around EUR 2.0 million in intra-Group receivables from Componenta Främmestad AB at the time of its bankruptcy. As collateral for these receivables, Componenta Främmestad AB pledged its best-priority Sweden mortgages. The nominal value of these mortgages is SEK 51.9 million. Componenta Främmestad AB's receivables from Componenta Corporation and Componenta Finland Oy (currently Componenta Castings Oy) totalled EUR 0.4 million at the time of its bankruptcy.

Componenta has written down the entire aforementioned receivable of EUR 2.0 million from Componenta Främmestad AB in its consolidated financial statements after Componenta Främmestad's bankruptcy. Componenta Group's internal restructuring debt of EUR 0.4 million to Componenta Främmestad AB increased Componenta's external debt. Componenta Corporation and Componenta Finland Oy (currently Componenta Castings Oy) have not provided guarantees or other collateral for Componenta Främmestad AB's liabilities, apart from liabilities of around EUR 0.2 million concerning repurchase commitments related to lease agreements. The capital loan of EUR 27.0 million presented under "Other reserves" on Componenta Främmestad AB's balance sheet was removed from Componenta Group's balance sheet due to the bankruptcy. In addition, Componenta Främmestad AB's bankruptcy reduced the Group's restructuring debt by EUR 2.5 million. Componenta Group recorded a positive result impact of EUR 16.7 million in the result of discontinued operations due to the loss of controlling interest resulting from the bankruptcy of Componenta Främmestad AB. The impact on result consists of the difference between the assets and liabilities of Componenta Främmestad AB, including the impact of translation differences accumulated in the equity, of the write-down of Componenta Group's receivables from Componenta Främmestad AB, as well as of the EUR 27.0 million capital loan of Componenta Främmestad AB to a third party which in the Componenta Group was classified as equity and which was in connection with losing the controlling interest recognised through profit and loss in the result of discontinued operations.

Componenta Främmestad AB's bankruptcy does not jeopardise the equity of Componenta Corporation, Componenta Finland Oy (currently Componenta Castings Oy) or the Group. The bankruptcy is also not expected to have any material impact on the management's assessment of the Group's ability to continue as a going concern. Componenta Främmestad AB was classified as a discontinued operation on 25 September 2019 and will be presented as a discontinued operation in the 2019 consolidated financial statements.

Main contents of Componenta Corporation's restructuring programme

In Finland, the District Court of Helsinki issued its decision regarding the commencement of the corporate restructuring proceedings in respect of

Componenta Corporation on 30 September 2016. The District Court of Helsinki confirmed the corporate restructuring programme of Componenta Corporation on 23 August 2017. On the basis of the restructuring program, the unsecured debts of Componenta Corporation were cut by approximately 94% as the Turkish credit guarantee was eliminated, and the lowest-priority debts were cut in their entirety. The payment programme commenced in May 2019 and will end in November 2023. When the restructuring programme of Componenta Corporation was confirmed, the company's debt cuts entered into force. The debt cuts mean that the debts on the company's balance sheet decreased by approximately EUR 118 million, which strengthens the company's equity through the result.

In compliance with the restructuring programme, the company has sold off the real estate companies that are not part of its core business, and any participations in them, to parties external to the Group and dissolved its dormant subsidiaries through liquidation proceedings. The company may face an additional payment obligation due to its cash flow exceeding expectations. Only the company's non-preferential creditors will be entitled to receive the additional payment. The company may also face an additional payment obligation, if the final amount of conditional and maximal restructuring debts included in the restructuring guarantees exceeds the amount set out in the restructuring programme.

Main contents of Componenta Finland Oy's (currently Componenta Castings Oy) restructuring programme

In Finland, the District Court of Helsinki issued its decision regarding the commencement of the corporate restructuring proceedings in respect of Componenta Finland Oy (currently Componenta Castings Oy) on 30 September 2016. The District Court of Helsinki confirmed the corporate restructuring programme of Componenta Finland Oy (currently Componenta Castings Oy) on 23 August 2017. The secured debts of Componenta Finland Oy (currently Componenta Castings Oy) will be paid in their entirety, whereas unsecured debts were cut by 75%. The payment programme commenced in May 2019 and will end in November 2023. When the restructuring programme of Componenta Finland Oy (currently Componenta Castings Oy) was confirmed, the company's debt cuts entered into force. The debt cuts mean that the debts on the company's balance sheet decreased by approximately EUR 28 million, which strengthens the company's equity through the result. After the debt cuts, the total external restructuring debts on the balance sheet of Componenta Finland Oy (currently Componenta Castings Oy) will amount to approximately EUR 5.8 million when the payments allocated for the debts considered as a conditional and maximum amount have been taken into account.

In compliance with the restructuring programme, the company has sold off almost all real estate companies that are not part of its core business, and any participations in them, to parties external to the Group and dissolved its dormant subsidiaries through liquidation proceedings. The restructuring programme also obligates the company to sell off any fixed assets that are not associated with its core business. Most of these assets have been sold by the balance sheet date. The company may face an additional payment obligation due to its cash flow exceeding expectations. Only the company's non-preferential creditors will be entitled to receive the additional payment.

Assumptions of ability to continue as a going concern

The financial statements for the financial year 2019 were prepared on the going concern basis. It is assumed that Componenta 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 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 of the companies for the next 12 months. 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 and cash equivalents between Group companies (such as subsidiaries' ability to distribute funds in the form of dividends, Group contributions or intra-Group loans) and the nature of new financing that 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 uncertainties 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 will be 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 significant estimates and assumptions as well as uncertainties by the company and its management are as follows:

- Componenta Corporation and Componenta Finland Oy (currently Componenta Castings Oy) will be able to make the payments in accordance with the restructuring programme. 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 undergoing restructuring do not at the moment have access to external financing.

- Componenta Finland Oy (currently Componenta Castings Oy) will be able to partly make up for the volume that has decreased due to the bankruptcy of Componenta Främmestad AB with new orders placed by existing and new customers and succeed with the adaptation measures, particularly at the Pori foundry.

- 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.

These estimates are subject to material 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, the company believes that the inclusion of Componenta Finland Oy (currently Componenta Castings Oy), 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 2019 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.

Acquired operations

In 2019, Componenta acquired the entire capital stock and capital loans of Komas Oy (currently Componenta Manufacturing Oy) from funds managed by CapMan, Fortaco Oy and certain private individuals. The company manufactures machined components, forged blanks, hydraulic pipes and metal sheet cuttings. The transaction was completed on 30 August 2019. Komas Oy (currently Componenta Manufacturing Oy) will be consolidated on the transaction date.

Discontinued operations

In 2019, Componenta Främmestad AB was classified as a discontinued operation when the Group lost control when the company filed for bankruptcy on 25 September 2019. The result of discontinued operations is shown as a separate item in the consolidated statement of comprehensive income. The cash flows of discontinued operations are shown as separate items in the condensed consolidated cash flow statement. The income statement an cash flow statement of the comparison period were adjusted accordingly. Componenta had no discontinued operations in 2018.

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 Finland, but collaborations exist with companies that operate globally. Sales revenue that is insignificant from the Group's perspective is received from the operational leasing of office space and industrial premises.

The chief operating decision maker 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 preparing these consolidated financial statements in accordance with International Financial Reporting Standards, the management needs to make estimates and assumptions concerning the future. The estimates and assumptions that involve a significant risk of material changes in the carrying amounts of assets and liabilities during the next financial period are presented below.

When preparing Componenta's financial statements, the management has used significant judgements when making assumptions about the company's ability to continue as a going concern. Uncertainties related to the ability to continue as a going concern are presented in more detail above in the chapter Assumption of the ability to continue as a going concern. The management has made significant estimates and assumptions in determining the valuation of assets such as investment properties, tangible and intangible assets, inventories, the realizability of deferred tax receivables and the 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 between 3 to 5 years 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 macro-economic 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 Oy (currently Componenta Castings Oy) have the obligation during the restructuring programmemes 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.

Recoverable amount of goodwill

The recoverable amounts of goodwill are measured with value-in-use calculations for all cash flow generating units annually or more often, if there are indications of impairment. The used value-in-use calculation are based on assumptions made by management regarding market development, that is growth and profitability, and other material factors.

The most significant affecting factors, which are the basis of the assumptions, are sales growth, operating result, future investments and discount rate. Changes in these assumptions can significantly affect the cash flows generated in the future.

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 used for financial reporting

Componenta no longer reports adjusted net sales, adjusted EBITDA and adjusted operating result as alternative performance measures. Componenta will continue to publish certain publicly available performance measures that can be derived from the IFRS financial statements.

Foreign currency -denominated items

The result and financial position of the Group's units are measured in currencies that are the main currencies of their respective operating environments. The consolidated financial statements are presented in euro, which is the operating and reporting currency of Componenta Corporation.

Foreign currency -denominated transactions are recorded in the operating currency using the exchange rate of the transaction date. Receivables and liabilities were converted into euros at the exchange rate of the balance sheet date.

The translation differences created by business-related receivables and debts and their associated hedging items are included in the operating result. The translation differences of financial assets and liabilities and the result of their associated hedging instruments are presented under financial items in the income statement.

The applied new standards

The consolidated financial statements have been prepared using the same accounting principles as in 2018, except for the following amended standards that the Group has applied as of 1 January 2019:

- **IFRS 16, Leases**

  As of January 2019, Componenta adopted the new IFRS 16 "Leases" standard. This standard presents the definition of recognition, the measurement of lease agreements, presentation and other information given in relation to lease agreements in the consolidated financial statements. Due to applying the new standard, the lease agreements of the lessee are recognized on the balance sheet, since operating leases and finance leases are no longer separated. According to the new standard, an asset (right-of-use asset) and a financial liability regarding rental payments are recognized on the balance sheet.

  On adoption of the new standard, lease liabilities were recognized in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. The liabilities were measured at the present value of the remaining lease payments, discounted by using the lessee's incremental borrowing rent as of 1 January 2019. The weighted average of the lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.5%.

Regarding leases valid until further notice, company management has estimated the future lease period and recognized the right-of-use assets and lease liabilities based on this assumption. These estimates and assumptions are updated quarterly. When applying the new standard, Componenta has used the modified retrospective method, and therefore the comparatives for the 2018 reporting period have not been restated. Componenta has utilized the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with remaining lease term of less than 12 months on 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application
- not applying the standard on leases of low value assets, but instead recognizing the rents as an expense for the lease period.

There was no need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

A right-of-use asset EUR 0.4 million and correspondingly a lease liability EUR 0.4 million as a non-current and current interest-bearing liability, were recognized in the opening balance. At the end of the reporting period, EUR -1.2 million was recorded as depreciations as an impact on the result, and a change of liabilities of EUR 7.9 million in the consolidated statement of financial position. EBITDA improved by EUR 1.2 million due to rental expenses that were transferred to depreciations and financial items. In the cash flow statement, payments regarding lease agreements are presented as financing activities and interest as operating activities. Previously all rental payments of operational lease agreements were presented as operating activities. At the end of the reporting period the impact on operating activities was EUR 0.8 million, on investing activities EUR 0.0 million and on financing activities -0.8 million.

Upcoming new and amended standards and interpretations not yet effective in 2019

IASB (International Accounting Standards Board) publishes annually new standards, amendments, interpretations and improvements to standards already published. The significance of these publications on Componenta's business and finance are assessed.

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. Additionally the company produces machining services for its clients own products. Componenta serves clients, with which Componenta has strong and long-term relationships. Geographically Componenta operates in Finland, 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, 2019	Jan 1 – Dec 31, 2018
Sweden	7.9	7.8
Finland	38.7	26.6
Benelux countries	0.1	0.1
Germany	2.0	2.5
Other European countries	1.5	2.0
Other countries	0.2	0.0
Rental income	0.2	0.3
Continued operations	50.7	39.3
Discontinued operations	42.6	81.4
Internal items/eliminations	11.2	20.7
Total	93.3	120.7

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

Net sales by business area, continued operations

%	Jan 1– Dec 31, 2019	Jan 1– Dec 31, 2018
Machine building	39	40
Agricultural machinery	25	26
Forestry machines	10	9
Energy industry	12	9
Defence industry	3	0
Other industries	11	15
Total	100	100

Net sales by customer, continued operations

Componenta has two significant customers, which share of the net sales are over 10%. The first customers share of the Group net sales is 24.1% (22.1%) and the second customers is 10.7% (35.4%). Additionally Componenta has two other significant customers, which share of net sales were less than 10 per cent in 2019 but 11.0% and 10.3% in 2018.

Disaggregation of revenue from contracts with customers, continued operations

Timing of revenue recognition, MEUR	Jan 1– Dec 31, 2019	Jan 1– Dec 31, 2018
At a point in time	50.5	39.3
Over time	0.2	–
Total	50.7	39.3

Assets and liabilities related to contracts with customers

The Group balance sheet include the following assets and liabilities related to contracts with customers, which are based on revenue recognition over time.

MEUR	2019 Assets based on contract	2018 Assets based on contract	2019 Liabilities based on contract	2018 Liabilities based on contract
Jan 1	0.0	–	0.0	–
Revenue recognised that was included in the contract liability balance at the beginning of the period	–	–	–	–
Increase from revenue	–	–	0.0	–
Portion of assets related to contracts, transferred to receivables at beginning of period	0.0	–	–	–
Changes related to acquired business	0.0	–	–	–
Additions in assets, related to contracts, regarding satisfied, but not billed performance obligations	0.1	–	–	–
Dec 31	0.1	–	0.0	–

Unsatisfied performance obligations

The table below presents transaction prices allocated on the remaining performance obligations. The table includes revenues, which will be recognised in the future and which relate to unsatisfied or partly satisfied performance obligations on the reporting day. The company utilizes the practical expedient permitted and do not present unsatisfied performance obligations of those contracts, where the length of the contract is one year or less.

MEUR	Dec 31, 2019	Dec 31, 2018
Contracts with customers	3.8	–

Accounting principles

Revenue recognition

The Group's revenue flows relate to sales of products and services. The main selling products are non-machined, machined and painted iron cast components. Additionally the company produces machining services for its clients own products. Sales revenue that is insignificant from the Group's perspective is received from the leasing of office space and industrial premises.

Revenue from sold products and services to customers is recognised at the time of transfer, that is when control has been transferred to the customer. 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 and when the service has been performed. 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. Part of the revenue from machining services is recognized over time and the degree of fulfillment is based on the proportion of actual and estimated total costs. Componenta recognizes rental income on a straight-line basis monthly by tranferring the leased premises to 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 company utilizes the practical expedient when the difference between transfer and payment of products and services is less than one year. In pracise this means that the transaction price is not adjusted for the effects of a significant financing component. 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, by replacing faulty products with new ones.

Componenta net sales include revenue from contracts with customers net of indirect tax. Componenta recognizes revenue when it has fulfilled its performance obligation by handing over the agreed goods to the customers or by completing the services. Componenta satisfies the performance obligation at a point in time or over 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.

2 Business acquisitions and business divestments

On 16 May 2019, Componenta announced that it had signed an agreement on purchasing the shares and capital loans of Komas Oy ("Komas"), a machining operation company, from funds managed by CapMan, Fortaco Oy and certain private individuals. Komas is a manufacturer of machined components, forged blanks, hydraulic pipes and plate cuttings. In 2018, Komas had net sales of EUR 44.9 million in accordance with the Finnish Accounting Standards (FAS), and its EBITDA was EUR 2.0 million (FAS). At the end of 2018, the company had 313 employees in Jyväskylä, Härmä, Kurikka, Leppävesi and Sastamala in Finland. Its key customers include major international OEMs of machinery and equipment.

The transaction was completed on 30 August 2019. Componenta conducted a directed share issue for the sellers of Komas as a form of paying the purchase price. The purchase price of the acquisition was paid by issuing shares in the company to the sellers in accordance with the authorisation granted by Componenta's Extraordinary General Meeting of Shareholders on 1 July 2019. The purchase price consisted of 60 million new shares issued by Componenta. After the new share issue, these shares represent approximately 25.3% of the outstanding shares in the company. The purchase price, EUR 7.8 million, was based on the share price at the time of the transaction.

Goodwill identified on acquisition was EUR 3.2 million. Goodwill is based on acquired competent work force and expected synergy benefits.The acquisition expands Componenta's range of products and services and improves the quality of customer service by creating a one-stop-shop for industries purchasing cast and machined components. The acquisition will improve the level of expertise within the Group and expand presence in the Finnish market.

Assets and liabilities of the acquired business at fair value

MEUR	Jan 1–Dec 31, 2019
Intangible assets	1.7
Tangible assets	15.8
Deferred tax assets	0.6
Inventories	4.9
Trade and other receivables	1.0
Cash and cash equivalents	1.1
Total assets	**25.1**

MEUR	Jan 1–Dec 31, 2019
Interest bearing liabilities	12.7
Non-interest bearing liabilities	6.9
Provisions	0.3
Deferred tax liabilities	0.7
Total liabilities	**20.5**
Total net assets	**4.6**
Acquisition cost, paid in shares	7.8
Acquisition cost at date of acquisition	**7.8**
Goodwill	**3.2**

Analysis of cash flow of acquisition

MEUR	Jan 1–Dec 31, 2019
Acquisition cost, paid in cash	0.0
Cash and cash equivalents in acquired company	1.1
Net cash flow on acquisition	**1.1**

Key figures after acquisition date related to acquired company

MEUR	Jan 1–Dec 31, 2019
Net sales	13.1
EBITDA	0.7
Operating result	-0.6

The Group net sales would have been EUR 80.6 million and the result for the period EUR -2.7 million, if the acquired business had been consolidated from 1 January 2019.

Componenta had no business acquisitions in 2018.

Divested business operations

Componenta had no divested business operations in 2019.

According to the restructuring programs, 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 Oy (currently Componenta Castings Oy) 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 Oy (currently Componenta Castings Oy) 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 Oy (currently Componenta Castings Oy), 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 only EUR -0.1 million effect on the result on the Group, because of the write-downs in previous years.

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

3 Discontinued operations

Componenta Främmestad AB, subsidiary of Componenta Castings Oy, filed an application for bankruptcy on 25 September 2019. Componenta Främmestad AB was classified in September 2019 as a discontinued operation in accordance with IFRS 5 standard "Non-current Assets Held for Sale and Discontinued operations", and the consolidation of the statements of financial position was discontinued in September 2019.

In 2019 the net result of discontinued operations, Componenta Främmestad AB was EUR 16.6 million (EUR 0.1 million). In 2019 write-downs of receivables registered by the remaining consolidated companies for continued operations was 2.0 million in total.

Net result of discontinued operations

MEUR	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Income	57.5	83.2
Expenses	-41.5	-82.9
Result after financial items	16.0	0.3
Taxes	0.6	-0.2
Net result of discontinued operations	16.6	0.1

Componenta Främmestad AB bankruptcy and derecognition from Group's statement of financial position, impact to Group shareholders' equity, reconciliations

MEUR	Dec 31, 2019
Derecognition of net assets from the statement of financial position through income statement or through statement of other comprehensive income	-6.9
All write-downs of receivables registered by the remaining consolidated companies within the corporation	-2.0
Bankruptcy and derecognition from Group's statement of financial position, impact to Group shareholders' equity	-8.9

MEUR	31.12.2019
Derecognition of external assets from the Group's statement of financial position	-18.0
Derecognition of external liabilities from the Group's statement of financial position	9.1
Bankruptcy and derecognition from Group's statement of financial position, impact to Group shareholders' equity	-8.9

Cash flow of discontinued operations

MEUR	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Cash flow from operating activities	1.3	2.2
Cash flow from investing activities	-0.5	-0.8
Cash flow from financial activities	-1.9	-3.4
Change in liquid assets	-1.1	-2.0

Discontinued operations in 2018

Componenta had no discontinued operations in 2018.

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, 2019	Jan 1– Dec 31, 2018
Rental income	0.0	0.3
Profit from sale of non-current assets	-	0.3
Other operating income	-	1.3
Total	0.0	1.9
Rental income that are included in net sales, continued operations	0.2	0.3

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 trade payables and trade receivables are presented under other operating income, together with any related hedging results.

5 Operating expenses

Continued operations

MEUR	Jan 1– Dec 31, 2019	Jan 1– Dec 31, 2018
Change in inventory of finished goods and work in progress	**-0.3**	0.0
Production for own use	**0.0**	0.0
Materials, supplies and products	**-17.7**	-12.3
External services	**-2.4**	-2.5
Personnel expenses	**-18.4**	13.3
Rents	**-0.2**	-0.2
Maintenance costs of investment properties	**0.0**	-0.2
Waste, property and maintenance costs	**-4,0**	-4.1
Energy	**-2.8**	-2.9
Sales and marketing	**0.0**	0.0
Computer software	**-1.3**	-1,0
Tools for production	**-0.5**	-0.4
Freights	**-0.1**	-0.1
Decrease in fair value of investment properties	**0.0**	-0.6
Other operating expenses	**-1.2**	-0.4
Total operating expenses, continued operations	**-49.1**	-38.0

Audit fees	**-0.2**	-0.2
Other fees*	**-0.3**	-0.1
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 252 thousand euros (44 thousand euros) during the financial year 2018. These services included tax services, auditors's statements and other services.

6 Personnel expenses

Continued operations

MEUR	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Personnel expenses, continued operations		
Salaries and fees	**-14,5**	-10.5
Pension costs	**-2,9**	-2,1
Other personnel costs	**-1,1**	-0,7
Total personnel expenses	**-18,4**	-13,3

Average number of personnel, excluding leased personnel

MEUR	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Continued operations	**480**	414
Discontinued operations	**122**	182
Group total	**602**	596

Personnel expenses include costs related to share-based payment EUR -0.2 (-0.0) million.

7 Research and development costs

Continued operations MEUR	Jan 1– Dec 31, 2019	Jan 1– Dec 31, 2018
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, 2019	Jan 1– Dec 31, 2018
Depreciation and amortization		
Intangible assets		
Intangible rights	0.0	0.0
Computer software	0.0	-0.1
Other capitalized expenditure	-0.2	-0.1
	-0.2	-0.2
Tangible assets		
Buildings and structures	-0.8	-0.5
Machinery and equipment*	-2.2	-1.2
Other tangible assets	0.0	0.0
	-3.0	-1.7
Write-downs on tangible and intangible assets**	0.0	-0.4
Total depreciation, amortization and write-downs	-3.3	-2.2

*) The units-of-production depreciation method is used for production machinery and equipment. Continued operations planned depreciation based on normal utilized capacity was EUR -2.2 (-1.2) million and capacity utilization correction was EUR 0.3 (0.3) million.

**) The weighted average cost of capital used in the impairment tests was 7.1% (7.3%). The decrease in discount rate is mainly an outcome of the decreased expenses regarding the draw-down of borrowings. A write-down of EUR 0.4 million in 2018 was 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. On 1 January 2009, the Group started to use 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
computing 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, 2019	Jan 1 – Dec 31, 2018
Exchange rate gains from financial assets and liabilities recognized at amortized cost	–	0.2
Other financial income	0.0	0.0
Effective interest expenses for financial liabilities recognized at amortized cost	-0.2	-0.1
Interest expense from lease liabilities	-0.2	0.0
Exchange rate losses from financial assets and liabilities recognized at amortized cost	–	-0.1
Other charges on financial liabilities valued at amortized cost	–	0.0
Interest expenses and commissions for supplier factoring	–	0.0
Interest expenses and commissions for sold trade receivables	-0.1	0.0
Other financial expenses	0.0	0.0
Financial income and expenses, total, continued operations	-0.4	0.0

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 0.0 (0.0) million in exchange rate gains and losses arising from foreign currency denominated sales and purchases.

10 Income taxes

MEUR	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Income taxes, continued operations		
Income taxes for financial period	0.0	0.0
Change in deferred taxes (see note 18)	0.0	-0.2
Continued operations total	0.0	-0.2
Income taxes, discontinued operations		
Income taxes for financial period	0.0	0.0
Change in deferred taxes	0.6	0.0
Discontinued operations total	0.6	0.0
Income taxes, Group	0.6	-0.2

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, 2019	Jan 1–Dec 31, 2018
Profit before tax, continued operations	-2.1	1.2
Income tax using Finnish tax rate	0.4	-0.2
Difference between Finnish tax rate and rates in other countries	–	0.0
Tax exempt income	0.4	-0.1
Non-deductible expenses	-0.5	0.4
Adjustments to the taxable income for previous years	–	0.0
Tax losses from which no deferred tax assets have been recorded	-0.3	-0.3
Re-assessment of deferred taxes	–	0.0
Taxes total	0.0	-0.2

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, 2019	Jan 1–Dec 31, 2018
Profit for the period attributable to the shareholders of the parent company, 1,000 EUR*	14,570	1,044
Weighted average number of outstanding shares during the financial year, 1,000 shares	192,269	176,985
Basic earnings per share, EUR	0.08	0.01
Dilution effect of share options and share-based incentive plans, 1,000 shares	4,013	4,430
Weighted average number of outstanding shares during the financial year, 1,000 shares	196,282	181,415
Diluted earnings per share, EUR	0.07	0.01

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	2019	2018
Intangible rights		
Acquisition cost at 1 Jan	1.9	1.6
Additions	–	0.3
Disposals	–	0.0
Re-classifications	–	0.0
Translation differences	0.0	0.0
Acquisition cost 31 Dec	1.9	1.9
Accumulated amortization at 1 Jan	-1.6	-1.6
Accumulated amortization on decreases and re-classifications	–	0.0
Translation differences	0.0	0.0
Amortization during the period	0.0	0.0
Accumulated amortization at 31 Dec	-1.6	-1.6
Book value at 31 Dec	0.3	0.3

MEUR	2019	2018
Computer software		
Acquisition cost at 1 Jan	5.0	4.9
Additions	0.0	0.0
Companies acquired	0.1	
Disposals	–	0.0
Re-classifications	–	0.2
Translation differences	0.0	0.0
Acquisition cost at 31 Dec	5.1	5.0
Accumulated amortization at 1 Jan	-4.9	-4.9
Accumulated depreciation on companies acquired	0.0	
Accumulated amortization on decreases and re-classifications	–	0.0
Translation differences	0.0	0.1
Amortization during the period	0.0	-0.1
Accumulated amortization at 31 Dec	-4.9	-4.9
Book value at 31 Dec	0.2	0.1

MEUR	2019	2018
Other capitalized expenditure		
Acquisition cost at 1 Jan	10.3	10.6
Additions	0.1	0.0
Companies acquired	2.2	
Disposals	–	-0.3
Re-classifications	–	0.0
Translation differences	0.0	0.0
Acquisition cost at 31 Dec	12.6	10.3
Accumulated amortization at 1 Jan	-10.3	-10.5
Accumulated depreciation on companies acquired	-0.6	
Accumulated amortization on decreases and re-classifications	–	0.3
Translation differences	0.0	0.0
Amortization during the period	-0.2	-0.1
Accumulated amortization at 31 Dec	-11.1	-10.3
Book value at 31 Dec	1.5	0.0

MEUR	2019	2018
Advance payments for intangible assets		
Acquisition cost at 1 Jan	0.0	0.1
Additions	0.1	0.0
Disposals	–	0.0
Re-classifications	–	-0.1
Book value at 31 Dec	0.1	0.0
Total intangible assets	2.1	0.4

Capital expenditure on intangible assets during the financial period totalled EUR 0.2 million (EUR 0.3 million). Intangible assets increased by EUR 1.7 million due to acquisition of Componenta Manufacturing Oy.

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 Goodwill

MEUR	Dec 31, 2019	Dec 31, 2018
Acquisition cost on Jan 1	–	–
Additions	–	–
Hankitut liiketoiminnot	3.2	–
Disposals and transfers between items	–	–
Write-downs during the period	–	–
Book value on Dec 31	3.2	–

Allocation of goodwill

Goodwill is allocated on cash-generating units (CGU). At Componenta goodwill is allocated to the company, which business has been acquired. Goodwill has been allocated to one company.

Impairment testing

Componenta completed the acquisition of Komas Oy on 30 August 2019. Komas Oy (currently Componenta Manufacturing Oy) has been included in the consolidated financil statements as of 30 August 2019. As the annual impairment testing is very close to acquisition date of Komas Oy (currently Componenta Manufacturing Oy), goodwill arised from acquisition of Komas Oy (currently Componenta Manufacturing Oy) has not been included in the annual impairment testing. Goodwill related to acquisition of Komas Oy (currently Componenta Manufacturing Oy) was EUR 3,2 million at year-end.

Accounting principles

Acquisitions are accounted for, by using the acquisition method. Goodwill represents the excess of acquisition cost over the fair values of identified acquired assets and liabilities of acquired companies at the acquisition date. Goodwill arises mainly in connection with acquisitions and it represents the value of acquired market share , business knowledge and the value of obtained synergies. Goodwill is not depreciated, but tested annually for impairment.

The book value of goodwill in the Group is assessed annually or more often if there are any indications of impairment. Goodwill is allocated on the cash generating unit (CGU), which is recognized in the Group. The recoverable amount of a CGU is determined by value-in-use calculations, where the cash flow based value-in-use is determined by calculating the estimated future cash flows discounted to their present value. The discount rate is the weighted average cost of capital (WACC). WACC reflects the market assessment of the time value of money and the risks specific in Componenta's business. Impairment loss of goodwill is recognized as an expense and is not subsequently reversed. Estimates used in the testing are based on assumptions made by management.

14 Tangible assets

MEUR	2019	2018
Land and water areas		
Acquisition cost at 1 Jan	0.9	0.9
Additions	–	0.0
Disposals	0.0	0.0
Re-classifications	–	0.0
Revaluation on land and water areas*	–	0.0
Translation differences	–	0.0
Book value at 31 Dec	0.8	0.9

MEUR	2019	2018
Buildings and constructions		
Acquisition cost at 1 Jan	31.3	31.3
Additions	0.1	0.2
Disposals	-5.5	0.0
Re-classifications	–	0.0
Revaluation on buildings*	–	0.0
Translation differences	-0.2	-0.2
Acquisition cost at 31 Dec	25.7	31.3
Accumulated depreciation at 1 Jan	-22.6	-22.1
Accumulated depreciation on decreases and re-classifications	3.8	0.0
Translation differences	0.1	0.1
Depreciation and write-downs during the period**	-1.2	-0.6
Accumulated depreciation at 31 Dec.	-19.9	-22.6
Book value at 31 Dec	5.7	8.6

MEUR	2019	2018
Buildings and constructions, leases		
Acquisition cost at 1 Jan	0.0	–
Additions	1.2	–
Companies acquired	8.5	–
Disposals	–	–
Re-classifications	–	–
Translation differences	–	–
Acquisition cost at 31 Dec	9.7	–
Accumulated depreciation at 1 Jan	0.0	–
Accumulated depreciation on companies acquired	-0.9	–
Accumulated depreciation on re-classifications	–	–
Translation differences	–	–
Depreciation during the period	-0.5	–
Accumulated depreciation at 31 Dec	-1.4	–
Book value at 31 Dec	8.3	–

MEUR	2019	2018
Machinery and equipment		
Acquisition cost at 1 Jan	95.3	95.1
Additions	0.6	1.2
Companies acquired	8.1	–
Disposals	-20.1	-0.8
Re-classifications	0.2	0.6
Translation differences	-1.2	-0.8
Acquisition cost at 31 Dec	82.9	95.3
Accumulated depreciation at 1 Jan	-86.8	-86.7
Accumulated depreciation on companies acquired	-1.2	–
Accumulated depreciation on decreases and re-classifications	20.1	0.7
Translation differences	1.1	0.6
Depreciation and write-downs during the period	-2.2	-1.5
Accumulated depreciation at 31 Dec	-68.9	-86.8
Book value at 31 Dec	13.9	8.4

MEUR	2019	2018
Machinery and equipment, leases		
Acquisition cost at 1 Jan	14.5	14.5
Additions	0.6	0.0
Companies acquired	1.1	–
Disposals	-10.4	0.1
Re-classifications	–	0.4
Translation differences	-0.2	-0.4
Acquisition cost at 31 Dec	5.7	14.5
Accumulated depreciation at 1 Jan	-12.8	-12.9
Accumulated depreciation on companies acquired	-0.5	–
Accumulated depreciation on decreases	9.9	0.0
Translation differences	0.1	0.3
Depreciation during the period	-0.7	-0.2
Accumulated depreciation at 31 Dec	-4.0	-12.8
Book value at 31 Dec	1.7	1.7

MEUR	2019	2018
Other tangible assets		
Acquisition cost at 1 Jan	0.6	0.6
Additions	0.1	0.0
Companies acquired	–	–
Disposals	–	0.0
Re-classifications	0.0	0.0
Translation differences	-0.1	0.0
Acquisition cost at 31 Dec	0.6	0.6
Accumulated depreciation at 1 Jan	-0.2	-0.2
Accumulated depreciation on companies acquired	–	–
Accumulated depreciation on decreases and re-classifications	–	0.0
Translation differences	0.1	0.0
Depreciation during the period	0.0	0.0
Accumulated depreciation at 31 Dec	-0.1	-0.2
Book value at 31 Dec	0.5	0.4

MEUR	2019	2018
Advance payments and fixed assets under construction		
Acquisition cost at 1 Jan	0.2	0.5
Additions	0.3	0.1
Companies acquired	0.3	–
Disposals	–	0.0
Re-classifications	-0.1	-0.4
Translation differences	–	0.0
Book value at 31 Dec	0.8	0.2

TOTAL TANGIBLE ASSETS	31.8	20.4

*) 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 to five year intervals. The previous revaluation process throughout the Group was carried out in 2016. The valuation is mainly based on the income approach. The difference in book value and fair value of buildings and land EUR 0.6 (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 reliability of the valuation of property is classified as Level 2 or 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.

Investments during the financial period totalled EUR 1.3 (1.8) million.

Changes in right-of-use assets

MEUR	2019
Carrying amount, Jan 1	1.7
Impact of adoption of the IFRS 16 standard	0.4
Additions	1.4
Disposals	-0.5
Companies acquired	8.2
Depreciation	-1.2
Translation differencies	-0.1
Carrying amount, Dec 31	10.0

Componenta's most material right-of-use assets capitalized consist of production machinery, production and office premises. Some of these leases contain renewal and extension options that are considered in the lease term if it is reasonably certain to exercise the option. The leases for production and office premises are mainly leases valid until further notice. The Group has estimated that its leases valid until further notice will run for an average duration of 7 years. The estimate is based on previous experience on the duration of similar leases and on the Group strategy.

Group as lessor

The Group has leased out a few business facilities to a third parties, which annual revenue is immaterial from the Group's point of view. The Group treats these leases as operational leases. The gains and risks that are essentially associated with the leased facilities do not grant the lessees. There have not been any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

Lease receivables scheduled for leases

MEUR	Dec 31, 2019	Dec 31, 2018
Not later than one year	0.3	0.2
Later than one year but not later than five years	1.0	0.8
Total	1.3	1.1

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. The received tangible assets from a new acquired company are recognised at fair value.

Componenta uses the revaluation model permitted by IAS 16, according to which land areas, buildings and constructions are recorded at fair value, which is based on assessments made by independent 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 five-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 or 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. 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.

Right-of-use assets

Componenta adopted the new IFRS 16 standard as of 1 January 2019. According to the new standard, an asset (right-of-use asset) and a financial liability regarding rental payments are recognized on the balance sheet (see note 30). At inception of a contract, Componenta assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract entitles the right to control the use of an identified asset for a period of time in exchange for consideration. The right-of-use assets of the lease agreement are capitalized on the commence date of the lease. The right-of-use assets are measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the commencement date. The right-of-use assets are subsequently depreciated using the straight line method from the commencement date, either according the end of the lease term or the end of the useful life of the right-of-use asset, based on which one is earlier. In addition, the right-of-use assets are adjusted for certain remeasurements of the lease liability. Right-of-use assets are tested for impairment in accordance with IAS 36.

Componenta has decided to utilize the practical expedient permitted by the standard and does not apply the standard on leases of low value assets, but instead recognizing the rents as an expense over the lease term. Leases of low value assets mainly include IT and office equipment. Additionally the Group recognizes leases that have a lease term of 12 months or less as leases of low value assets and apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

15 Inventories

MEUR	Dec 31, 2019	Dec 31, 2018
Raw Materials and Consumables	3.6	2.2
Work in Progress	1.8	1.7
Finished products and goods	2.2	6.9
Other inventories	1.3	3.3
Advance Payments	0.3	0.2
Total Inventories	9.2	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.

16 Accounts receivables

MEUR	Dec 31, 2019	Dec 31, 2018
Accounts receivables	1.8	6.6
Contract assets	0.1	-
Total	1.9	6.6

Changes in contract assets are specified in note 1.

Accounts receivables by currency

%	Dec 31, 2019	Dec 31, 2018
EUR	100.0	83.6
SEK	0.0	16.4
Total	100.0	100.0

Aging of accounts receivables

Outstanding trade receivables fall due as follows

	Dec 31, 2019		Dec 31, 2018	
MEUR	Accounts receivables	Loss allowance	Accounts receivables	Loss allowance
Not due	0.7		0.7	
Overdue				
less than 1 month	0.9		3.5	
1 – 3 months	0.1		1.4	
3 – 6 months	0.0		0.2	
more than 6 months	0.1	0.1	1.0	0.2
Total	1.9	0.1	6.8	0.2

Credit risk

Componenta's credit risk is related to receivables that are trade 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 Group reduces its credit risk exposure by selling its trade receivables to financing companies without recource. Sold trade receivables at the end of the financial period was EUR 6.7 million (EUR 0.0 million). Ther is also credit risk related to recognition of customer contracts over time, but these are insignificant in the Group. The collection of customer receivables is carried out in accordance with the Group's debt collection policy. The credit loss provision for trade 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 standard at Componenta is evident in the value adjustment of the estimated uncertain receivables formed by the application of the expected credit loss model.

Many customers are financially sound and solid companies, but in individual cases and with new unknown customers credit rating companies' reports on payment behaviour and solvency are used to support the credit decisions.

Credit losses and the provision for credit lossed during the reporting period totalled EUR -0.1 (-0.2) million. Componenta Castings Oy booked credit losses of 0.1 million related to doubtful receivable over one year old which consist of old customer reclamations. The Group's credit loss risk was EUR 1.9 (6.8) million.

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 mainly does not receive advance payments. The order book includes the confirmed customer orders for the following two months.

17 Other short-term receivables and accrued income

MEUR	Dec 31, 2019	Dec 31, 2018
Loan receivables	0.0	0.0
Prepayments and accrued income	1.1	0.9
VAT receivables	0.0	0.3
Other receivables	0.1	0.4
Total	1.2	1.6

Prepayments and accrued income include mainly prepaid accrued expenses.

Prepayments and other accrued income

MEUR	Dec 31, 2019	Dec 31, 2018
Energytax	0,3	0,3
Personnel	0,2	0,1
Insurance	0,1	0,0
Other accrued income	0,6	0,5
Total	1,1	0,9

18 Deferred tax assets and liabilities

Changes in deferred taxes during the financial year 2019

MEUR	at 1 Jan 2019	Recognized in income statement	Recognized in equity	Dekonsolidointi*	Translation differences	at 31 Dec 2019
Deferred tax assets						
Other differences	0.9	0.0	0.5			1.5
Total	0.9	0.0	0.6			1.5
Offset with deferred tax liabilities	–0.9		–0.6			–1.5
Total	0.0	0.0	0.0			0.0

In 2019 deferred tax assets were recorded EUR 0.6 million.

MEUR	at 1 Jan 2019	Recognized in income statement	Recognized in equity	Dekonsolidointi*	Translation differences	at 31 Dec 2019
Deferred tax liabilities						
Valuing tangible assets at fair value when merging businesses	0.0		0.6	–0.3		0.3
Accelerated depreciation	0.0		0.0			0.1
Lease liabilities	0.8	–0.6				0.2
Other differences	1.5	0.0	0.0		0.0	1.5
Total	2.4	–0.6	0.7	–0.3	0.0	2.1
Offset with deferred tax assets	–0.9		–0.6			–1.5
Total	1.4	–0.6	0.1	–0.3		0.6

*Consolidation of Componenta Främmestad AB was discontinued in September 2019.

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 2018

MEUR	at 1 Jan 2018	Recognized in income statement	Recognized in equity	Dekonsolidointi	Translation differences	at 31 Dec 2018
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	at 1 Jan 2018	Recognized in income statement	Recognized in equity	Dekonsolidointi	Translation differences	at 31 Dec 2018
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.

The net amount of deferred tax assets, which mainly consist of unused tax losses, was EUR 0.0 million (EUR 0.0 million). The value of deferred tax liabilities was EUR 2.1 million (EUR 2.4 million) before offset with deferred tax assets.

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 had been recognised in Finland and Sweden in the 2019 and 2018 financial statements.

19 Investment properties

MEUR	2019	2018
Book value Jan 1	0.0	0.5
Additions	-	0.0
Disposals	-	-0.5
Transfers	-	0.0
Classified as held for sale	-	0.0
Profit/loss from the fair valuation	-	0.0
Write-downs	-	0.0
Book value Dec 31	**0.0**	0.0

According to the restructuring program confirmed on 23 August 2017, the group should sell all its investment properties during the restructuring program. Componenta has executed this program by selling almost all its investment properties in 2018. The remaining investment properties in the Group are immaterial.

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 programme, Componenta Corporation and Componenta Castings Oy have the obligation 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.

20 Assets classified as held for sale

Non-current assets held for sale

MEUR	Dec 31, 2019	Dec 31, 2018
Investments	-	0,0
Assets classified as held for sale total	-	0,0

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. The investment properties are provided in note 19.

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.

21 Share capital, share premium reserve and other reserves

	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
Jan 1, 2019	177,269	1.0	0.0	0.0	0.4	0.0	29.5
Directed share issue	60,000				7.5		
Option and share-based compensation					0.0		
Other comprehensive income						0.6	-27.0
Dec 31, 2019	237,269	1.0	0.0	0.0	7.9	0.6	2.5

	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
Jan 1, 2018	177,269	1.0	0.0	0.0	0.4	0.0	29.5
Option and share-based compensation					0.0		
Other comprehensive income							
Dec 31, 2018	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.

Componenta Corporation completed the acquisition of Komas Oy on 30 August 2019. The purchase price of the acquisition was paid by issuing shares in the company to the sellers in accordance with the authorisation granted by Componenta's Extraordinary General Meeting held on 1 July 2019. The purchase price consisted of 60 million new shares issued by Componenta which, after the new share issue, represent approximately 25.3 per cent of the outstanding shares in the company. The purchase price was determined according to the share price at the time of closing the transaction and was EUR 7.8 million. EUR 0.3 million of transaction costs, related to considaration paid as shares was netted against 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 in 2019 EUR 0.6 million (EUR 0.0 million). The change results from cancelling the write-down of buildings and land areas in Componenta Främmestad AB, as the consolidation of the statements of financial position was discontinued in September 2019.

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. At the end of reporting period 2018 other reserves included non-intererst bearing capital loan in total EUR 27.0 million in Componenta Främmestad AB. The consolidation of the statements of financial position of Componenta Främmestad AB was discontinued in September 2019.

The cumulative translation differences in the Group are mainly related to the changes in Swedish crown and due to discontinued consolidation of Componenta Främmestad AB in September 2019, there are no cumulative translation differencies in the Group at year-end.

Pursuant to Chapter 9 Section 58 of the Restructuring of Enterprises Act (25.1.1993/47) 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 (624/2006), 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.

22 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 program and no separate target is set on the equity ratio. The equity ratio increased from previous year and stood at 29.4% (39.3%). The net gearing increased from previous year and stood at 54.9% (-17.5%). The change in net gearing and equity ratio is mainly due to the acquisition of Komas Oy (currently Componenta Manufacturing Oy).

The key indicators for capital structure*

%	Dec 31, 2019	Dec 31, 2018
Net gearing	**54.9**	-17.5
Equity ratio	**29.4**	39.3

*) The information in the table is unaudited.

23 Share-based payment

Share-based incentive scheme

The Board of Directors of Componenta Corporation resolved in 2018 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 3.93%, 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. During 2019 a total of 284,900 shares have been returned to the company.

Options

During financial period 2018 Componenta resolved of one option program. 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 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 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. At the end of year 2019 Componenta had no options outstanding. During 2019 a total of 331,250 shares have been returned to the company.

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	2,098,750	-	1	0,16	1 December, 2021 - 30 November, 2023

The value of the option program 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	13

*) 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 start 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	14

Share-based payments

Share-based payments recognized as an expense

MEUR	Jan 1–Dec 31, 2018	Jan 1–Dec 31, 2018
To be paid in shares	**0.2**	0.0
To be paid in cash	**0.0**	0.0
Total	**0.2**	0.0

Accounting principles

The fair value of granted options from option programs 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.

24 Pension obligations and other benefit plans

Pension obligations

Most of the Group's pension plans are defined contribution plans. In Sweden, at Componenta Främmestad AB, the Group had a pension scheme, Alecta ITP, classified as multi-employer defined benefit scheme. However, since Alecta was not been able to supply the required actuarial valuations, the Swedish pension plan was treated as defined contribution plan in accordance with IAS 19.30 (a).

Other benefit plans

The Group has one defined benefit plan, reward for years of service. This reward is applied in one company within the Group. The net defined benefit obligation recognised in the balance sheet at year-end 2019 was EUR 121,9 (-) thousand. There are no plan assets in the defined benefit plan. Movements in the net liability consist of EUR 15.5 thousand of contributions and total charges of EUR -3.4 thousands in 2019. This benefit plan has no actuarial gains and losses. Assumptions used in calculating benefit obligation were; discount rate 0.35% and average future salary increase 2.5%. The duration of the defined benefit obligation is assumed to be 6.6 years.

Sensitivity analysis

		Defined Benefit Obligation	
Effect of a change in assumption used	Change in assumption	Increase	Decrease
Discount rate	0.5%	5.8%	2.5%
Future salary increase	0.5%	9.3%	9.2%

25 Provisions

Current

MEUR	Reorganisation provisions	Environmental provisions	Other provisions	Total
Jan 1, 2019	0.0	0.0	0.0	0.0
Translation differences	–	–	–	–
Additions to provisions	–	–	0.3	0.3
Utilized during the period	–	–	–	–
Derecognition from the statement of financial position, discontinued operations	–	–	–	–
Dec 31, 2019	0.0	0.0	0.3	0.3
Jan 1, 2018	0.0	0.0	0.1	0.1
Translation differences	–	–	–	–
Additions to provisions	–	–	–	–
Utilized during the period	0.0	0.0	-0.1	-0.1
Derecognition from the statement of financial position, discontinued operations	–	–	–	–
Dec 31, 2018	0.0	0.0	0.0	0.0

MEUR	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
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	–0,3	–0,1

The Group Management is not aware of any 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.

26 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 programs also local agreements in subsidiaries for financing or hedging of foreign excange risks may be possible providing the terms are accepted by the Group.

Values of financial assets and liabilities

MEUR, Dec 31, 2019	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	Lease liabilities	Total
Non-current assets					
Other receivables		0.4			0.4
Current assets					
Cash and cash equivalents		4.5			4.5
Accounts receivables		1.8			1.8
Total financial assets		6.6			6.6
Non-current liabilities					
Loans from financial institutions		1.9			1.9
Lease liabilities				7.7	7.7
Other loans		0.2			0.2
Trade payables and advances received		0.3			0.3
Interest-bearing restructuring debts		0.5			0.5
Current liabilities					
Loans from financial institutions		1.1			1.1
Lease liabilities				1.5	1.5
Other loans		0.1			0.1
Trade payables and advances received		4.3			4.3
Interest-bearing restructuring debts		0.1			0.1
Total financial liabilities		8.5		9.3	17.7

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	Lease liabilities	Total
Non-current assets					
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
Trade 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
Trade payables and advances received		4,1			4,1
Interest-bearing restructuring debts		0,1			0,1
Total financial liabilities		5,8		0,6	6,4

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 programs currently underway. The Group's ability to continue as a going concern depends on that the Group companies undergoing restructuring in Finland are able to make the payments stipulated in the approved restructuring programmes. The sufficiency of working capital present a material risk to the implementation of the restructuring programs, because the main customers support Componenta with shorter-than-normal sales payment terms and because the Group companies undergoing restructuring do not have at the moment acccess to external financing.

The company believes that the restructuring process in Finland will make it possible to restore operations to profitable level and develop them in the future. There still remains uncertainty over the continuity of business operations such as Componenta Corporation and Componenta Castings Oy are able to make the payments stipulated in the approved restructuring programmes.

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

At the end of the reporting period 31 December 2019, Componenta's cash and cash equivalents totalled EUR 4.5 (5.3) million. Additionally at the end of the financial period, Group had EUR 2.8 million of undrawn committed credit facilities.

Installments and interest payments on financial liabilities 2019

Me	2020	2021	2022	2023	2024	2025 +	Total
Loans from financial institutions	-1.1	-0.6	-0.6	-0.6	-0.2	0.0	-3.0
Lease liabilities	-1.5	-1.4	-1.3	-1.2	-1.2	-2.7	-9.3
Trade payables and other debt	-4.4	-0.1	–	–	–	–	-4.5
Interest expenses on loans	-0.6	-0.5	-0.4	-0.3	-0.2	-0.2	-2.1
Other loans**	-0.2	-0.2	-0.2	-0.3	0.0	0.0	-1.0
Total	-7.8	-2.8	-2.4	-2.3	-1.6	-2.8	-19.8

Installments and interest payments on financial liabilities 2018

MEUR	2019	2020	2021	2022	2023	2024+	Total
Finance leases*	-0.2	-0.4	–	–	–	–	-0.6
Trade 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

*) For lease agreements, repayments of the 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 2019 and 2018 are interest bearing restructuring liabilities under guarantee and a hire purchase agreements.

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	31.12.2019	31.12.2018
Non-current interest-bearing financial liabilities		
Loans from financial institutions	1.9	–
Lease liabilities	7.7	0.4
Other loans*	0.7	1.1
Total	10.4	1.5
Current interest-bearing financial liabilities		
Loans from financial institutions	1.1	–
Lease liabilities	1.5	0.2
Other loans*	0.2	0.2
Total	2.8	0.5
Total interest-bearing liabilities	13.2	2.0

*) Other loans in 2018 and 2019 are interest bearing restructuring liabilities under guarantee and a hire purchase agreements.

Currency breakdown of interest-bearing financial liabilities

%		2019	2018
Non-current	EUR	100.0	44.8
	SEK	–	55.2
Total		100.0	100.0
Current	EUR	100.0	28.1
	SEK	–	71.9
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 liabilitie

%	2019 Nominal interest rates	2019 Effective interest rates	2018 Nominal interest rates	2018 Effective interest rates
Loans from financial institutions	3.5 – 8.0	3.9 – 8.2	–	–
Lease liabilities	1.2 – 6.8	1.2 – 6.8	2.5 – 2.6	3.1 – 6.0
Other loans*	2.0 – 5.0	2.0 – 5.0	2.5 – 2.5	3.9 – 4.0

*) Other loans in 2018 and 2019 are interest bearing restructuring liabilities under guarantee and a hire purchase agreements.

Foreign exchange risk

The Group's foreign exchange risk is divided into transaction risk, which arises from income and expenses denominated in foreign currencies, and translation risk, which arises from equity investments and related profit or loss denominated in foreign currencies. The transaction position is calculated from the foreign currency denominated trade receivables and trade payables in the balance sheet 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. At the end of the financial period, the Group does not have the translation risk as the business currency of all group companies is euro.

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.

At the end of the reporting period, the Group does not have open currency position.

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 (note 33) in both transaction and translation position. Impact of change in currency rate + / – shows in the first case the effect on the income statement or the shareholder's equity as currency depreciates 10% against euro and in the second case as currency appreciates 10% against euro.

Dec 31, 2019	Closing rate 31.12.2019	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	10.4468	–	–	10	–	–

Dec 31, 2018	Closing rate 31.12.2019	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

Interest rate risk

The interest rate risk to which the cash flow is exposed arises mainly from the Group's loan portfolio and lease agreements. 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

	31.12.2019 for 2020		31.12.2018 for 2019	
MEUR	Forecast change in financial expenses	Sensitivity interest rate curve +100bp	Forecast change in financial expenses	Sensitivity interest rate curve +100bp
Interest-bearing financial liabilities	0.0	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. 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 which however has been decreased as the competition between suppliers of major raw materials has been established, and it has been mainly moved from cash sale to normal payment terms 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.

27 Restructuring debts

The implementation of the restructuring programmes progresses as planned. The payment program in the Group will end in 2023. Interest-bearing restructuring debts are presented in note Financial risks and instruments and they have been measured as Financial liabilities measured at amortised cost.

MEUR	Dec 31, 2019	Dec 31, 2018
Current interest bearing liabilities	0.1	0.1
Non-current interest bearing liabilities	0.5	0.7
Current non-interest bearing liabilities	1.4	1.8
Non-current non-interest bearing liabilities	10.2	13.4
Total	12.3	16.0

MEUR	Dec 31, 2019	Dec 31, 2018
Componenta Corporation	7.5	7.8
Componenta Castings Oy	4.7	5.7
Componenta Främmestad AB	–	2.5
Total	12.3	16.0

Repayment schedule for external restucturing debts

MEUR	2020	2021	2022	2023	Total
Componenta Corporation	0.7	0.8	0.7	5.4	7.5
Componenta Castings Oy	0.9	1.0	0.9	1.9	4.7
Total	1.7	1.7	1.7	7.2*	12.3

*) The last repayment amounts of Componenta Corporation and Componenta Castings Oy 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 program 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.

28 Other current liabilities and accruals

MEUR	Dec 31, 2019	Dec 31, 2018
Accounts payables	**4.3**	4.1
Restructuring debts	**1.4**	1.8
Accruals	**5.9**	5.7
VAT liabilities	**0.6**	0.1
Other liabilities	**1.5**	0.8
Total	**13.6**	12.6

Accrued expenses and deferred income

MEUR	Dec 31, 2019	Dec 31, 2018
Personnel expenses	**4.8**	4.2
Other accruals	**1.0**	1.6
Total	**5.9**	5.7

29 Reconciliation of financial liabilities to cash flow statement

Componenta has prepared this reconciliation calculation, where the repayments of interest-bearing and restructuring liabilities, which totalled EUR -5.5 million (EUR -3.5 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 10.2 million (EUR 13.4 million) restructuring debts, which are presented in this reconciliation calculation.

Me	Long-term interest-bearing liabilities	Short-term interest-bearing liabilities	Total	Long term non-intrest bearing restructuring debt	Short term non-intrest bearing restructuring debt	Total
Jan 1, 2019	1.5	0.5	2.0	13.4	1.8	15.2
Drawdowns	-	1.1	1.1			
Repayments*	-2.0	-0.9	-2.9		-1.4	-1.4
Change in liabilities which does not include cash flow:						
Change in restructuring liabilities	-0.1	0.1	0.0	-3.2	1.0	-2.1
Ohter changes	11.0	2.0	13.0			
Dec 31	10.4	2.8	13.2	10.2	1.4	11.6

*) Repayments of interest-bearing liabilities in 2019 include repayments of EUR 0.1 million of restructuring liabilities. The changes in liabilities which does not include cash flow include the additions in the balance sheet from the loans of Componenta Manufacturing Oy and the deletion from the balance sheet of the loans of the discontinued operations of Componenta Främmestad AB.

Me	Long-term interest-bearing liabilities	Short-term interest-bearing liabilities	Total	Long term non-intrest bearing restructuring debt	Short term non-intrest bearing restructuring debt	Total
Jan1 , 2018	1.4	1.1	2.5	15.3	2.3	17.7
Drawdowns	0.4	0.1	0.5			
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						
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.

30 Lease liabilities

MEUR	1.1.2019
Operating lease commitments disclosed on Dec 31, 2018	**0.6**
Dicounted using the incremental borrowing rates on Jan 1, 2019	**0.6**
Finance lease liabilities recognized on Dec 31, 2018	0.6
Recognition exemption for:	
– short-term leases	-0.2
– leases of low value assets	0.0
Lease liabilitieas recognised on Jan 1, 2019	**1.0**
Finance lease liabilities recognized on Dec 31, 2018	-0.6
Additional lease liabilities as a result of the initial application of IFRS 16	**0.4**

MEUR	2019
Carrying amount Jan 1	0.6
Additions from adoption of IFRS 16	0.4
Additions to lease liabilities	1.4
Disposals to lease liabilities	-0.8
Acquired subsidiaries	8.4
Lease payments	-0.7
Carrying amount Dec 31	9.3

The representation of current and non-current lease liabilities is presented in note 26.

Items arising from leases in the consolidated income statement

MEUR	Jan 1– Dec 31, 2019
Depreciation from right-of use assets	-0.6
Interest expense from lease liabilities	-0.2
Expense from leases of low value assets	-0.2
Lease income from third parties	0.3
Total	-0.7

The weighted average of the Group's incremental borrowing rate, which was applied on lease liabilities was 5.5%.

Finance lease liabilities under IAS 17

Componenta had on 31 December 2018 finance lease agreements for machinery and buildings, which were capitalized in tangible assets. The capitalized cost on 31 December 2018 was EUR 1.7 million. The depreciation was EUR 0.2 million and the aggregated lease payments were EUR 0.4 million in 2018. IFRS 16 "Leases" standard was adopted as of 1 january 2019.

Accounting principles

Componenta assesses at inception of a contract whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The lease liabilities are recognized on the commence date of the lease. The liabilities are measured on the commence date at the present value of the remaining lease payments, discounted by using the lessee's incremental borrowing rent. Lease term is the period during which the lease can not be cancelled, extended with the period covered by an extension option, if it is reasonably certain to exercise the extension option and period covered by a termination option, if it is reasonably certain to exercise the termination option. Management estimates the lease term of leases valid until further notice and the measures of right-of-use assets and lease liabilities are recognized based on these estimates. Management updates its estimates quarterly.

Lease payments are allocated between finance cost and decrease of liability. Lease liabilities are remeasured if future lease payments change due to an index or a rate change or when the Group's estimate of excercising a possible extension option has changed. If the lease liability is remeasured, the right-of-use asset is recovered assumingly.

Componenta has decided to utilize the practical expedient permitted by the standard and does not apply the standard on leases of low value assets, but instead recognizing the rents as an expense over the lease term. Leases of low value assets mainly include IT and office equipment. Additionally the Group recognizes leases that have a lease term of 12 months or less as leases of low value assets and applies a single discount rate to a portfolio of leases with reasonably similar characteristics.

31 Contingent liabilities

MEUR	Dec 31, 2019	Dec 31, 2018
Real-estate mortgages		
For own debts	3.2	3.2
Business mortgages		
For own debts	10.0	-
Pledges		
For own debts	7.8	-
Other leases	0.1	0.6
Other commitments	0.2	0.8
Total	21.3	4.5

The comparability of lease commitments is affected by the adoption of IFRS 16-Leases on 1 January 2019. Due to adoption of the standard, part of the operating lease commitments has been recognized in the balance sheet.

Secured liabilities

MEUR	Dec 31, 2019	Dec 31, 2018
Liabilities secured with real estate or business mortgages		
Interest-bearing restructuring debts	0.5	0.7
Loans from financial institutions	0.6	-
Total	1.2	0.7

32 Related party disclosures

Group companies (control) December 31, 2019

Company	Domicile	Group share of holding, %	Parent company share of holding, %
Componenta Castings Oy	Karkkila, Finland	100.0	100
Componenta Manufacturing Oy	Jyväskylä, 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, 2019, EUR	Salaries, fees & fringe benefits	Voluntary pension benefits	Share-based payments	Total
Board of Directors	150,000	-	-	150,000
President and CEO Harri Suutari (until 30 Aug, 2019)	235,899	-	-	235,899
President and CEO Marko Penttinen (as of 30 Aug, 2019)	81,011	-	27,031	108,041
Other members of CET*	634,022	-	67,635	701,657
Total	1,100,932	-	94,666	1,195,598

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

Remuneration of the Board of Directors and executive management

Remuneration and fees, 1,000 EUR	Jan 1– Dec 31, 2019	Jan 1– Dec 31, 2018
President and CEO Harri Suutari (until 30 Aug, 2019)	236	261
President and CEO Marko Penttinen (as of 30 Aug, 2019)	108	–
Members of Board of Directors:		
Harri Suutari	42	–
Petteri Walldén	33	50
Anne Leskelä	25	25
Asko Nevala	25	25
Harri Pynnä	25	–
Olli Isotalo	–	25
Total, Board of Directors	150	125

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

Componenta Corporation announced on 10 February 2020, that The Board of Directors of Componenta Corporation has resolved to convert stock options 2018A that have been returned to the company to stock options 2018B. The Board of Directors announced the issue of stock options 2018 on 12 November 2018. The Board of Directors has converted 416,250 stock options 2018A to stock options 2018B. The number of stock options 2018A is now 2,013,750 in total, stock options 2018B 2,861,500 in total and stock options 2018C 2,445,250 in total.

The share subscription price for stock option 2018B is 0.128 euros per share, i.e. the trade volume weighted average quotation of the share on Nasdaq Helsinki Ltd. during 14 October – 8 November 2019. The share subscription price of the stock option may be decreased by the amount of the dividend and the amount of the distribution of assets resolved before the share subscription. The share subscription price will be credited to the company's reserve for invested unrestricted equity. The theoretical market value of one stock option 2018B is approximately 0.052 euros and the theoretical market value of stock options 2018B is approximately 150,000 euros in total. The theoretical market value of a stock option has been calculated by using the Black & Scholes stock option pricing model with the following input factors: share price 0.114 euros, share subscription price 0.128 euros, risk free interest rate 0%, validity of stock options approximately 4.8 years and volatility 59.94%.

Componenta Corporation announced on 27 February 2020, that The Corporate Executive Team of Componenta will reduce from seven to five members, effective 1 March 2020. The change aims at cost efficient administration and clearer responsibilities in the management of Componenta Corporation. In connection with this change, Pasi Mäkinen, currently Director, Material Services, is appointed Componenta's Chief Operating Officer as of 1 March 2020. Miikka Jämsén, Director, Sales and Marketing, currently member of Corporate Executive Team, will be reporting to COO Pasi Mäkinen in the new setup. Arto Pitkämö, Director, Machining Services, will leave the company. The composition of the Corporate Executive Team as of 1 March 2020 will be: President and CEO Marko Penttinen, General Counsel Mervi Immonen, CFO Marko Karppinen, COO Pasi Mäkinen, and Director, Development Sami Sivuranta.

Componenta Corporation announced on 11 March 2020, that the Board of Directors have appointed M.Sc. (Eng.) Sami Sivuranta as the new President and CEO of Componenta. The appointment took place immediately. Componenta's previous President and CEO, Marko Penttinen, will be available during the transition period to carry out certain duties as determined by the President and CEO.

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, 2019	Jan 1–Dec 31, 2018
Net sales	1	3,224.7	3,550.7
Other operating income	2	2.0	401.0
Operating expenses	3, 5, 6	–3,692.7	–2,904.3
Depreciation, amortization and write-down of non-current assets	4	–41.7	–159.8
Operating result		–507.7	887.6
Financial income and expenses in total	7	248.2	124.7
Result after financial items		–259.5	1,012.2
Appropriations		–	–
Result after appropriations		–259.5	1,012.2
Income taxes		–	–
Result for the financial period		–259.5	1,012.2

Parent company balance sheet

TEUR	Note	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Assets			
Non-current assets			
Intangible assets	8	175.0	105.2
Tangible assets	9	46.7	56.0
Investments	10	21,099.8	12,442.7
Non-current assets, total		21,321.5	12,603.9
Current assets			
Non-current receivables	11	8,957.6	7,594.1
Current receivables	11	849.7	1,904.9
Cash and bank accounts		1,239.1	3,036.2
Current assets, total		11,046.4	12,535.3
Total assets		32,367.9	25,139.2

TEUR	Note	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Liabilities and shareholders' equity			
Shareholders' equity	12		
Share capital		1,000.0	1,000.0
Unrestricted equity reserve		8,166.0	366.0
Retained earnings		14,876.7	13,864.5
Result for the financial period		–259.5	1,012.2
Shareholders' equity		23,783.2	16,242.7
Liabilities			
Non-current liabilities	13, 14	6,878.8	7,549.7
Current liabilities	13, 14	1,705.9	1,346.9
Liabilities		8,584.7	8,896.6
Total liabilities and shareholders' equity		32,367.9	25,139.2

Parent company cash flow statement

TEUR	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Cash flow from operations		
Result after financial items	-259	1,012
Depreciations according to plan	42	160
Other income and expenses, non-cash items	782	
Financial income and expenses	-248	-125
Cash flow before changes in working capital	316	1,047
Changes in working capital		
Current non-interest bearing receivables increase (-)/ decrease (+)	279	-253
Current non-interest bearing liabilities increase (+)/decrease (-)	359	-567
Cash flow from operating activities before financial items and taxes	954	227
Interest and payments paid from other financial expenses of operations	-3	-
Dividends received from operations	-	56
Interest received from operations	193	199
Cash flow before extraordinary items	1,144	483
Cash flow from operating activities (A)	1,144	483

TEUR	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Cash flow from investing activities		
Capital expenditure in tangible and intangible assets	-102	-89
Proceeds from current and non-current assets	-	765
Investments in shares of subsidiary companies	-869	-
Loans receivables, decrease (+) / increase (-)	-1,286	379
Cash flow from investing activities (B)	-2,256	1,054
CASH FLOW FROM FINANCING ACTIVITIES		
Draw-downs (+) and repayments (-) of current loans	-14	0
Draw-downs (+) and repayments (-) of non-current loans	-671	0
Cash flow from financing activities (C)	-685	0
Change in liquid assets (A + B +C) increase (+)/decrease (-)	-1,797	1,537
Cash and bank accounts at the beginning of the period	3,036	1,499
Cash and bank accounts at period end	1,239	3,036
Change during the period	-1,797	1,537

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, 2019.

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 2019 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 subsidiary's restructuring programme is 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 Castings Oy filed for corporate restructuring in accordance with local restructuring proceedings in 2016. Significant uncertainty relates to the cash generating ability of the subsidiary of Componenta Corporation and to its 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 this company and to receivables from it.

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, 2019	Jan 1–Dec 31, 2018
Finland	2,081.0	1,771.0
Other Nordic countries	1,143.7	1,723.0
Central Europe	–	0.0
Other countries	–	8.8
Net sales total	–	47.9
Yhteensä	3,224.7	3,550.7

2 Other operating income

TEUR	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Rental income	–	277,8
Sales gains of fixed assets	–	40,3
Other operating income	2,0	83,0
Other operating income total	2,0	401,0

3 Personnel expenses

TEUR	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Salaries and fees	–1 620,3	-962,6
Pension costs	–200,0	-58,2
Other personnel costs	–24,5	-10,4
Total	–1 844,8	-1 031,1
Salaries and other remuneration of the Corporate Executive Team	–853,3	-516,1
Fringe benefits of the Corporate Executive Team	–5,1	-0,4

Additional pension agreements, see the consolidated financial statements.

Average number of personnel	13	12

4 Depreciations and write-downs

TEUR	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Intangible assets		
Other long-term expenditure	–31,4	-146,5
Tangible assets		
Machinery and equipment	–10,2	-13,3
Other tangible assets	–	0,0
Total depreciation and write-downs	–41,7	-159,8

5 Other operating expenses

TEUR	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Rents	–102,5	-265,5
Other operating expenses	–1 745,4	-1 607,7
Other operating expenses total	–1 847,9	-1 873,2

6 Audit fees

TEUR	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Audit fees	–97,0	-92,1
Other fees	–238,0	-32,5
Total fees paid to auditors	–335,0	-124,6

7 Financial income and expenses

TEUR	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Income from other investments held as non-current assets		
From group companies	–	65.8
Total	0.0	65.8
Interest and other finance income		
Group companies	248.9	198.3
Others	0.5	218.9
Total	249.4	417.2
Interest and other finance expenses		
Group companies	0.0	0.0
Others	-1.2	-355.8
Total	-1.2	-355.8
Write-downs on investments of non-current assets	0.0	-2.5
Financial income and expenses, total	248.2	124.7
Financial income and expenses include exchange gains/losses (net)		
Group companies	–	-12.7
Others	-0.7	1.3
Total	-0.7	-11.4

Notes to the balance sheet

Non-current assets

8 Intangible assets

TEUR	2019	2018
Other long-term expenditure		
Acquisition cost at Jan 1	5,088.0	5,009.7
Additions	22.2	78.3
Acquisition cost at Dec 31	5,110.2	5,088.0
Accumulated planned amortization at Jan 1	–4,982.8	–4,836.4
Amortization during the period	–31.4	–146.5
Accumulated amortization at Dec 31	–5,014.3	–4,982.8
Book value at Dec 31	96.0	105.2
Advance payments and assets under construction		
Acquisition cost at Jan 1	0.0	0.0
Additions	79.0	0.0
Acquisition cost at Dec 31	79.0	0.0
TOTAL INTANGIBLE ASSETS	175.0	105.2

9 Tangible assets

TEUR	2019	2018
Machinery and equipment		
Acquisition cost at Jan 1	1,013.0	1,001.9
Additions	1.0	11.1
Acquisition cost at Dec 31	1,014.0	1,013.0
Accumulated planned depreciation at Jan 1	–973.0	–959.7
Depreciation during the period	–10.2	–13.3
Accumulated depreciation at Dec 31	–983.3	–973.0
Book value at Dec 31	30.7	39.9
Book value of production machinery and equipment at Dec 31		
Other tangible assets		
Acquisition cost at Jan 1	86.0	86.0
Disposals	0.0	0.0
Acquisition cost at Dec 31	86.0	86.0
Accumulated planned depreciation at Jan 1	–70.0	–70.0
Depreciation during the period	0.0	0.0
Accumulated depreciation at Dec 31	–70.0	–70.0
Book value at Dec 31	16.0	16.0
TOTAL TANGIBLE ASSETS	46.7	55.9

10 Investments

TEUR	2019	2018
Shares in group companies		
Acquisition cost at Jan 1	337,338.0	338,187.3
Additions	8,657.0	0.0
Disposals	0.0	-849.3
Acquisition cost at Dec 31	345,995.0	337,338.0
Accumulated write-downs at Jan 1	-324,895.3	-324,892.7
Write-downs during the period		-2.6
Accumulated write-downs at Dec 31	-324,895.3	-324,895.3
Book value at Dec 31	21,099.7	12,442.7
Other shares		
Acquisition cost on Jan 1	0.0	4.2
Additions	0.0	0.0
Write-downs during the period	0.0	-4.2
Acquisition cost on Dec 31	0.0	0.0
Accumulated write-downs at Jan 1	0.0	0.0
Accumulated write-downs at Dec 31	0.0	0.0
Book value at Dec 31	0.0	0.0
Capital note investments in group companies		
Acquisition cost at Jan 1	0.0	47.1
Additions	0.0	0.0
Write-downs during the period	0.0	-47.1
Acquisition cost at Dec 31	0.0	0.0
INVESTMENTS TOTAL	21,099.8	12,442.7

CURRENT ASSETS

11 Receivables

TEUR	Dec 31, 2019	Dec 31, 2018
Non-current receivables		
Loan receivables from group companies	5,387.4	7,594.1
Restructuring receivables form group companies	3,570.3	0.0
Total non-current receivables	8,957.6	7,594.1
Current receivables		
Receivables from group companies		
Trade receivables	448.0	1,456.3
Loan receivables	117.6	1.3
Other receivables		126.2
Prepayments and accrued income	99.2	97.6
Total	664.9	1,681.3
Receivables from		
Trade receivables	66.8	37.2
Loan receivables	5.0	8.6
Other receivables	16.6	99.2
Prepayments and accrued income	96.4	78.6
Total	184.8	223.7
Total current receivables	849.7	1,904.9

TEUR	Dec 31, 2019	Dec 31, 2018
Prepayments and accrued income		
Interest receivables	99,2	90,3
Insurance payments	20,7	43,7
Others	75,8	42,2
Total	195,6	176,2

12 Shareholders' equity

Dec 31, 2019, TEUR	Share capital	Share premium reserve	Reserve fund	Unrestricted equity reserve	Retained earnings	Result for the financial period	Total
Shareholders' equity Jan 1	1,000.0	0.0	0.0	366.0	13,864.5	1,012.2	16,242.7
Directed share issue				7,800.0			7,800.0
Reclassifications					1,012.2	–1,012.2	0.0
Result for the financial period						–259.5	–259.5
Shareholders' equity Dec 31	1,000.0	0.0	0.0	8,166.0	14,876.7	–259.5	23,783.2

Dec 31, 2018, TEUR	Share capital	Share premium reserve	Reserve fund	Unrestricted equity reserve	Retained earnings	Result for the financial period	Total
Shareholders' equity 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 Dec 31	1,000.0	0.0	0.0	366.0	13,864.5	1,012.2	16,242.7

Calculation of distributable equity

TEUR	Dec 31, 2019	Dec 31, 2018
Retained earnings	**14,876.7**	13,864.5
Unrestricted equity reserve	**8,166,0**	366.0
Result for the financial period	**–259.5**	1,012.2
Total	**22,783.2**	15,242.7

Pursuant to Chapter 9 Section 58 of the Restructuring f Enterprises Act (25.1.1993/47) 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 (624/2006), the company may not distribute the unrestricted equity to the shareholders during three years, since the company has reduced the share capital for loss coverage on 11 May, 2017.

13 Liabilities

Te	Dec 31, 2019	Dec 31, 2018
Non-interest bearing liabilities	8,584.7	8,864.6
Total	8,584.7	8,864.6
Non-current liabilities		
Liabilities to group companies	11.7	361.1
Other non-current interest free liabilities	6,867.2	7,188.6
Non-current interest bearing liabilities total	6,878.8	7,549.7
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	6,878.8	7,549.7
Later than five years	–	0.0
Total	6,878.8	7,549.7
Liabilities to group companies		
Trade payables	1.2	1.8
Accrued expenses and deferred income	–	0.0
Total	1.2	1.8
Liabilities to others		
Trade payables	290.5	157.7
Other current liabilities	852.5	767.5
Accrued expenses and deferred income	561.7	419.9
Total	1,704.7	1,345.0
Current non-interest bearing liabilities total	1,705.9	1,346.9
Current liabilities total	1,705.9	1,346.9

Te	Dec 31, 2019	Dec 31, 2018
Accrued expenses and deferred income		
Annual salaries with social security	201.3	177.2
Accrued salaries with social security	311.5	35.6
Pensions	26.3	20.5
Parent company's liability towards National Emergency Supply Organisation	–	116.5
Others	22.5	70.0
Total	561.7	419.9
Total liabilities	8,584.7	8,896.6

14 Restructuring debt included in the balance sheet

TEUR	Dec 31, 2019	Dec 31, 2018
Non-current non-interest bearing liabilities		
Loans to group companies	9.1	354.0
Loans to third parties	6,729.4	7,023.7
Trade payables to group companies	2.5	7.1
Trade payables to third parties	137.8	164.9
Total	6,878.8	7,549.7
Current non-interest bearing liabilities		
Trade payables to group companies	0.5	1.2
Trade payables to third party	27.1	27.2
Loans to group companies	2.0	59.1
Other liabilities to third party	641.3	583.3
Total	670.8	670.8
Restructuring debt total	7,549.7	8,220.5

15 Secured liabilities, contingent liabilities and other commitments

TEUR	Dec 31, 2019	Dec 31, 2018
Pledges		
On behalf of group companies	7,800.0	–
Total	7,800.0	–
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	57.3	59.0
Later than one year	116.0	19.1
Total	173.3	78.1
Other commitments on behalf of group companies	171.5	341.0
Other commitments	–	342.1

Commitments indicate the maximum amount of the quarantees related to accounts payables. Guarantee used can fall below the maximum liability amount.

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 90,578,249,128 (EUR 80,929,806,27). The related deferred tax receivables of these losses are EUR 18,115,649.82 (EUR 16,185,961.26).

Signatures for the financial statement and board of directors' report

Helsinki, March 16, 2020

Harri Suutari
Chairman of the Board

Anne Leskelä
Vice Chairman of the Board

Asko Nevala
Member of the Board

Petteri Walldén
Member of the Board

Harri Pynnä
Member of the Board

Sami Sivuranta
CEO

The auditor's note

Our auditor's report has been issued today.

Helsinki, March 17, 2020

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 2019. 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 5 to the Financial Statements.

Material uncertainties related to going concern

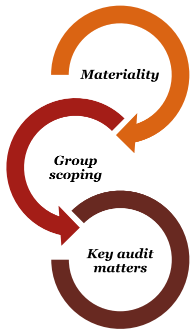
We draw attention to the accounting principles of the consolidated financial statements and of the financial statements of the parent company, which describe the status and progress of the corporate restructuring proceedings of the group companies and their ability to continue as a going concern.

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 programs 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: € 500 000 euros
• Audit scope: The group audit scope has included the parent company and its subsidiaries in Finland.
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 • Accounting treatment of changes in group structure • 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	500 000 euros (previous year 1 200 000 euros)
How we determined it	Overall group materiality is determined as a percentage of the group's FY2019 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. We have predefined the audit focus areas of financial information to each group component.

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. Additionally the company sells machining services for its clients own products. Revenue from products and services sold to customers is mainly recognized when disposed, that is the moment when the customer assumes control of the goods. Small part of the revenue from machining services is recognized over time and the degree of fulfillment is based on the proportion of actual and estimated total costs. 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 3 of the consolidated financial statements** The Componenta Group's parent company Componenta Corporation and its Finnish subsidiary Componenta Castings 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
Accounting treatment of changes in group structure **Refer to the accounting principles of the consolidated financial statements and Notes 2 and 3 of the consolidated financial statements** Componenta Oyj´s subsidiary Componeta Främmestad Ab filed for bankruptcy in September 2019. Componenta Främmestad Ab is classified as discontinued operation in consolidated financial statements. Consolidation of Componenta Främmestad Ab was discontinued on 25 September 2019 and Componenta Främmestad´s net profit for FY 2019, effect of deconsolidation and other items related to bankruptcy of Componenta Främmestad Ab are included in the net result of discontiued operations. Componenta Oyj completed the purchase of all shares of Komas Oy (later Componenta Manufacturing Oy) on 30 August 2019. The purchase price consisted of 60 million new shares issued by Componenta. In consolidated accounts the purchase price has been allocated to purchased assets and liabilities in line with their fair value at the time of acquisition. Goodwill identified on acquisition was EUR 3.2 million. Accounting treatment of the changes in group structure has significant effect on financial statements and management have used significant judgement in assessing the correct accounting method. For this reason the accounting treatment of changes in group structure are considered a key audit matter in the group audit.	Our audit procedures included for example the following procedures: – We updated our understanding of group accounting priciples related to business acquisitions and discontinued operations. – We analysed the reasoning behind the classification of Componenta Främmestad Ab as discontinued operations and audited calculations related to presentation of discontinued operations – We evaluated the accounting principles applied in acquisition of Komas Oy and valuation of assets and liabilities. – We evaluated the completeness and accuracy of information related to business acquisitions and discontinued operations disclosed in notes to the Financial statement

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 Finnish subsidiary Componenta Castings Oy is 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 programs 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 17 March 2020

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 Vantaa, Teknobulevardi 7 in meeting room Akropolis on Thursday 16 April 2020 at 9.00 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 (AGM), 2 April 2020, 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 April 2020 (nominee registered shares by 10.00 EET on 9 April 2020), either on the internet at https://www.componenta.com/investors/corporate-governance/general-meeting/agm-2020/, by email to ir.componenta@componenta.com, by phone on weekdays 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 AGM that no dividend will be distributed for the fiscal year 1 January – 31 December 2019.

Financial information

Business Review January – March 2020, on Friday 8 May 2020

Half-Year Financial Report January – June 2020, on Friday 24 July 2020

Business Review January – September 2020, on Friday 6 November 2020

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

Our Annual Review 2019 is available on www.componenta.com. Previous annual reports, sustainability reports and interim reports are also available on the company website. You can order a print version of a publication by email from ir.componenta@componenta.com.

On the company website, you can subscribe to receive Componenta's published releases to your email.

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. During that time we will not hold meetings with investors or comment on financial performance.

Investors and shareholders can contact Componenta via email: ir.componenta@componenta.com.

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