

COMPONENTA OYJ

INTERIM FINANCIAL STATEMENTS
30 Sep 2016

COMPONENTA

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Report of the Board of Directors 1.1. –30.9.2016

The review period 1.1.-30.9.2016 has been very challenging for Componenta. Componenta's order book of continued operations at the beginning of October was 9% smaller than in the previous year, standing at EUR 67.3 (73.5) million. Componenta's net sales of continued operations in the January-September period fell 13% to EUR 284 (327) million.

Componenta Group's liquidity situation became critical in August due to the weaker than estimated development in net sales and profitability. The company could not negotiate the additional financing necessary and due to this situation continuation of the business without restructuring proceedings was impossible because lack of production materials meant that the factories could not be kept in operation.

Consequently, on 1 September 2016 Componenta filed for restructuring of the parent company Componenta Corporation and the following subsidiaries: Componenta Finland Ltd in Finland and Componenta Främmestad AB, Componenta Wirsbo AB and Componenta Arvika AB in Sweden. As part of these arrangements it had been decided that Componenta's Dutch subsidiary Componenta B.V. would file for bankruptcy. Componenta Dökümcülük Ticaret ve Sanayi A.S. in Turkey continues its operations without any official proceedings.

The filings of the Swedish subsidiaries were accepted and restructuring proceedings were started on 1 September (Componenta Främmestad AB and Componenta Wirsbo AB) and on 2 September 2016 (Componenta Arvika AB).

The Dutch subsidiary was declared bankrupt on 2 September 2016.

On 30 September the district court of Helsinki in Finland took the decision to commence the restructuring process of Componenta Corporation and Componenta Finland Ltd.

In Finland a restructuring programme will typically be approved within a year and a schedule for restructured debt payments will be defined in a payment programme. In Sweden a restructuring period will last one year from the approval of the programme. Information on how well the programme is succeeding will become available during the latter months of 2016.

In the short term Componenta has agreed pre-payment based financing with key customers in Finland and in Sweden to cover working capital needs.

Due to the ongoing corporate restructuring proceedings, Componenta's primary objective is a clear improvement in profitability, returning the company's operations to profitability and developing them in the longer term. In Finland and Sweden the restructuring proceedings will enable the company's operations to return to profitability and be developed in the longer term, but significant uncertainty still relates to going concern of operations.

During the beginning of the year, Componenta has implemented a strategic review of the business structure, which has included the closures or sales of production plants, transfers of production and other measures aiming to significantly improve profitability.

As part of the strategic review, Componenta's management system was reorganised at the beginning of March. In the new system the previous division structure has been removed and business operations have been divided into five business areas: Finland business area, Sweden business area, Netherland business area, Turkey Iron business area and Turkey Aluminium business area. The business areas consist of the business units i.e. local foundries, machine shops and forges. The business areas are also responsible for their sales. The Dutch business was classified as Discontinued Operations during the third quarter as a result of local bankruptcy proceedings.

In August Componenta's Sweden business area has been divided into two separate businesses, the Främmestad machine shop business and the Wirsbo forge business.

The renewal aims at significant cost savings and fixed costs will be reduced by several measures. Group level sales, engineering, quality and customer service operations have become part of the business units. This change aims to develop the core competences of the business units and to significantly improve customer service and quality.

In Finland, personnel involvement in management has been promoted by appointing an employee representative to each business unit management team.

At the beginning of December 2015 Componenta started negotiations towards a financing solution that would support the new strategic alignments and ensure the strengthening of the company's financial position and balance sheet. On 1 April 2016 the company announced that it had reached preliminary agreement on repaying the parent company's secured loans. On 16 May 2016 Componenta Corporation issued a EUR 40 million convertible capital loan and discharged the company's secured bank loans and a secured bond to a total of some EUR 72 million.

The negotiations with Turkish banks were continuing concerning additional finance for the Turkish subsidiary and extending the maturity dates for the financing. Componenta Dökümcülük A.S. has on 28 July 2016 signed a new 4-year credit facility agreement of EUR 15 million. The new loan is a separate tranche under EUR 120 million club loan agreement signed in 2014 and amended in 2015.

Strategy and strategic projects

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On 9 February 2016, Karkkilan Lääkärikeskus Oy, a subsidiary of Componenta Corporation, sold its medical centre and occupational health business, which were not part of the Group's core business, to Mehiläinen Oy. Ownership of the medical centre transferred to Mehiläinen as of 1 March 2016.

The foundry operations of Iisalmi-based Suomivalimo were sold on 30 June 2016 to a company set up by Antti Lehtonen, Olli Karhunen and the operational management of Suomivalimo. The foundry real estate property in Iisalmi was sold to Iisalmen Teollisuuskylä Oy. The debt free selling price for the Suomivalimo business, property, tangible and intangible assets and inventories, was EUR 4.3 million. The sale had an impact on cash flow in the second quarter of EUR 3.3 million and had an total impact on cash flow in 2016 of EUR 4.1 million. The Group recorded a sales loss of EUR 6.1 million on the transaction.

The foundry property, which is to be taken out of use, premises of the discontinued foundry in Manisa, Turkey were sold on 1 July 2016. The sale price was EUR 2.5 million and no material sales profit or loss was recorded

Componenta's pistons business was sold on 17 August 2016 to Koncentra Pistons Oy. The Group recorded a sales profit of EUR 1.0 million from the transaction, which has been presented in items affecting comparability.

On 13 October Componenta announced its plan to sell its forge operations located in Sweden i.e. Componenta Wirsbo AB and Componenta Arvika AB.

In addition to selling non-core parts of its business Componenta Corporation plans to sell its shareholding in Componenta Dökümcülük Ticaret ve Sanayi A.S. Componenta targets to achieve a solution by which the Componenta group companies outside Turkey would be released from their debts from Componenta Dökümcülük Ticaret ve Sanayi A.S. and its subsidiary, and the Turkish subsidiary's operational situation would improve. Should the arrangement come true in accordance with the company's targets the arrangement it is not expected to have an impact on Componenta Corporation's cash flow or on the operations of remaining subsidiaries.

In addition the company is examining the possibility of selling other non-core business operations and property.

Developments in business environment

Growth prospects in different regions of the world are not uniform, and there are currently no signs of a rapid change for the better. In Europe moderate economic growth continues, but Britain's upcoming exit from the EU and Russia's challenging economic situation mean that uncertainty remains. Developments in European economic indicators during the review period give no indication that demand prospects for investment goods will rapidly improve.

The outlook in Germany and Sweden remains fairly positive regarding the key markets of Componenta's point of view. In Turkey, however, the outlook has weakened during late summer and early autumn. In Finland the growth prospects are still modest. The economy in the United States is expected to continue on its path of moderate growth, and in China the economic outlook has further weakened slightly during the spring and summer of 2016. The economies of South America are overshadowed by the deep recession in Brazil.

Demand prospects in the company's customer sectors remain uncertain, particularly in the mining and agricultural machinery customer sectors and the machine building customer sector. However, in the heavy trucks and automotive sectors European demand prospects are on a firmer footing. In the machine building sector demand prospects show greater variation from one customer to another.

The order book for Componenta's heavy trucks customer sector was 9% higher than at the same time in the previous year. Demand in the truck industry in Europe is expected to rise slightly in 2016.

The order book for Componenta's construction and mining customer sector was 27% lower than at the same time in the previous year. Total demand in construction and mining in 2016 is expected to fall below that in the previous year.

The order book for Componenta's machine building customer segment was 45% lower than in the previous year. Demand within the customer segment varies from customer to customer and in different geographical regions. The demand prospects are especially challenging among the Nordic machine building segment customers.

The order book for Componenta's agricultural machinery customer sector was 2% lower than at the same time in the previous year. Total demand in agricultural machinery in 2016 is expected to fall below that in the previous year.

The order book for Componenta's automotive customer sector was 2% higher than in the previous year. Demand in Europe is expected to rise in 2016, but demand in Turkey and in Russia is expected to fall from previous year –level. Componenta's relative share of deliveries of aluminium wheels has fallen slightly during 2016, mainly due to capacity limitations, as relative growth in demand has switched to larger wheel sizes.

Order book and net sales

Componenta's order book of continued operations at the beginning of October was 9% smaller than in the previous year, standing at EUR 67.3 (73.5) million. The order book comprises confirmed orders for the next two months. The combined effect of the sale of the Suomivalimo and Pistons businesses on the decline of the order book was around EUR 3 million.

Componenta's net sales of continued operations in the January-September period fell 13% to EUR 284 (327) million.

Componenta's net sales in the review period by customer sector were as follows: heavy trucks 36% (34%), construction and mining 15% (18%), machine building 13% (14%), agricultural machinery 14% (14%) and automotive 22% (20%).

Result

Componenta's adjusted EBITDA of continued operations for the January-September period declined from the previous year to EUR 13.0 (32.0) million. The adjusted EBITDA in the review period was weakened by lower production volumes than in the previous year, by wage inflation in Turkey and especially by stoppages in production caused by the filings for corporate restructuring and the tight liquidity situation. Operative exchange rate differences weakened EBITDA significantly, by EUR -1.6 (3.1) million. The operative exchange rate differences are mainly affected by exchange rate changes for the British pound, Turkish lira and Swedish krona.

The consolidated adjusted operating profit of continued operations in the review period declined from the previous year to EUR -0.1 (19.7) million. The operating profit in accordance with IFRS, including items affecting comparability, was EUR -21.2 (17.5) million.

The Group's adjusted net financial costs in the review period totalled EUR -15.7 (-17.2) million. Adjusted net financial costs were EUR 1.5 million lower than in the previous year mainly due to foreign exchange gains. IFRS net financial costs, including items affecting comparability, were EUR 27.4 (-17.3) million.

The Group's adjusted result of continued operations for the period after financial items was EUR -15.8 (2.5) million, and the IFRS result after financial items, including items affecting comparability, was EUR 6.2 (0.2) million.

Items affecting comparability included in the operating profit for the review period totalled EUR -21.1 (-2.2) million. Items affecting comparability in the operating profit are mainly related to costs for loss on the sale of the Suomivalimo business of EUR -6.1 million, the Pistons unit's sales profit of EUR 1.0 million, the impairment of long-term production machinery in the Swedish iron business of EUR -4,2 million, the impairment of goodwill relating to the Turkish iron business EUR -7.5 million and costs for reorganising Group administration, EUR -2.8 million. Other items affecting comparability totalled EUR -1.5 million. Items affecting comparability included in the net financial items totalled EUR 43.1 (-0.1) million and relate mainly to financing arrangements that aim to strengthen the balance sheet. On 16 May 2016 Componenta Corporation

has issued a convertible capital loan of EUR 40 million and discharged secured bank loans and a secured bond. As a result of the arrangement the amount of the company's secured debt has decreased by some EUR 72 million. The secured debt was discharged at an amount lower than the balance sheet value, and the company recorded the difference between the balance sheet value and the discharged value after arrangement fees, EUR 43.3 million net, in other financial income.

Income taxes of continued operations for the review period were EUR -2.8 (-2.0) million. The taxes for the financial period include calculated amortisation of tax receivables relating to confirmed losses in Finland, EUR -1.7 million, and extra taxes the company was ordered to pay during a tax inspection in Turkey, EUR -1.7 million.

The profit of operations being discontinued during the review period, including impairments on the Dutch sub-group's net assets and depreciations related to receivables from the Dutch sub-group recorded by the Group's continuing businesses, totalled EUR -24.1 (EUR -7,3 million). Depreciations of the Dutch sub-group's net assets and depreciations related to receivables from the Dutch sub-group recorded by the Group's continuing businesses during third quarter totalled EUR -17.7 million. During first and second quarter costs affecting comparability of EUR -2.9 million have been recorded relating to the closure of the Furan line production and other local restructuring costs.

The Group's profit for the review period was EUR -20.6 million (EUR -9.1 million). Basic earnings per share were EUR -0.18 (EUR -0.10) for the review period and the basic earnings per share for continued operations were EUR 0.03 (EUR -0.03).

The adjusted return on investment was -1.5% (5.3%) and the return on investment including items affecting comparability was -23.3% (4.4%). The adjusted return on equity was -83.6% (-10.2%) and the return on equity including items affecting comparability was -92.3% (-11.3%).

Balance sheet, financing and cash flow

During 2015 Componenta failed to meet certain conditions for its syndicated loan agreement. For this reason at the end of December 2015 the company signed a standstill agreement with the Nordic partners in the syndicated loan agreement, whereby the lenders released Componenta from having to comply with certain terms of the loan for a fixed period until the end of April 2016.

At the beginning of December 2015 Componenta started negotiations towards a financing solution that would support the new strategic alignments and ensure the strengthening of the company's financial position and balance sheet. On 1 April 2016 the company announced that it had reached preliminary agreement on repaying the parent company's secured loans. On 16 May 2016 Componenta Corporation issued a EUR 40 million convertible capital loan and discharged the company's secured bank loans and a secured bond to a total of some EUR 72 million. The convertible capital loan was offered to a limited group of selected investors. EUR 25.4 million of the subscription price for the loan was paid in cash and EUR 14.6 million by setting off the subscription price against a loan receivable from the company.

The convertible capital loan is a bullet loan and has a maturity of four years. The company may not repay the loan before its maturity date. The issuing price for the loan is 100 per cent and the annual interest is 2 per cent. The loan can be converted into Componenta Corporation shares during the term of the loan. The share subscription price is EUR 0.50. The subscription price is considered to be fair to all shareholders, taking into account on the one hand the company's share price when issuing the loan and, on the other hand, the need to ensure the success of the loan issue. As the result of share subscriptions based on shares in the loan, the company will issue a maximum of 80 million new shares. By 30 September 2016 EUR 24,934,000 of the convertible loan had been converted into shares and the company had issued 49,868,000 new shares. Componenta has on 5 October 2016 announced that from the issued convertible capital loan EUR 3,444,000 of the loan have been used for the subscription of 6,888,000 new shares in Componenta Corporation. The new shares have been entered into the Trade Register on 5 October 2016, but in the balance sheet the conversion has been recorded already during the third quarter 2016. The remaining convertible capital loan on 30 September 2016 has a nominal value of EUR 11.6 million.

Overall, as the result of the above financing arrangements the company's secured debt declined by some EUR 72 million. The secured debt was discharged at an amount lower than the balance sheet value, and the company recorded the difference after arrangement fees, EUR 43.3 million net, in other financial income.

The negotiations with Turkish banks were continuing concerning additional finance for the Turkish subsidiary and extending the maturity dates for the financing. Componenta Dökümcülük A.S. has on 28 July 2016 signed a new 4-year credit facility agreement of EUR 15 million. The new loan is a separate tranche under EUR 120 million club loan agreement signed in 2014 and amended in 2015. The counter-parties of the financing agreement are Türkiye Vakıflar Bankası T.A.O. Orhangazi/Bursa Branch, Türkiye Halk Bankası A.Ş. Organised Industry Commercial/Bursa Branch, T.C. and Türkiye İş Bankası A.Ş. Bursa Corporate Branch.

In addition to financing solutions, it is planned to finance the arrangement for safeguarding the company's working capital by divesting non-core business operations and property. The divestment of Suomivalimo's foundry business located in Iisalmi to Antti Lehtonen, Olli Karhunen and the management on behalf of a new company to be established was completed on 30 June 2016. The foundry real estate property was sold to Iisalmen Teollisuuskylä Oy. The debt free selling price for the Suomivalimo business, property, tangible and intangible assets and inventories, was EUR 4.3 million and the sale had an impact of EUR 4.1 million on the cash flow. The Group recorded a sales loss of EUR 6.1 million on the transaction.

The foundry property, which is to be taken out of use, in Manisa, Turkey were sold on 1 July 2016. The sale price was EUR 2.5 million. No significant sales profit or loss was recorded from the sale.

Componenta's pistons business unit in Pietarsaari was sold on 17 August 2016 to Koncentra Pistons Oy. The Group recorded a sales profit of EUR 1.0 million from the deal, which has been presented in items affecting comparability.

Despite the above-mentioned financial arrangements and divestments of businesses Componenta's liquidity situation became critical in August due to weak turnover and profitability developing more negatively than estimated. The company was unable to negotiate the finances required to rectify the situation. It therefore became impossible to continue operations without corporate restructuring, as the company could not keep its factories operational because of lack of materials. Obtaining further financing in Turkey has been challenging and the liquidity situation remains tight.

On 1 September 2016 Componenta filed its parent company Componenta Corporation and its subsidiaries in Finland and Sweden for corporate restructuring. The Turkish subsidiary continues its operations without any official proceedings. The restructuring proceedings in Finland and in Sweden have started, in Sweden on 1 September 2016 (Componenta Främmestad AB and Componenta Wirsbo AB) and 2 September 2016 (Componenta Arvika AB) and in Finland on 30 September 2016 (Componenta Corporation and Componenta Finland Ltd). The Dutch subsidiary has been declared bankrupt on 2 September 2016.

The company believes that in Finland and Sweden the restructuring proceedings will enable the company's operations to return to profitability and be developed in the longer term but there is still a significant degree of uncertainty regarding the going concern of the Group's operations. In the short term, the companies in Finland and in Sweden have agreed a prepayment arrangement with their main customers which will cover the working capital needs. Actions to reduce fixed costs have continued and will actively continue further in order to enable successful corporate restructuring proceedings. For example, services and costs of the parent company will be cut significantly.

According to Componenta's announcement on 7 October 2016, in addition to divesting non-core parts of its operations Componenta Corporation plans to sell its shareholding in Componenta Dökümcülük Ticaret ve Sanayi A.S. Componenta aims to achieve a solution through which the Componenta group companies outside Turkey would be released from their debts from Componenta Dökümcülük Ticaret ve Sanayi A.S. and its subsidiary and the Turkish subsidiary's operational situation would improve. Should the arrangement come true in accordance with the company's targets it is not expected to have an impact on Componenta Corporation's cash flow or on the operations of remaining subsidiaries.

On 13 October Componenta announced its plan to sell its forge operations located in Sweden i.e. Componenta Wirsbo AB and Componenta Arvika AB.

The Group has a total of EUR 156.6 million in long and short-term loans from banks and other financial institutions maturing in the next 12 months. Componenta Corporation filed for restructuring with the district court of Helsinki on 1 September 2016. This constituted an event of default as set out in the Club Loan Agreement of Componenta Corporation's Turkish subsidiary. Due to the event of default, creditors may request immediate repayment of the club loan. As a result of the foregoing, several installments, nominal amount in aggregate of eur 85.6 million, agreed to be repaid after the coming 12 months, have been classified as current debt in the balance sheet of the group.

The company's liquidity was tight in the review period, which had a negative impact on the company's production operations.

At the end of the review period Componenta's cash funds and bank receivables totalled EUR 7.3 (3.8) million. The company had no committed credit facilities in the end of the review period. The Group's interest-bearing net debt totalled EUR 164 (226) million at the end of the review period. The Group's net gearing was 580% (226%).

The Group's equity ratio at the end of June was 8.4% (21.1%).

Net cash flow from continued operations in the period was EUR 7.3 (15.6) million. The weakened cash flow of continued operations is due to decreasing profitability of operations caused by changes in working capital, which were EUR 15.5 million (EUR 4.9 million) during the review period. The funds tied up in working capital declined mainly due to the increase in trade payables. Overdue trade payables of the Turkish operations at the end of the period were EUR 22 million. The debts of the Finnish and Swedish companies to be managed in the restructuring, including external payables included in the restructuring process, total around EUR 49 million according to early estimates. The total amount of external liabilities to be managed under the corporate restructuring process will become clear as the process unfolds as part of the payment programme to be agreed and creditor negotiations take place. The above-mentioned figure does not include securities to third parties used as collateral against liabilities to parties outside the Group.

Componenta is making more efficient use of capital with a programme to sell its trade receivables. Under this arrangement, some of the trade receivables are sold without any right of recourse. The volume of trade receivables sold at the end of September totalled EUR 33.4 (76.5) million. In Sweden and Finland the limits of selling trade receivables were mostly lost at the start of the restructuring, which partly explains the decline in selling receivables. In addition, as previously stated the Dutch operations are no longer consolidated into the financial statement. The Dutch sub-group's sold receivables totalled EUR 9.6 million in September 2015.

At the end of June, the invested capital of the company was EUR 199.5 (330.3) million.

Investments

Investments in production facilities in the January - September period totalled EUR 17.3 (18.7) million, and financial lease investments accounted for EUR 5.2 (3.8) million of these. EUR 13.0 million of the investments in the period were in the aluminium business operations in Manisa, Turkey, mainly to increase capacity. The net cash flow from investments was EUR -0.4 (-17.3) million, which includes the cash flow from the Group's investments in tangible and intangible assets, and the cash flow from shares sold and purchased and from the sale of fixed assets and businesses. The net cash flow from investments includes income from sales and divestments during the review period totalling EUR 12.2 million received from the sale of the Suomivalimo business, the divestment of the old Manisa foundry building property and the sale of Pistons, the piston manufacturing business.

Research and development

Componenta's research and development expenses in 1.1.-30.9.2016 and 2015 totalled EUR 1.5 (2.2) million, the equivalent of 0.5% (0.5%) of the Group's total net sales in continued operations.

Personnel

The Group had on average 4,066 (4,278) employees during the review period, including 305 (303) leased employees. The number of Group personnel at the end of the period was 3,456 (4,286), which includes 208 (284) leased employees. The Group's continued operations had on average 3,664 (3,739) employees during the review period, which includes 219 (220) leased employees. The total number of employees in the Group at the end of the review period was 3,456 (3,744) including leased employees 208 (195).

At the end of review period 74% (62%) of personnel were in Turkey, 14% (15%) in Finland, 0% (13%) in the Netherlands and the UK, and 12% (10%) in Sweden.

Shares and share capital

The shares of Componenta Corporation are quoted on Nasdaq Helsinki. The average share price during the review period was EUR 0.24, the lowest price was EUR 0.14, and the highest EUR 0.71. The quoted price on 30 September 2016 stood at EUR 0.23 (EUR 0.80) and the share capital had a market capitalisation of EUR 34.3 (77.8) million. The volume of shares traded during the period was equivalent to 47.7% (9.8%) of the share stock.

At the end of September Componenta's share capital stood at EUR 21.9 (21.9) million and the company had a total of 147 137 224 (97 269 224) shares. The increase in the number of shares results from the conversion of the principal of the convertible loan into shares. On 16 May 2016 Componenta Corporation issued a EUR 40 million convertible capital loan. By 30 September 2016 altogether EUR 24 934 000 of the convertible loan had been converted into shares and the company had issued 49 868 000 new shares. Componenta has on 5 October 2016 announced that from the issued convertible capital loan EUR 3,444,000 of the loan have been used for the subscription of 6,888,000 new shares in Componenta Corporation. The new shares have been entered into the Trade Register on 5 October 2016, but in the balance sheet the conversion has been recorded already during the third quarter 2016.

The company had 4,348 (2,591) shareholders at the end of the review period.

Flagging notices

In consequence of the conversion of the convertible loan into shares, Componenta received several flagging notices as required by the Finnish Securities Market Act in the period 26 May – 30 September 2016. A separate stock exchange release has been published for each flagging notice. According to these flagging notices, the holding of Sampo plc in Componenta Corporation shares and voting rights has first exceeded 10% (26.5.2016), and fallen below 10% (6.9.2016) and then fallen below 5% (16.9.2016). The holding of Sampo Group in Componenta Corporation shares and voting rights has first exceeded 15% (26.5.2016), fallen below 15% (7.9.2016) and then fallen below 10% (16.9.2016). As the result of conversion of certain shares of convertible capital loan 2016 into shares, the holding of Finnish Industry Investment Ltd in Componenta Corporation shares and voting rights has exceeded 10% (20.9.2016). The holding of Elo Mutual Pension Insurance Company in Componenta Corporation shares and voting rights has fallen below 5% (26.5.2016), the combined holding of Heikki Lehtonen and of Oy Högfors-Trading Ab and Cabana Trade S.A., companies in which he exercises control, in Componenta Corporation shares and voting rights has fallen below 10% (30.5.2016), and the holding of Sp-Fund Management Company in Componenta Corporation shares and voting rights has fallen below 5% (30.5.2016).

Decisions of the Annual General Meeting

The Annual General Meeting of Componenta Corporation, held on 1 April 2016, adopted the annual accounts and the consolidated annual accounts for the financial period from 1 January to 31 December 2015 and discharged the members of the Board of Directors and the CEO from liability. In accordance with the proposal of the Board of Directors, the AGM resolved that no dividend be paid for the financial year ended 31 December 2015.

The AGM decided that the Board of Directors should have six members and re-elected Olavi Huhtala, Olli Isotalo, Perttu Louhiluoto, Riitta Palomäki, Matti Ruotsala and Tommi Salunen to the Board.

The AGM decided that the chairman of the Board be paid an annual fee of EUR 60,000 and Board members EUR 30,000. It also decided that Board committee members be paid EUR 5,000. The travel expenses of Board members in the financial year 1 January - 31 December 2016 are paid in accordance with the company's travel regulations.

The AGM elected authorised public accountants PricewaterhouseCoopers Oy as auditor.

Decisions of the Extraordinary General Meeting held on 15 April 2016

Componenta's Extraordinary General Meeting on 15 April 2016 resolved to authorise the Board of Directors to decide on a share issue and an issue of special rights entitling to shares.

The aggregate amount of shares to be issued based on the authorisation, including shares received based on special rights entitling to shares, shall not exceed 100,000,000 shares. By virtue of the authorisation the Board of the Directors may resolve to issue, for example, special rights that entitle their holder to receive new shares or the company's own shares for consideration in such a manner that the subscription price of the shares is to be set off against a receivable of the subscriber ("Convertible Bond"). The Board of the Directors may resolve to issue new shares or to transfer treasury shares that may be held by the company. The authorisation entitles the Board of Directors to resolve on all conditions for the issuance of shares and the issuance of special rights entitling to shares, including the right to derogate from the pre-emptive right of the shareholders. The authorisation shall be used, for example, to strengthen the balance sheet and financial position of the company.

Componenta Corporate has made announcements on 24 March 2016 and 1 April 2016 about financial arrangements being prepared that will significantly strengthen the company's balance sheet. For this to take place, it is necessary for the Extraordinary General Meeting held on 15 April 2016 to resolve to authorise the Board of Directors to decide on a share issue and the issue of special rights entitling to shares. On 16 May 2016 Componenta Corporation issued a EUR 40 million convertible capital loan and discharged the company's secured bank loans and a secured bond to a total of EUR 72 million. The loan can be converted into Componenta Corporation shares during the term of the loan. The share subscription price is EUR 0.50. The subscription price is considered to be fair to all shareholders, taking into account on the one hand the company's share price when issuing the loan and, on the other hand, the need to ensure the success of the loan issue. As the result of share subscriptions based on shares in the loan, the company will issue a maximum of 80 million new shares.

Decisions of the Extraordinary General Meeting held on 23 September 2016

The Extraordinary General Meeting of Componenta Corporation resolved on 23 September, in accordance with the proposal of the Board of Directors, that the handling of the Componenta's restructuring application will be continued and restructuring proceedings commenced.

Componenta Corporation has, in accordance with the Finnish Restructuring Act, filed on 1 September 2016 a restructuring application to the District Court of Helsinki, petitioning the commencement of restructuring proceedings.

Extraordinary general meeting to be held on 7 December 2016 regarding Componenta Corporation's loss of equity

On 7 September Componenta has announced that due to asset value write downs made in the interim accounts the equity of Componenta Corporation (as a separate company) has become negative by approximately EUR 9 million. These write downs relate to receivables from subsidiaries, value of the subsidiary investments and certain other assets. When assessing the valuation of the above mentioned

assets the company considered the restructuring and bankruptcy proceedings of the subsidiaries described above as well as the prudence principle set out in the Finnish Accounting Act. No write offs have been made to the debts of the company. Componenta Corporation's Board of Directors will be calling an extraordinary general meeting for the above-mentioned reasons.

Share-based incentive scheme

The Extraordinary General Meeting of Componenta Corporation held on 15 April 2016 resolved, in accordance with the proposals of the Board of Directors, on the issuance of stock options.

The stock options are intended to form part of the incentive and commitment program for key employees, so the Company has a weighty financial reason for issuing the options. The stock options will be issued gratuitously and will entitle their owners to subscribe for a maximum total of 10,000,000 new shares in the Company or existing shares held by the Company. The Board of Directors will resolve on the distribution of stock options and may additionally resolve on particular additional provisions concerning the receipt of stock options. Stock options will be distributed only if the Company resolves to carry out the planned financing arrangements with Turkish banks in addition to the already completed issuing of a convertible capital loan. There have been negotiations with Turkish banks concerning additional financing for the Turkish subsidiary and to extend the maturity of financing.

Due to the ongoing restructuring processes and the bankruptcy of the Dutch subsidiary the Board of Directors has decided not to issue stock options.

Board of Directors and Management

At its meeting held after the Annual General Meeting, the Board of Directors elected Matti Ruotsala as Chairman of the Board and Olavi Huhtala as Vice Chairman.

Componenta has an Audit Committee of the Board of Directors, and the Board elected Riitta Palomäki to be chairman of this committee and Olavi Huhtala and Tommi Salunen to be ordinary members.

Componenta also has a Nomination Committee comprising shareholders or shareholder representatives, to which the three largest shareholders in Componenta, according to the shareholder list updated by Euroclear Finland Oy on 31 August 2015, each appoint one representative. The task of the Nomination Committee is each year to prepare and present the proposals for members of the Board of Directors and their remuneration to be made to the following Annual General Meeting. The members of the nomination committee are Erkki Etola, shareholder Etra Capital Oy and Tiivistä Group Oy, Mikko Mursula, shareholder Ilmarinen Mutual Pension Insurance Company and Timo Sallinen, shareholder Varma Mutual Pension Insurance Company. In addition, the Chairman of the Board of Directors, Matti Ruotsala acts as an expert member of the Nomination Board. The Nomination Board elected Timo Sallinen as its chairman.

Componenta Group's Corporate Executive Team in the period 1 January - 3 March 2016 comprised President and CEO Harri Suutari, Olli Karhunen, Senior Vice President, Foundry Division, Juha Alhonoja, Senior Vice President, Machine Shop Division, Sabri Özdoğan, Senior Vice President, Aluminium Division, CFO Markku Honkasalo, Pauliina Rannikko, Senior Vice President, HR and Legal, and Furio Scolari, Senior Vice President, Sales, Global Accounts.

In connection with the renewal of the management structure, the composition of Componenta's Corporate Executive Team also changed. As from 3 March 2016 the members of the Corporate Executive Team are: President and CEO Harri Suutari, Juha Alhonoja, Senior Vice President, Sweden business area, Seppo Erkkilä, Senior Vice President, Finland business area, Mika Hassinen, Senior Vice President, Netherlands business area, Pasi Mäkinen, Senior Vice President, Turkey, Iron business area and Sabri Özdoğan, Senior Vice President, Turkey, Aluminium business area as well as CFO Markku Honkasalo, Pauliina Rannikko, Senior Vice President, Human Resources and Legal and Sami Sivuranta, Senior Vice President, Development.

On 8 June 2016 Eddy Kremers was appointed to the Group's Corporate Executive Team with responsibility for the Netherlands business area. Mika Hassinen, who was previously responsible for the Netherlands business area, decided to pursue other opportunities outside Componenta Group.

Sami Sivuranta, Senior Vice President, Development, left to take up other duties outside Componenta Group on 30 June 2016. No one has been appointed to replace him on the Corporate Executive Team.

On 22 August Componenta's Sweden business area has been divided into two separate businesses, the Främmestad machine shop business and the Wirsbo forge business. As part of the change, the following appointments have been made: Fredric Lindahl has been appointed Managing Director of Componenta Främmestad AB and a member of the Corporate Executive Team. Mikael Schill has been appointed Managing Director of Componenta Wirsbo AB and Componenta Arvika AB and a member of the Corporate Executive Team. Juha Alhonoja, the previous SVP, Sweden business area has on 30 September 2016 moved to another position outside Componenta Group.

Due to the bankruptcy of the Dutch subsidiary Eddy Kremers has not been a member of the Corporate Executive Team as of 1 September 2016.

On 30 September 2016 Marko Karppinen has been appointed Senior Vice President, Development of Componenta Corporation and a member of the Corporate Executive Team.

Componenta Group's Corporate Executive Team as of 30 September 2016 comprised President and CEO Harri Suutari, CFO Markku Honkasalo, Pauliina Rannikko, Senior Vice President, HR and Legal, Sabri Özdoğan, Senior Vice President, Turkey, Aluminium Business Area, Seppo Erkkilä, Senior Vice President, Finland Business Area, Pasi Mäkinen, Senior Vice President, Turkey, Iron Business Area, Fredric Lindahl, Senior Vice President, Främmestad machine shop, Mikael Schill, Senior Vice President, Forging and Marko Karppinen, Senior Vice President, Development.

Risks and business uncertainties

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

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

The financial risks relating to Componenta's business operations are managed in accordance with the treasury policy approved by the Board of Directors. The objective is to protect the Group against unfavourable changes in the financial markets and to secure the Group's financial performance and financial position. More detailed information about the management of financial risks is given in the 2015 financial statements.

Componenta's liquidity problems may weaken future new sales volumes and decrease the size of customer orders for new products to replace discontinued products.

Refinancing and liquidity risks

During the first and second quarter of 2016 Componenta has prepared and carried out a programme of action to safeguard the continuity of its operations and to strengthen its financial position. The arrangement the company is aiming for forms a complete package that, if carried out, will create the opportunity to start to carry out the company's new strategy complying with the going concern principle.

Casting Future **SOLUTIONS**

Negotiations with Nordic syndicate banks and other investment institutions have continued during the first, second and third quarter of 2016. The company has published information about the progress being made in the financial arrangements on 11 March 2016, 1 April 2016, 29 April 2016, 11 May 2016 and 17 May 2016. As part of the arrangement it is aiming to achieve, Componenta Corporation issued a EUR 40 million convertible capital loan and discharged the company's secured bank loans and secured bond to a total of EUR 72 million on 16 May 2016.

Negotiations with Turkish financial institutions and other local investment institutions have continued during the first, second and third quarters of 2016. The goal of these negotiations is to safeguard the extra financing required by the Turkish subsidiary and to extend the maturity of financing. Componenta Dökümcülük A.S. signed a new four year credit facility agreement worth EUR 15 million on 28 July 2016. The new loan is a separate part of the EUR 120 million club loan agreement, which was signed in 2014 and amended in 2015.

Despite the above-mentioned financial arrangements and divestments of non-core businesses Componenta's liquidity situation became critical in August due to weak turnover and profitability developing more negatively than estimated. The company was unable to negotiate the financing required to rectify the situation. It therefore became impossible to continue operations without corporate restructuring, as the company could not keep its factories operational because of lack of materials. The company's external financing situation was made more challenging by the heightening of political unrest in Turkey, which made it particularly difficult for the company to obtain further financing in Turkey.

On 1 September 2016 Componenta filed its parent company Componenta Corporation and its subsidiaries in Finland and Sweden for corporate restructuring. The Turkish subsidiary continues its operations without any official proceedings. The restructuring proceedings in Finland and in Sweden have started, in Sweden on 1 September 2016 (Componenta Främmestad AB and Componenta Wirsbo AB) and 2 September 2016 (Componenta Arvika AB) and in Finland on 30.9.2016 (Componenta Corporation and Componenta Finland Ltd). The Dutch subsidiary was declared bankrupt on 2 September 2016.

The company believes that in Finland and Sweden the restructuring proceedings will enable the company's operations to return to profitability and be developed in the longer term; however there is still significant uncertainty regarding the continuation of operations. In the short term, the companies in Finland and in Sweden have agreed a prepayment arrangement with their main customers which will cover the working capital needs. In order to ensure successful restructuring proceedings, fixed costs reductions will be continued further. For example, services and costs of the parent company will be cut significantly.

If all of these financial arrangements and corporate restructuring processes are not successfully completed, the company cannot secure the continuity of its operations. The Group has EUR 156.6 million in long- and short-term loans that mature during the coming 12 months. Componenta Corporation filed for restructuring with the district court of Helsinki on 1 September 2016. This constituted an event of default as set out in the Club Loan Agreement of Componenta Corporation's Turkish subsidiary. Due to the event of default, creditors may request immediate repayment of the club loan. As a result of the foregoing, several installments, nominal amount in aggregate of EUR 85.6 million, agreed to be repaid after the coming 12 months, have been classified as current debt in the balance sheet of the group.

The company's liquidity has been tight in the review period of 2016, which has had a negative impact on the company's production operations.

The Group aims to ensure the availability of financing under normal conditions by spreading the repayment schedules, sources of funding and financial instruments in the loan portfolio. The proportion of one source of funding may not exceed a limit set in the Group Treasury Policy. The most important sources of finance used in the Group at the end of review period are the club loan from Turkish banks, trade receivables financing without recourse, convertible capital loan, other bilateral loan agreements with Turkish banks, lease financing, bonds and pension loans.

Uncertainty factors relate to the financing arrangement actually taking place, and these are described in the accounting principles for the financial statements and in Note 32.

Currency risk

According to Componenta's hedging policy for the transaction position, Componenta's currency denominated income and expense items in Turkey may be hedged in the range 0 - 100 per cent, at the discretion of the President and CEO. In the opinion of the company, the Turkish lira will in the long term weaken against the euro and other main currencies due to the big difference in inflation rates. Due to the company's weak financial performance, at the moment the company cannot obtain necessary credit facilities for signing hedging derivatives.

More detailed information about the risks to which Componenta is exposed and risk management is given in the notes to the 2015 financial statements.

Events after the end of period

Componenta has on 5 October 2016 announced that from the issued convertible capital loan 3,444 shares of the loan have been used for the subscription of 6,888,000 new shares in Componenta Corporation. The new shares have been entered into the Trade Register on 5 October 2016. Following the registration of the new shares, the total number of the Company's shares is 154,025,224. The new shares started trading in the Nasdaq Helsinki Ltd main list as from 6 October 2016. The new shares provide the right to dividends and other shareholder rights as from the registration date.

Componenta has on 7 October 2016 announced its plan to sell its shareholding in Componenta Dökümcülük Ticaret ve Sanayi A.S. (Turkish subsidiary). Componenta targets to achieve a solution by which the Componenta group companies outside Turkey would be released from their debts from Componenta Dökümcülük Ticaret ve Sanayi A.S. and its subsidiary and the Turkish subsidiary's operational situation would improve. Should the arrangement come true in accordance with the company's targets is not expected to have an impact on Componenta Corporation's cash flow or on the operations of remaining subsidiaries.

Componenta has on 13 October announced its plan to sell its forge operations located in Sweden i.e. Componenta Wirsbo AB and Componenta Arvika AB.

Componenta has on 20 October 2016 announced that Marko Karppinen has been appointed CFO of Componenta as from 20 October 2016.

Componenta has on 26 October 2016 announced that an extraordinary general meeting regarding the loss of own equity will be held on 7 December 2016.

Componenta's prospects in 2016

Due to the financial situation of the company, the ongoing restructuring proceedings of the company and the structural changes currently taking place, giving earnings guidance is exceptionally challenging. Because of this, Componenta is not for the time being making forecasts about its financial performance when commenting on its prospects.

CONSOLIDATED INCOME STATEMENT

MEUR	Note	1.1.-30.9.2016	Changed *)		% 1.1.-31.12.2015	% 1.1.-31.12.2015
			%			
Continued Operations:						
NET SALES	1	284.5	100.0		429.0	100.0
Other operating income	4	1.8			2.9	
Operating expenses	5,6,7	-282.5			-408.4	
Depreciation, amortization and write-down of non-current assets	8	-24.9			-30.8	
Share of the associated companies' result		0.1			0.1	
OPERATING PROFIT	1	-21.2	-7.4		-7.3	-1.7
Financial income	9	49.0			9.4	
Financial expense	9	-21.6			-33.5	
Financial income and expenses in total		27.4			-24.0	
PROFIT/LOSS AFTER FINANCIAL ITEMS		6.2	2.2		-31.3	-7.3
Income taxes	10	-2.8			-26.4	
PROFIT/LOSS FOR THE FINANCIAL PERIOD, CONTINUED OPERATIONS		3.4			-57.7	
Discontinued Operations:						
Profit/Loss for the financial period, Discontinued Operations		-24.1			-24.9	
PROFIT/LOSS FOR THE PERIOD		-20.6			-82.7	
Allocation of net profit for the period						
To equity holders of the parent		-19.7			-83.1	
To non-controlling interest		-0.9			0.4	
		-20.6			-82.7	
Earnings per share calculated on the profit attributable to the shareholders of the parent company						
Earnings per share, Group, EUR	11	-0.18			-0.86	
Earnings per share, Continued Operations, EUR	11	0.03			-0.60	
Earnings per share, Discontinued Operations, EUR	11	-0.21			-0.26	
Earnings per share with dilution, Group, EUR	11	-0.18			-0.86	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MEUR	1.1.-30.9.2016	Changed *)	
		1.1.-31.12.2015	
Net profit	-20.6		-82.7
Continued Operations:			
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of land and property	-2.2		-8.6
Items that may be reclassified subsequently to profit or loss			
Translation differences	0.2		-0.6
Actuarial gains and losses	-1.5		-2.1
Cash flow hedges	0.3		0.0
Other items	0.0		0.0
Total items that may be reclassified to profit or loss subsequently	-1.0		-2.7
Income tax on other comprehensive income	0.2		2.0
Other comprehensive income of continued operations, net of tax	-2.9		-9.3
Other comprehensive income of discontinued operations, net of tax	1.3		-0.2
Total comprehensive income	-22.3		-92.2
Allocation of total comprehensive income			
To equity holders of the parent	-21.3		-92.1
To non-controlling interest	-1.0		-0.1
	-22.3		-92.2

The notes are an integral part of these financial statements.

*) The comparative figures from 2015 on income statement and cash flow statement have been adjusted because the Dutch sub-group's operations have been classified as Discontinued Operations according to the IFRS 5 standard

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MEUR	Note	30.9.2016	31.12.2015
ASSETS			
Non-current assets			
Tangible assets	12	192.7	234.3
Goodwill	13	20.9	29.2
Intangible assets	14	4.6	7.1
Investment properties	15	10.9	8.1
Shares in associated companies	16	1.3	1.2
Financial assets	17	0.7	0.9
Receivables	18	7.2	7.8
Deferred tax assets	19	4.0	5.5
		242.4	294.1
Current assets			
Inventories	20	47.1	68.9
Receivables	21	47.5	31.7
Tax receivables	21	0.0	1.4
Cash and cash equivalents	23	7.3	6.1
		102.0	108.2
TOTAL ASSETS		344.4	402.2
LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY			
Share capital		21.9	21.9
Share premium reserve		15.0	15.0
Unrestricted equity reserve		180.0	152.3
Other reserves		23.2	20.2
Cash flow hedges		-0.2	-0.4
Translation differences		-36.7	-37.0
Retained earnings		-161.7	-77.9
Profit/loss for the financial period		-19.7	-83.1
Equity attributable to equity holders of the parent company	24	21.7	11.1
Non-controlling interest		6.5	7.6
Shareholders' equity		28.3	18.6
LIABILITIES			
Non-current liabilities			
Capital loans and convertible bonds	28	7.6	0.0
Interest bearing	28	7.0	87.3
Other non-interest bearing	33	0.2	0.3
Provisions	27	10.4	10.4
Deferred taxes	19	10.0	10.8
Current liabilities			
Interest bearing	28	156.6	155.7
Other non-interest bearing	29	118.2	110.0
Tax liability		1.5	2.0
Provisions	27	4.6	7.0
		316.1	383.6
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		344.4	402.2

The notes are an integral part of these financial statements.

CASH FLOW STATEMENT

MEUR	1.1.-30.9.2016	Changed *) 1.1.-31.12.2015
Cash flow from operations		
Continued Operations		
Result after financial items	6.2	-31.4
Depreciation, amortization and write-down	24.9	30.8
Net financial income and expenses	-27.4	24.0
Other income and expenses, adjustments to cash flow	0.5	-2.6
Change in net working capital		
Inventories	8.3	6.3
Current non-interest bearing receivables	-11.9	7.4
Current non-interest bearing liabilities	18.3	3.3
Other working capital items	0.9	-0.6
Interest received	0.2	0.2
Interest paid	-13.6	-21.1
Other financial income and expenses	1.0	-0.9
Dividends received	0.0	0.0
Taxes paid	-0.1	-0.6
Net cash flow from operating activities, continued operations	7.3	14.7
Net cash flow from operating activities, discontinued operations	-4.8	-4.4
Net cash flow from operating activities	2.5	10.3
Cash flow from investing activities		
Continued Operations		
Capital expenditure in tangible and intangible assets	-12.8	-27.5
Proceeds from tangible and intangible assets	12.2	0.4
Other investments and loans granted	0.0	0.0
Proceeds from other investments and repayments of loan receivables	0.3	1.4
Net cash flow from investing activities, continued operations	-0.4	-25.8
Net cash flow from investing activities, discontinued operations	0.0	-1.0
Net cash flow from investing activities	-0.4	-26.8
Cash flow from financing activities		
Continued operations		
Dividends paid	-	-0.4
Proceeds from the issue of convertible bond	25.4	-
Repayment of finance lease liabilities	-7.1	-4.0
Draw-down (+)/ repayment (-) of current loans	-9.9	5.1
Draw-down of non-current loans	23.4	26.4
Repayment of non-current loans and other changes	-32.7	-16.8
Net cash flow from financing activities, continued operations	-0.9	10.3
Net cash flow from financing activities, discontinued operations	0.0	0.2
Net cash flow from financing activities	-0.9	10.5
Change in liquid assets	1.2	-6.0
Cash and bank accounts at the beginning of the period	6.1	12.1
Effects of exchange rate changes on cash	0.0	0.0
Cash and bank accounts at period end	7.3	6.1

The notes are an integral part of these financial statements.

*) The comparative figures from 2015 on income statement and cash flow statement have been adjusted because the Dutch sub-group's operations have been classified as Discontinued Operations according to the IFRS 5 standard

Statement of changes in consolidated shareholders' equity

MEUR	Share capital	Share premium reserve	Unrestricted equity reserve	Revaluation reserve of land and buildings	Other reserves	Cash flow hedges	Translation differences	Retained earnings	Total	Non-controlling interest	Shareholders' equity total
Shareholders' equity 1.1.2015	21.9	15.0	152.3	22.2	4.9	-0.4	-36.3	-76.5	103.1	8.0	111.2
Net profit								-83.1	-83.1	0.4	-82.7
Translation differences							-0.6		-0.6	0.0	-0.6
Actuarial gains and losses								-1.4	-1.4	-0.1	-1.5
Cash flow hedges						0.0			0.0		0.0
Revaluation of buildings and land areas and investment properties				-6.3	-0.5		0.0	0.0	-6.8	-0.3	-7.1
Other comprehensive income items					0.0				0.0		0.0
Comprehensive income items, discontinued operations				-0.2					-0.2		-0.2
Total comprehensive income				-6.5	-0.5	0.0	-0.6	-84.4	-92.1	-0.1	-92.2
Dividend									0.0	-0.4	-0.4
Shareholders' equity 31.12.2015	21.9	15.0	152.3	15.8	4.4	-0.4	-37.0	-160.9	11.1	7.8	18.6

MEUR	Share capital	Share premium reserve	Unrestricted equity reserve	Revaluation reserve of land and buildings	Other reserves	Cash flow hedges	Translation differences	Retained earnings	Total	Non-controlling interest	Shareholders' equity total
Shareholders' equity 1.1.2016	21.9	15.0	152.3	15.8	4.4	-0.4	-37.0	-160.9	11.1	7.6	18.6
Net profit								-19.7	-19.7	-0.9	-20.6
Translation differences							0.3		0.3	0.0	0.2
Actuarial gains and losses								-1.1	-1.1	-0.1	-1.2
Cash flow hedges						0.3			0.3		0.3
Changes in revaluation reserves of buildings and land areas				-2.5				0.3	-2.2	0.0	-2.2
Other comprehensive income items					0.0				0.0		0.0
Comprehensive income items, discontinued operations				1.3				0.0	1.3		1.3
Total comprehensive income				-1.2	0.0	0.3	0.3	-20.6	-21.3	-1.0	-22.3
Issue of convertible bond					4.2				4.2		4.2
Convertible bond, conversion to shares			27.7						27.7		27.7
Shareholders' equity 30.9.2016	21.9	15.0	180.0	14.5	8.6	-0.2	-36.7	-181.5	21.7	6.5	28.3

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Accounting Principles for the Consolidated Interim Financial Statements

General information

Componenta is a metal sector group of companies with international operations. The Group manufactures cast, machined, surface-treated, ready-to-install components and total solutions made up from these. The Group's customers are global manufacturers in the machine building, heavy truck, automotive, construction & mining and agriculture industries.

The Group's parent company is Componenta Corporation (business identity code 1635451-6), whose shares are quoted on the NASDAQ Helsinki. The parent company is domiciled in Helsinki. The registered street address is Panuntie 4, 00610 Helsinki, Finland.

A copy of the consolidated financial statements can be obtained on the Internet at www.componenta.com or from the head office of the Group's parent company at Panuntie 4, 00610 Helsinki, Finland.

The financial year for all group companies is the calendar year and the next financial year will end on 31 December 2016.

The Board of Directors of Componenta Corporation has at its meeting on 16 November 2016 approved these interim financial statements for publication

This Interim Financial Statements is not audited.

Basis for preparing consolidated financial statements

Componenta's consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), applying the IAS and IFRS standards in force on 30 September 2016 and SIC and IFRIC interpretations, except for certain notes related to the fair valuations of buildings and land, since the notes in question do not materially impact to the true and fair view on company's financial position, results and cash flows. The term 'IFRS standards' refers to standards and interpretations of these in Finnish legislation and provisions based on this approved for applying in the EU in accordance with the procedure established in EU regulation (EY) 1606/2002. The notes to the consolidated financial statements also conform to Finnish accounting and corporate legislation.

The consolidated financial statements have been prepared based on the historical cost, except that the following items have been assessed at fair value: investment properties, financial assets and liabilities recognized in the income statement, derivative financial instruments, and items hedged at fair value. The buildings and land areas included in the revaluation are also presented at their fair value deducted by the post revaluation depreciation related to buildings.

The preparation of the financial statements in accordance with IFRS standards requires management to make estimates and judgments in applying the accounting principles. Information about the judgments made by management in the application of the accounting principles employed by the Group and which have the biggest impact on the figures given in the financial statements is given in the chapter "Accounting principles requiring judgments by management and key sources of estimation uncertainty".

Assumption of ability to continue as a going concern and corporate restructuring proceedings

These interim financial statements have been prepared on the going concern basis. When assessing the going concern principle, company management has taken into account the company's strategy that is being reviewed and related forecasts as well as the sources of finance available and the refinancing and liquidity risks.

Componenta Group's liquidity situation became critical in August 2016 due to the weaker than estimated development in net sales and profitability. The company could not negotiate additional financing necessary due to this situation and continuation of the business without restructuring proceedings was impossible because lack of production materials meant the factories could not be kept in operation. Consequently, on 1 September 2016 Componenta filed for restructuring of the parent company Componenta Corporation and the following subsidiaries: Componenta Finland Ltd in Finland and Componenta Främmestad AB, Componenta Wirsbo AB and Componenta Arvika AB in Sweden. As part of these arrangements it had been decided that Componenta's Dutch subsidiary Componenta B.V. would file for bankruptcy.

The intention is that Componenta Dökümcülük Ticaret ve Sanayi A.S. in Turkey continues its operations without any official proceedings.

The Group's ability to continue as a going concern is dependent on the successful completion of the contemplated financing transactions as well as the development and authorisation of executable feasible restructuring programmes for group companies under restructuring programmes. The divestment of the Componenta Dökümcülük Ticaret ve Sanayi A.S. in Turkey is also part of the overall strategy. Furthermore, company's future profitability is dependent on the prevailing market conditions and the Group's ability to successfully implement its business plan. At the time of the Company's third quarter 2016 interim financial statements preparations, it is challenging to assess whether the company will be able to execute its financing, restructuring and operational plans or whether the execution of these will improve the Group's financial condition sufficiently to allow it to continue as a going concern. Despite the uncertainty the company believes that it is justified to prepare the interim financial statements on going concern basis.

The company's liquidity and its effect on the company's financial performance are affected by significant uncertainty factors, which the company's management has taken into account when assessing the company's ability to continue as a going concern. If the ongoing restructuring procedures are not successful the company will not have sufficient working capital required for the next 12 months. It is possible that the restructuring is unsuccessful and the company will file for bankruptcy.

The intention is to finance the working capital required in Finland and Sweden over the next 12 months primarily through advance payment arrangements with key customers. The customers will assist the companies concerned to finance the working capital required to continue operations and ensure customer orders are fulfilled. As for suppliers, the company will endeavour to return to normal payment terms as and when circumstances allow. The maturing, during the next 12 months, interest bearing loans are targeted to be refinanced, for the most part, with the financial institutions. The success of the refinancing is uncertain. The filings of the Swedish subsidiaries were accepted and restructuring proceedings were started on 1 September (Componenta Främmestad AB and Componenta Wirsbo AB) and on 2 September 2016 (Componenta Arvika AB). The Dutch subsidiary was declared bankrupt on 2 September 2016. On 30 September the district court of Helsinki in Finland took the decision to commence the restructuring process of Componenta Corporation and Componenta Finland Ltd. In Finland a restructuring programme will typically be approved within a year and a payment programme for restructuring debt may last for several years. In Sweden a restructuring period will last one year from the approval of the programme. Information on how well the programme is succeeding will become available during the latter months of 2016.

During 2016 the company has simultaneously undergone numerous financial negotiations. On 16 May 2016 Componenta Oyj issued a convertible capital loan, EUR 40 million, and discharged the company's secured bank loans and a secured bond totalling around EUR 72 million. The convertible capital loan was offered to a limited group of selected investors. EUR 25.4 million of the subscription price for the loan was paid in cash and EUR 14.6 million by setting off the subscription price against a loan receivable from the company. Negotiations with Turkish banks are continuing concerning additional finance for the Turkish subsidiary and extending the maturity dates for the financing. On 28 July 2016 Componenta Dökümcülük A.S. signed a new four year credit facility agreement worth EUR 15 million. The new loan is a separate part of the EUR 120 million club loan agreement, which was amended in 2015 and in 2016. In addition to these financing solutions the company planned to safeguard the company's working capital by divesting non-core business operations and property. The Suomivalimo foundry business in Iisalmi, Finland was sold on 30 June 2016 and the Pistons piston business on 17 August 2016. Despite the before mentioned financing arrangements and sales of businesses the company was not able to safeguard the required amount of working capital without company reorganization. In the short term Componenta has agreed financing with key customers in Finland and in Sweden to cover working capital needs.

Of the Group's debts, EUR 49 million is borrowings incurred before the application for corporate restructuring was made, which can be arranged as part of the restructuring programmes. All such debts are subject to change and can only be finalised once the restructuring programmes are confirmed. On 30 September 2016 the corporate restructuring

programmes had not been confirmed. As a result of the restructuring process the companies will either be able to continue trading or, if the restructuring is unsuccessful, apply for bankruptcy.

The corporate re-structuring plans to be authorised by the District Courts in Finland and in Sweden could materially change the carrying amounts reported in the Group's interim financial statements. The assets and liabilities in the Company's third quarter 2016 interim financial statements do not reflect any adjustments potentially proposed or authorised as part of such reorganisation plans. Furthermore, the third quarter 2016 interim financial statements do not aim to reflect or provide for the consequences of the corporate restructuring proceedings, such as: (i) the realisable value of the Group's assets on a liquidation basis or their availability to satisfy liabilities, (ii) the amounts of loans and debts subject to reorganisation and priority thereof, (iii) or the effect on the Group's consolidated income statement of any changes potentially made to its business as a result of the final corporate restructuring plans. However, in view of the inherent uncertainty brought about by the corporate restructuring proceedings, partly continuing operational challenges, the Group has made certain impairment charges related to its tangible assets, consolidated goodwill and deferred tax assets.

The company restructuring filings of Componenta Oyj on 1 September lead into a failure to comply with certain terms of Club loan agreement of the Turkish subsidiary. In accordance with this compliance failure the creditors could require an immediate pay back of the loan. Thus several instalments, nominal amount of eur 85.6 million, originally agreed to be settled after the coming 12 months, have been classified as current in the company's consolidated balance sheet.

Accounting principles for consolidated financial statements

Corporate restructuring proceedings and control

Under the debt restructuring proceedings, the management has a perception that the Company remains in control of the normal operations of Componenta Finland Oy, Componenta Främestad AB, Componenta Wirsbo AB and Componenta Arvika AB. However, in certain special situations, as detailed in the Reorganisation Acts of the countries in question, the Administrator's consent for an action by a company under reorganisation has to be obtained. The Administrator also has access to all operational and financial information of a company to the extent he so deems necessary, and the corporate re-organisation programme will ultimately be authorised by a relevant court, in the Company's and Componenta Finland's case the District Court of Espoo, Componenta Främestad AB's case Skaraborg District Court and in Componenta Wirsbo AB's in Västmanland District Court and Componenta Arvika AB's case Värmland District Court.

Componenta Oyj has given a security of up to EUR 80 million as collateral for the Turkish subsidiary's club loan. The club loan agreement was signed in 2014 and it was amended in 2015 and most recently on 28 July 2016. Componenta Oyj's application for corporate restructuring on 1 September 2016 has given the Turkish club loan banks the right to use the voting rights of the Componenta Dökümcülük shares which the company owns and gave the banks in August 2016 as collateral, as well as the right to begin the process of realising the shares. As the club banks have not used these rights, the company regards itself as having control in the Turkish subsidiary, therefore the result of the subsidiary in question has been consolidated as part of the Componenta Group.

The impact of the Turkey sub-Group to the consolidated statement of financial position as of 30 September 2016:

Non-Current Assets: EUR 177.8 million

Current Assets: EUR 53.9 million

Non-Current Liabilities: EUR 27.9 million

Current Liabilities: EUR 219.3 million

On 30 September 2016 the Turkey sub-Group had group internal net receivables from Finland and from Sweden amounting to approximately EUR 135 million of which majority is under the corporate restructuring proceedings.

Discontinued Operations

The Dutch subsidiary Componenta B.V. filed for bankruptcy on 1 September 2016 and the corporation lost control over this sub-group. As a result of this loss of control Componenta no longer has Iron business operations in Holland. The Dutch sub-group's operations have been classified as Discontinued Operations according to the IFRS 5 standard "Non-current Assets Held for Sale and Discontinued Operations" and the consolidation of Componenta B.V. into the corporate financial statement has been discontinued from the third quarter of 2016. The information in the income statement (including other comprehensive income), cash flow statement and some key financial ratios has been adjusted in the figures for the first and second quarters of 2016 and the year 2015 figures for comparison. In the segment reporting Componenta B.V.'s figures have been presented as discontinued operations, and all Componenta B.V.'s impairment of net assets has also been presented as discontinued operations. Additionally, all impairment of net receivables from Componenta B.V. registered by the remaining active companies within the corporation has been presented under discontinued operations. Componenta Oyj has provided guarantees for external vendors, on behalf of Componenta B.V., amounting to EUR 6.6 million. Some of the external vendors in questions have presented claims for Componenta Oyj. Due to the restructuring process the present values of liabilities cannot be estimated and the company has therefore not recorded provisions for the liabilities in question; instead they are presented in the contingent liabilities notes.

The consolidation of Componenta B.V.'s local net sales and costs has already discontinued on 1 July 2016 because the Group has not received financial reports from Componenta B.V. regarding the Q3 figures. This does not materially affect the Group's consolidated financial statements.

Subsidiaries

Componenta's consolidated interim financial statements contain the financial statements of Componenta Corporation and its subsidiaries. Companies are considered to be subsidiaries if the Group controls the company. The Group controls its subsidiary when the Group is exposed, or has rights, to variable returns of the subsidiary and has the ability to affect those returns through its power over the subsidiary.

Intra-group holdings are eliminated using the purchase method. The acquisition cost includes the fair value of the funds paid or the shares issued. Direct costs arising from the acquisition are recognized as expenses. The consideration does not include transactions accounted separately from the acquisition. These are recognised in profit or loss at the date of transaction. Any contingent consideration is measured at fair value at the date of acquisition and is classified as liability or equity. Contingent consideration classified as a liability is measured at fair value on the last day of each reporting period, and the resulting loss or gain is recognised in other operating income or other operating expenses. The unwinding of the contingent consideration is recognized as finance cost. Contingent liability classified as equity is not re-measured.

Subsidiaries acquired during the year are consolidated from the date when the Group's control commences and divested subsidiaries until the date on which control ceases. The accounting principles for the financial statements of subsidiaries have where necessary been amended to correspond to the accounting principles for the consolidated financial statements.

All intra-group transactions are eliminated as part of the consolidation process. Unrealized losses are not eliminated if the loss results from impairment.

Associated companies and joint arrangements

Associated companies are entities in which the Group has significant influence but not control. A significant influence is generally exerted through a 20–50% share of the votes.

A joint arrangement is an arrangement under which two or more parties have joint control.

Associated companies and joint ventures are consolidated using the equity method of accounting. The Group's share of the profit for the financial period of an associated company or joint venture is shown in the statement of comprehensive income before the Group's operating profit or loss. The Group's share of changes in equity that have not been recognized through profit or loss at the invested entity is recorded in other items in the statement of comprehensive income. The Group's share of the net assets of an associated company or joint venture, together with goodwill arising from the acquisition (less any

accumulated impairment), less impairment made on individual investments, is shown in the statement of financial position. The accounting principles for the financial statements of associated companies and joint ventures have where necessary been amended to correspond to the accounting principles for the consolidated financial statements.

Non-controlling interest

Distribution of the profit for the financial period to parent company owners and non-controlling interests is presented in the statement of comprehensive income, and the non-controlling interest's share of equity is presented as a separate item under equity in the statement of financial position. Any non-controlling interest in an acquired entity is valued, on a case by case basis, either at fair value or at an amount corresponding to the non-controlling interest's proportionate share of the identifiable net assets of the acquired entity. Total comprehensive income is allocated to the owners of the parent company and to the non-controlling interest, even if this results in the non-controlling interest having a deficit balance. Changes in the holdings of non-controlling interests in the Group's subsidiaries that do not result in loss of control are accounted for as equity transactions.

Translation of foreign currency items

Functional and presentation currency

The result and financial position of each of the Group's business units are measured in the currency of the main operating environment for that unit. The functional currency in the company's Turkish subsidiary is the euro, because a considerable part of the sales of the Turkish subsidiary are denominated in euros and the euro is also widely used as the trading currency in purchases. Since this is the case, management has affirmed that as the functional currency of the Turkish subsidiary the euro gives the most accurate picture of the financial impact of its business transactions, events and circumstances. The operational and presentation currency for the Group's parent company is the euro. The consolidated financial statements are presented in millions of euros unless otherwise stated.

Transactions and balances

The foreign currency receivables and liabilities of the parent company and subsidiaries domiciled in euro area are translated into euros at the exchange rate on the balance sheet date. Foreign currency receivables and liabilities of Group companies outside the euro area are translated into the functional currency of the respective Group company at the exchange rate on the closing date.

The foreign exchange rate differences arising from trade payables and trade receivables are presented under other operating income together with any related hedging results. Exchange rate differences arising from borrowings, deposits and cash and cash equivalents together with any related hedging results are recognized under financial income and expenses.

Group companies

The income statements of subsidiaries whose functional currency is not euro are translated into euros using the average exchange rates for the accounting period. Balance sheet items are translated into euros at the average exchange rate on the balance sheet date.

The difference in the result for the period between the average exchange rate for the accounting period and the exchange rate on the balance sheet date is recorded in shareholders' equity in translation differences. The shareholders' equity of subsidiaries is translated into euros in consolidation. Translation differences caused by changes in exchange rates between the date of acquisition and the balance sheet date have been recorded in shareholders' equity.

The functional currency of the Turkish subsidiary changed to euro from the beginning of March 2012 onwards. After that the Group has not recorded any translation differences in equity related to exchange rate changes of Turkish lira. The taxable earnings or tax deductible loss of the Turkish subsidiary are defined in Turkish lira. Non-monetary deferred tax assets and tax liabilities are also defined in Turkish lira, and changes in the exchange rate with the euro give rise to temporary differences that result in the recognition of deferred tax assets or tax liabilities. The amount corresponding to the resulting deferred tax liability or assets is recognised in profit or loss. Also monetary deferred tax liabilities and assets are translated into euros at the exchange rate on the closing date.

Tangible and intangible assets

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

On 31 December 2012 Componenta started to use the revaluation model permitted by IAS 16, according to which land areas, buildings and constructions are recorded at fair value, which is based on assessments made by independent valuers, and for buildings is the fair value less depreciation after the revaluation. Land and water areas are not depreciated. Measurements of value are made sufficiently regularly so that the fair value of a revalued asset does not differ materially from its carrying amount. Valuations of assets subject to revaluation are carried out at a maximum of three year intervals. However, valuations are carried out more frequently if substantial changes are about to take place that may affect the valuation of the assets.

Valuations are carried out by independent, competent, external valuers in Finland, Sweden, Turkey and the Netherlands, following each valuer'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 income approach is used for property, a market-based model for land areas, and a model based on the historical cost for property in markets that do not have an effective rental market. During the fiscal year ended 31 December 2015, valuations have been made of all the company's asset items being revalued, and entries based on these have been made to the values of the assets. The values defined do not correspond to the market realisable value of the asset. From the interim financial statements period ended 30 September 2016 no external valuations was prepared.

Accumulated depreciation is eliminated when an item is revalued against the gross carrying amount of the asset, and the net amount is adjusted so that it corresponds to the value based on the revaluation of the asset.

Increases in the carrying amounts resulting from the revaluation of land areas, buildings and constructions are recorded in other comprehensive income and are presented under shareholders' equity in other reserves. Reductions that offset increases in value previously recognised for the same asset are recognised in other comprehensive income and are deducted from other reserves in shareholders' equity, and all other reductions are recognised in the income statement. The difference between the depreciation recorded in the income statement based on the revalued carrying amount and the depreciation based on the original cost of the asset is transferred each year from Other reserves to Retained earnings.

Intangible assets include mainly computer software and capitalized 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.

Maintenance and repair costs are usually recognized in the income statement as an expense has incurred. Major refurbishment costs are capitalized and depreciated over their estimated useful life if these costs are likely to increase the future economic benefits embodied in the specific asset to which they relate. Spare parts for production machinery, stand-by equipment and servicing equipment are presented as tangible assets when they comply with the definition of property, plant and equipment. Otherwise these assets are classified as inventory. The depreciation period after installation is 3 years.

Investment grants are deducted from the carrying value of the asset, and grants to be recorded in the income statement are entered under other operating income.

Planned depreciation, except of production machinery and equipment, is calculated on a straight line basis on the historical cost, based on the estimated useful economic life. On 1 January 2009 the Group started to use the units-of-production depreciation method, in which the amount of depreciation is based on the actual output of production machinery and equipment. The units-of-production method gives a more precise picture of the actual economic wear on production machinery and equipment than the straight line method, especially when capacity usage changes quickly. Estimated useful economic lives are as follows:

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

Goodwill equals the part of the acquisition cost that exceeds the net fair value on the date of acquisition of the identifiable assets, liabilities and contingent liabilities of a company acquired.

Goodwill is not amortized but is tested annually for impairment.

Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized for the amount by which the balance sheet value of the asset exceeds the recoverable amount for the asset. The recoverable amount of an asset is the greater of its net selling price and value in use. As a rule, value in use is based on the estimated discounted future net cash flows obtainable through the asset. Due to natural uncertainty caused by the corporate restructuring programs and partly due to operational challenges and decreased rate of returns the Group has recorded EUR 4.2 million impairment for the machinery and equipment of the Swedish forging operations. Forging operations are part of Iron Business segment.

Land areas, buildings and constructions included in property, plant and equipment and investment properties are valued in the statement of financial position at fair value on the closing date. The fair values are defined each year for investment properties and at least in every third year for the other properties under revaluation practice, so impairment testing is not carried out on land areas, buildings and constructions included in property, plant and equipment and investment properties.

Investment property

Property that is owned by the Group and leased to an external party, and that is not mainly owner-occupied, and which is held by the Group to earn rentals or capital appreciation rather than for a use in the production of goods is classified as investment property and is valued in the balance sheet at fair value. Gains and losses arising on revaluation to fair value are recognised in profit or loss for the period in which they arise and are presented in other operating income in the income statement. Rental income from investment property is recorded in the Group's net sales. The fair values of investment properties are determined by an independent and qualified real estate evaluator annually and the fair values are principally measured by using the income approach method.

Research and development costs

Research costs are charged to the income statement as incurred. Expenditure on development activities relating to new products is capitalized and recognized as an expense under depreciation over their useful economic lives. The planned depreciation period for these costs is 5 years. In other respects, the Group's minor research and development costs are recorded as expenses as incurred.

Inventories

Inventories are stated at the lower of acquisition cost and net realizable value. The acquisition cost is based on the FIFO principle. The acquisition cost of manufactured products and work in progress includes the cost of raw materials, direct labour costs, other direct costs as well as a proportion of variable and fixed production overheads. Also those spare-parts, which are not recorded by definition under tangible assets, are recorded under inventories.

Leases

The Group classifies its leases at the inception as finance or operating leases. Leases for fixed assets that transfer substantially all the risks and rewards incidental to ownership to the Group are classified as finance leases. They are recognized in the balance sheet under fixed assets at the commencement of the lease at an amount equal to the lower of the fair value of the

leased asset and the present value of the minimum lease payments. Any substantial incremental costs that are directly attributable to negotiating and arranging the lease are added to the amount recognized as an asset. Depreciation is made on the asset over its estimated useful economic life consistently with the Group's depreciation policy, or if there is no reasonable certainty that ownership is obtained at the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful economic life.

The lower of the fair value of the asset and the present value of the minimum lease payments is recognized as a finance lease liability. Lease payments are divided into financing charges and reduction of the outstanding liability, using the effective interest rate method so that the liability is repaid over the lease term as an annuity.

The financing charge calculated with the effective interest rate is recognized as a financial expense. The difference between the floating interest rate of the agreement and the effective interest rate is recorded as a rental expense.

A lease is classified as operating lease if the lessor retains the majority of the risks and benefits of ownership, or if the value of the lease agreement is insignificant. Lease payments under operating lease agreements are recognized as expenses in the income statement on an accrual basis throughout the lease term.

Employee benefits/

Pensions and other employee benefits

Most of the Group's pension schemes are defined contribution schemes, for which payments are entered in the income statement in the period in which they occur. Componenta has a pension scheme classified as a multi-employer defined benefit scheme in Sweden (Alecta ITP). Alecta ITP has been treated as a defined contribution plan, in accordance with IAS 19.30 (a), as the pension companies have not been able to provide actuarial valuations. Pension coverage for employees of Group companies in Finland is provided in line with statutory arrangements under the

TyEL insurance scheme with an insurance company. Under an agreement made with the pension insurance company, the Group, as a major employer, is responsible in Finland for unemployment payments and work disability payments included in pension insurance payments in their entirety at the moment when the pension starts.

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

Under Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). The amount payable consists of one month's salary for each employment year.

The estimated present value of the future probable obligation of the Group arising from the termination benefits to be paid to the employees has been presented in non-current provisions.

The liability has not been funded. This Turkish employee benefit is interpreted as a post-employment benefit scheme and in accordance with the IAS 19 standard all actuarial gains and losses are recognized immediately in other items in the statement of comprehensive income. By using actuarial calculations the Group calculates the amount that actuarial gains and losses account for in the change in the current value for the scheme, and this is recognised in items in the statement of comprehensive income.

Employee benefits/Share-based payments

During 2016 no share-based incentive schemes was set up for senior management.

A share-based incentive scheme has been set up for senior management for the year 2015. Earnings criteria were not met and therefore no bonuses were paid. Possible bonuses from the earnings period 2015 would have been paid partly in shares and partly in cash.

The Group applies the IFRS 2 –standard to the share-based incentive schemes. The benefits given in the scheme are valued at fair value at the time when they are granted and are recognized as an expense in the income statement on a straight-line basis over the earnings period. A liability is recognized for the part to be paid in cash and the change in

its fair value is correspondingly recognized as an expense for the period in which it occurs. The fair value of the part to be paid in shares is recognized as an expense and an increase in shareholders' equity. The impact of the scheme on the result is presented in the income statement under personnel expenses.

During year 2015 no bonuses were paid in relation to the previous share-based incentive scheme for the year 2014.

Operating segments and change in segment reporting

The renewal of Componenta's management structure in March 2016 changed also the business segments reported by the Group, and reporting in accordance with them started during the first quarter of 2016. According to the new structure, Componenta's business operations are divided in two reporting segments that are Iron Business and Aluminium Business. Iron business includes Componenta's iron foundries and machine shops in Finland, Sweden, the Netherlands and Turkey. In addition, the segment includes the piston manufacturer Pistons in Finland, the Wirsbo forges in Sweden and the joint venture company Componenta-Ferromatrix NV. Aluminium business includes the aluminium foundry and the wheels business unit located in Turkey. Outside these core business segments, there is Other Business, which includes the service and real estate companies in Finland, the Group's administration functions, the Componenta UK Ltd sales and logistics company and the associated company Kumsan A.S. During the third quarter of 2016 Componenta's Dutch iron foundries, machining operations and associated business Componenta Ferromatrix NV. have been removed from the Iron Business segment and moved to Discontinued Operations. Certain corporate administrative functions based in Holland have correspondingly been moved from Other Business to Discontinued Operations. Componenta Suomivalimo, located in Iisalmi, was sold on 30 June 2016 and piston manufacturer Pistons was sold on 17 August 2016.

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

Revenues and transfers between Componenta's operating business segments are recorded at fair market prices. Segment assets and liabilities are items which the segment can utilize in its business operations and which can be reasonably allocated to the segment. Net financial items, taxes and one-time items are not allocated to the operating business segments.

Information on geographical areas

Componenta monitors non-current assets and capital expenditure in production facilities in its geographical areas which are Turkey, Finland, Sweden and other countries. In addition the net sales by market area is monitored in more detail. During 2015 and during the first half of 2016 also the Netherlands was monitored as a geographical area.

Alternative performance measures in financial reporting

In addition to IFRS key figures Componenta discloses alternative performance measures to describe the underlying operational business performance and to enhance comparability between financial periods.

Alternative performance measures released by the company contain key figures measuring operational performance and profitability. These key figures exclude items that are not related to normal business operations and therefore affect comparability. The most common items affecting comparability are capital gains and losses, inefficiencies in production related to plant closures, additional write-downs, or reversals of write-downs, expenses due to accidents and natural disasters, provisions for planned restructuring, environmental matters and penalties. The Group's management exercises its discretion when taking decisions regarding the classification of items affecting comparability.

Componenta has changed its reporting terminology in accordance with the guidelines issued by the European Securities and Markets Authority (ESMA) concerning Alternative Performance Measures. Componenta has replaced

the term "Operating profit excluding one-time items" used previously with the term "Adjusted operating profit". Similarly, the term "EBITDA excluding one-time items" used previously has been replaced by "Adjusted EBITDA" and the term "Result after financial items excluding one-time items" by "Adjusted result after financial items".

The other alternative performance measures used by Componenta are EBITDA, equity ratio, return on investment, adjusted return on investment, return on equity, adjusted return on equity, net gearing, adjusted earnings per share and net interest bearing debt.

Exchange rate differences of operative balance sheet items

The Group has also previously reported the profitability of normal business operations and the operating profit excluding operative exchange rate differences. The Group is no longer reporting these figures, so the reported figures are either actual IFRS figures or the alternative performance measures as described above. Operative exchange rate differences arise, for example, from foreign currency trade payables and trade receivables and also from foreign currency denominated other operative receivables and payables. The impact on the result of derivatives that are hedging operative foreign currency position has also been included by definition in the operative exchange rate differences.

Provisions

A provision is recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the obligation will have to be settled, and the amount of the obligation can be reliably estimated. If it is possible to obtain compensation for some of the obligation from a third party, the compensation is recognized as a separate asset item, but only when it is in practice certain that the compensation will be obtained.

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

Income taxes

Consolidated direct taxes include direct taxes based on the taxable profit of Group companies, calculated according to tax legislation in each company's domicile. Deferred tax liabilities are recognized in the balance sheet in full and deferred tax assets to the extent that it is probable that future taxable profit will be available against which the asset can be utilized. Deferred tax liabilities and assets are calculated from all the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, using the tax rate in force on the balance sheet date. Future changes in tax rates are taken into account when they have in practice become certain.

Deferred tax assets for confirmed losses or for losses for the financial period have only been recognized to the extent to which it is probable that future profits will be generated that can be offset with the temporary differences. 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. A deferred tax liability is recognized for the retained earnings of subsidiary companies only if it can be considered that the tax payment will take place in the foreseeable future. Deferred tax liabilities have been calculated for Finnish companies by using a tax rate of 20.0%, for Swedish companies using a rate of 22.0%, for the Turkish company using a rate of 20.0% and for Dutch companies using a rate of 25.0%.

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

Revenue recognition

Net sales comprises revenue from the sale of products, services, raw materials, goods and energy, adjusted by indirect taxes and sales adjustments. Sales adjustments primarily comprise annually calculated bulk discounts and product returns that result in adjustments to original invoicing. The most significant revenue streams from products involve sales of castings and machined castings. Revenue streams from services primarily include rental income and possible minor machining and assembly work performed on a subcontracting basis. Revenue from the sale of goods

is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer and the Group no longer has a right to dispose of the product or effective control over the product. This normally means when a product has been delivered to the customer in accordance with agreed delivery terms. Revenue from the sale of services is recognized when the service is rendered to the customer.

Other income from operations

Revenues that are not part of actual net sales, such as revenue from the sale of non-current assets and changes in the fair value of investment properties, are recorded under other income from operations. In addition the foreign exchange rate differences arising from trade payables and trade receivables are presented under other operating income together with any related hedging results.

Financial assets

The Group's financial assets are initially classified in the following categories: financial assets at fair value through profit and loss, loans and other receivables, held-to-maturity investments and available-for-sale financial assets. At the balance sheet date of the interim financial statements Componenta does not have any financial assets classified as held-to-maturity date. The Group makes more efficient use of capital with a program to sell its trade receivables. Under this arrangement some of the trade receivables are sold without any right to recourse. Trade receivables without any right to recourse have been transferred and derecognised from the statement of financial position.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss include derivative instruments acquired for hedging purposes to which hedge accounting is not applied. They are recognized at fair value using market prices on the balance sheet date. Realized and unrealized profit and loss resulting from changes in fair value are recognized in the financial income and expenses for the period in which they are incurred.

Loans and other receivables

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

Available-for-sale financial assets

Holdings and investments that do not belong to the other financial asset categories are classified under available-for-sale financial assets. The investments in this category are long-term unlisted shares and holdings that are closely linked with business operations and which the Group does not intend to sell or otherwise dispose of. Available-for-sale financial assets are valued at acquisition cost if no reliable market value is available, less any impairment loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and in bank accounts and deposits held at call with banks.

Impairment losses on financial assets

An impairment loss is recognized in the income statement for a financial asset or group of assets if there is objective evidence that an event or events, such as a customer becoming insolvent, delinquency of payments and financial reorganisation or bankruptcy procedure of the customer, have had a significant impact on estimated future cash flows. The amount of the impairment loss is determined as the difference between the carrying amount of the financial asset and the discounted estimated future cash flows. Impairment losses on trade receivables can later be reversed through the income statement if it is believed that the customer will pay their liabilities. For available-for-sale financial assets, impairment losses are permanent.

Financial liabilities

Financial liabilities are classified in the following categories: financial liabilities at fair value through profit and loss and financial liabilities at amortized cost.

Financial liabilities at fair value through profit and loss

Derivative instruments acquired for hedging purposes to which the principles of hedge accounting are not applied are classified under financial liabilities at fair value through profit and loss.

Financial liabilities held for trading are recognized at fair value using the market prices on the balance sheet date. Realized and unrealized profit and losses resulting from changes in fair value are recognized under financial income and expenses for the period in which they are incurred.

Financial liabilities at amortized cost

Other financial liabilities are initially recognized at fair value, less any substantial transaction costs that are directly attributable to the acquisition or issue of the financial liability. Financial liabilities other than held for trading are recognized at amortized cost using the effective interest rate method, so that the costs related to the acquisition or issue of the liability are recognized in the income statement during its contractual term. Substantial transaction costs related to credit facility agreements are capitalized in the balance sheet and recognized in the income statement during the credit facility's expected lifetime. Interest payable on the financial liability is recognized through profit and loss on an accrual basis.

All changes in financial assets and liabilities are recognized using settlement date accounting.

Convertible capital loan

In May 2016 Componenta issued convertible capital loan of which nominal amount was EUR 40.0 million. The liability component is subsequently measured at amortized costs. The equity component of the convertible capital notes is recognized in other equity reserves less the costs attributable to the issue. On initial recognition, the fair value of the liability component is determined by using the corresponding market interest rates. On 30 September 2016 the outstanding nominal amount of convertible capital loan was EUR 11.6 million. Notes conversions to shares are recorded under unrestricted equity reserve.

Hybrid Bond

During 2012 and 2013 Componenta issued two equity loans (hybrid bonds), combined nominal value summing up to EUR 38.2 million. In the share issue executed in September 2014, the hybrid bond holders had a right to use the loan receivables from the company to pay the share subscription price and as a consequence the nominal value of the hybrid bonds decreased to EUR 2.6 million.

The hybrid bonds are presented under shareholders' equity and are ranked lower than the company's other borrowings. They are ranked higher however than other items classified as equity. The equity loans have no maturity dates but the Group is entitled but not obliged to pay back the loans four years after they were issued, ie. in 2016 and 2017. The interest on hybrid bonds is paid if the Board of Directors decides to pay the interest. Unpaid interest accumulates, but it is not presented in Financial Statements until after the Board of Directors' interest payment decision. However the unpaid yearly accumulated interest is taken into account when earnings per share are calculated. Holders of hybrid bonds exercise no authority or voting rights at the company's general meeting of shareholders.

Derivative instruments and hedge accounting

The Group's derivative instruments are recognized on the settlement date at acquisition cost, after which they are recognized at fair value. The fair value of forward rate agreements is the profit or loss that would occur from closing the agreement, calculated at the market price on the balance sheet date. The fair value of interest rate and currency options is measured using commonly known option pricing models. The fair value of interest rate swaps is calculated by discounting future cash flows at current interest rates at the balance sheet date. Foreign exchange forwards and swaps are valued at forward prices on the balance sheet date. The fair value of electricity price forwards is the estimated profit or loss that would derive from closing the contracts at market prices on the balance sheet date. Derivative instruments are recognized as defined in IAS 39 either as financial hedging instruments that are excluded from hedge accounting or as hedging instruments that qualify as cash flow hedges or as currency hedges of net investments in foreign operations. When hedge accounting is applied, the hedged item and the hedging relationship are identified and documented in accordance with the principles of hedge accounting. Hedge effectiveness is assessed retrospectively when initiating hedge accounting and prospectively on a regular basis, at least quarterly. When cash flow hedge accounting is applied, the effective portions of changes in the fair value of hedging instruments are recognized in share-holders' equity in the hedging reserve.

Accumulated changes in fair value of the interest rate derivatives are recognized in financial income and expenses in the income statement for the period when the hedged business operation takes place. Correspondingly, accumulated changes in fair value of the electricity price forwards are recognized as an adjustment to purchases in operating profit in the income statement for the period when the hedged business operation takes place. When a hedging instrument matures, is sold, the hedging relationship is perceived to be ineffective or it is terminated, the cumulative gain or loss on the hedging instrument from the period when the hedge was effective remains separately recognized in equity until the forecast transaction occurs. The cumulative gain or loss is recognized immediately through profit and loss if the forecast transaction is no longer expected to occur. The ineffective part of the interest rate hedging relationship is recognized in the income statement under financial income or expenses and the ineffective part of the electricity price hedging relationship is recognized as an adjustment to purchases in operating profit.

The realized and fair values of foreign exchange differences of currency derivatives designated as effective hedges of net investments in foreign operations are recognized in equity as a correction item to translation differences. These items will be recognized through profit and loss on disposal of the foreign operation. The ineffective part of the hedging relationship is recognized in the income statement under financial income or expenses.

Accumulated interest income or expenses from interest rate swaps and currency swaps that have taken place during the financial period are recognized in the income statement under financial items, as are changes, in accordance with IAS 39, in the fair value of interest rate derivatives that are a part of the Group's risk management policy but are excluded from hedge accounting. Exchange differences rising from currency derivatives designated as hedges of accounts receivables and payables are recognized in other operating income and from currency derivatives used to hedge against exchange differences for borrowings, deposits and other monetary items recognized in financial income and expenses. Realized gains or losses from electricity price forwards are recognized under purchases as adjustment items. The fair values of derivative instruments are recognized under current assets and liabilities in the balance sheet.

For balance sheet date of the interim financial statements, cash flow hedge accounting is applied when hedging against future changes in electricity spot market prices.

Earnings pershare

The basic earnings per share are calculated using the weighted average of shares in issue. The weighted average number of shares used to calculate the diluted earnings per share takes into account the diluting effect of outstanding options, conditional share-based payments, earnings-related share-based payments and convertible capital notes and the calculated interest of the hybrid bonds.

Dividend payment

Dividends proposed by the Board of Directors to the Annual General Meeting are not recorded in the financial statements until they have been approved by the shareholders at the Annual General Meeting.

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

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

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

replacement financing.

Assumptions used in testing goodwill

On 30 September 2016 and on 31 December 2015 the Group had goodwill of EUR 20.9 million and EUR 29.2 million. Componenta tests the carrying value of goodwill once a year or more frequently if certain events or changes in circumstances show that the carrying value may not be recoverable. Goodwill allocated to Iron Business in Turkey was tested on 30 September 2016 due to decreased rate of returns and as an outcome of the test an impairment of EUR 7.5 million was recorded. Goodwill is allocated to cash generating units. The recoverable amounts at cash generating units are based on value in use calculations that require the use of estimates, for example of forecast future cash flows, discount interest rates and developments in the European economy. Irrespective the uncertainty related to the control of Turkish operations, the company sees that the testing based on forecasted future cash flows is still the most suitable method to test the goodwill allocated to Iron Business in Turkey. See also Note 13.

Ability to utilise deferred tax assets

Discretion is required when evaluating the recording of deferred tax assets and certain deferred tax liabilities on the balance sheet. Deferred tax assets are recorded only if it is considered probable that they can be utilised, which depends on whether sufficient taxable income is generated in the future. Assumptions of future taxable income are based on management estimates of future cash flows. These estimates of future cash flows are for their part dependent on management estimates concerning for example future sales volumes, business operation costs and financing costs. The company's ability to accumulate taxable income also depends on general factors relating to the economy, financing, competitiveness and regulation that are not under its own control. There are risks and uncertainty relating to the estimates and assumptions, so it is possible that expectations will change as circumstances change. This may affect the volume of deferred tax assets and liabilities in the balance sheet and in the volume of temporary differences. On 30 September 2016 and on 31 December 2015 the net values of deferred tax assets, comprising mainly unused tax losses, were EUR 4.0 million and EUR 5.5 million, and correspondingly the values of deferred tax liabilities were EUR 10.0 million and EUR 10.8 million. The Group has recorded significant write-downs of deferred tax assets relating to tax losses in the fiscal year 2015. See also Notes 10 and 19. Due to the uncertainty derived from the corporate restructuring programs and partly due to operational challenges and decreased rate of returns, the Group recorded write-down of EUR 2.0 million for the deferred tax assets related to tax losses in Finland and in Sweden on interim financial statements period 1 January – 30 September 2016.

Determining the fair value of assets acquired when merging business operations

In major mergers of business operations the Group has used an external consultant when estimating the fair value of tangible and intangible assets. For tangible assets, comparisons have been made with the market prices of similar assets and estimates made of the reduction in value of the acquired assets due to age, wear and similar factors. The fair value of intangible assets has been determined based on estimates of the cash flows relating to the assets, since no information has been available on the market about purchases of similar assets.

Management believes that the estimates and assumptions used are sufficiently accurate as a basis for determining fair value. In addition the Group examines at least on every balance sheet date any indications of impairment in tangible and intangible assets.

Revaluation of buildings and land areas

Valuations of property and land areas are carried out by independent, competent, external valuers, following each valuer's own process and the method considered most appropriate for the asset being valued, starting with a review of macroeconomic factors and available market information and ending with the use of an appropriate model and a fair value calculated with this. In the revaluation of fixed assets, the income approach is used for property, a market-based model for land areas, and a model based on the historical cost for property in markets that do not have an effective rental market. Comparable transactions that have taken place and the prices paid for these may be used to

help in the valuation, if these are available and they are in other respects appropriate for use as a basis for the valuation. The rental prices used in the income approach are mainly based on market rents at the time of the valuation. The reliability of valuations is classified at level 2 and level 3, where those at level 3 are mainly industrial property for which there is no active market and the price cannot be derived from observable market data. Defining the fair value of assets requires considerable discretion so there is uncertainty relating to the valuation of buildings and land areas. The valuation is based on the best possible use of the asset, so the values defined do not correspond to the market realisable value of the asset.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
Figures are in millions of euros unless otherwise stated.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

1. Operating segments

Componenta's business operations are divided into three operational segments, Iron Business, Aluminium Business and Other Business. The current segment reporting model has been in use from 1 January 2016 onwards.

The operations in the Iron Business comprise the iron foundries and machine shops in Finland, in Sweden, in the Netherlands and in Turkey. In addition, Iron Business comprise the production unit for pistons in Finland and forging operations in Sweden and the joint venture Componenta-Ferromatrix NV. The operations in the Aluminium Business comprise the aluminium foundry and production unit for aluminium wheels in Turkey. Other Business comprises the operations outside the core business, which includes the service and real estate companies in Finland, the Group's administrative functions, the sales and logistics company Components UK Ltd in the UK, and associated company Kumsan A.S. in Turkey. The Dutch iron foundries, machining operations and associate company Componenta Ferromatrix NV were classified as Discontinued Operations during the third quarter 2016. Componenta Suomivalimo, located in Iisalmi Finland, was sold on 30 June 2016 and Componenta Pistons in Finland was sold on 17 August 2016. Transactions between the operating business segments and with Other Business are based on market prices. Segment information is based on internal management reporting, and the accounting principles for this are in accordance with IFRS standards.

The main products sold by the Iron Business are non-machined, machined and painted iron cast components. In addition, the Iron Business products of forged components. The main products sold by the Aluminium Business are machined and non-machined aluminium cast components. The main business of Other Business is the production of logistic services and the rental of office and industrial premises. In addition, Group service units are included in Other Business. Machined and non-machined iron castings and forged products account for 78% (80%) of the Group's external net sales. Machined and non-machined aluminium components account for 20% (19%) of the Group's external net sales. Rental income and property services account for 1% (1%) of the Group's external net sales.

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

Segment assets and liabilities include items which the segment uses in its business operations. Unallocated items include financial and tax items, and items which are common to the whole Group.

Business segments 1.1.-30.9.2016

MEUR	Iron business	Aluminium business	Other business	Items affecting comparability*)	Eliminations and unallocated items of continued normal operations	Continued operations total	Discontinued operations incl. Items affecting comparability total	Eliminations	Group
External sales	197.5	58.9	22.5			278.8	39.4		318.2
Internal sales	20.9	4.5	13.4		-33.1	5.7	4.4	-10.1	0.0
Total sales	218.4	63.4	35.8		-33.1	284.5	43.8	-10.1	318.2
Share of the associated companies' result			0.1						0.1
Segment operating profit	-7.9	8.3	-0.7	-21.1	0.2	-21.2	-20.7	0.0	-41.8
Unallocated items (**)				39.7	-15.1	24.6	-3.4	0.0	21.2
Net profit						3.4	-24.1	0.0	-20.6
Segment assets	242.7	84.4	27.7		-31.1	323.8	0.0	0.0	323.8
Shares in associated companies			1.3			1.3			1.3
Unallocated assets					19.3	19.3	0.0	0.0	19.3
Total assets						344.4	0.0	0.0	344.4
Segment liabilities	110.2	33.7	28.3		-36.8	133.4	0.0	0.0	133.4
Unallocated liabilities					182.7	182.7	0.0	0.0	182.7
Total liabilities						316.1	0.0	0.0	316.1
Capital expenditure in production facilities	3.9	13.4	0.0			17.2	0.1		17.3
Depreciation and write-downs	-9.9	-2.3	-1.0	-11.8		-24.9	-22.2	0.0	-47.1

*) Items affecting comparability in 2016 in operating profit of continued operations relate to capital loss of divestment in Suomivalimo (EUR -8.1 million), the sales profit of Pistons business unit (EUR +1.0 million), the write-downs of production machinery in Sweden Iron business (EUR -4.2 million), the write-down of goodwill in Turkey Iron business (EUR -7.5 million) and the restructuring measures related expenses (EUR -2.8 million). Other items affecting comparability as a net totalled EUR -1.5 million. Items affecting comparability in 2016 in financial operating of continued operations were positive EUR +43.1 million, since it includes EUR 43.3 million capital gain as the secured debt was discharged at an amount lower than the balance sheet value. Other items affecting comparability in financial items were EUR -0.2 million. Taxes related to items affecting comparability includes write-downs of EUR -1.7 million on deferred tax assets relating to tax losses in Finland and extra taxes the company was ordered to pay during a tax inspection in Turkey, EUR -1.7 million.

**) Unallocated items under continued operations includes, in addition to items affecting comparability, EUR -15.1 million financial and tax items of normal operations.

Business segments 1.1.-31.12.2015

MEUR	Iron business	Aluminium business	Other business	Items affecting comparability*)	Eliminations and unallocated items of continued normal operations	Continued operations total	Discontinued operations incl. Items affecting comparability total	Eliminations	Group
External sales	302.5	84.5	33.8			420.8	74.1		494.8
Internal sales	29.3	8.5	22.6		-52.3	6.2	9.2	-17.4	0.0
Total sales	331.8	93.0	56.4		-52.3	429.0	83.3	-17.4	494.8
Share of the associated companies' result			0.1						0.1
Segment operating profit	3.2	12.3	-0.7	-22.0	-0.1	-7.3	-16.1	-0.1	-23.4
Unallocated items (**)				-26.6	-23.9	-50.4	-8.8		-59.3
Net profit						-57.7	-24.9	-0.1	-82.7
Segment assets	275.4	72.2	39.7		-25.1	362.2	40.8	-23.7	379.3
Shares in associated companies			1.2			1.2			1.2
Unallocated assets					66.7	66.7	0.4	-45.5	21.7
Total assets						430.2	41.2	-69.2	402.2
Segment liabilities	86.1	21.2	34.5		-38.7	103.0	41.7	-15.0	129.7
Unallocated liabilities					253.2	253.2	7.9	-7.2	253.9
Total liabilities						356.2	49.6	-22.2	383.6
Capital expenditure in production facilities	14.0	16.8	0.2			31.0	0.5		31.5
Depreciation and write-downs	-11.6	-3.1	-1.6	-14.5		-30.8	-5.8		-36.6

*) One-time items in operating profit of continued operations in 2015 relate to the write-downs of EUR -9.3 million on machinery and equipment and write-downs of EUR -4.6 million on buildings at the units in Finland, write-downs of EUR -1.3 million on investment property in Finland, costs of EUR -0.9 million relating to the transfer of production from the Pietarsaari foundry to the Pori foundry, EUR -1.3 million in connection with the closure of the Smedjebacken forge in Sweden, EUR -2.4 million for restructuring measures and extra waste disposal costs at the Orhangazi foundry, write-downs of EUR -0.6 million on overdue receivables at the units in Turkey and write-downs of EUR -1.1 million for projects that have been terminated. Other one-time items in operating profit totalled EUR -0.5 million. One-time items for financial items of continued operations were EUR -0.1 million and net tax-related one-time items of continued operations as a net were EUR -26.5 million, which includes write-downs of EUR -29.3 million on deferred tax assets relating to tax losses. Classifications regarding one-time items are unaudited.

**) Unallocated items under continued operations includes, in addition to items affecting comparability, EUR -23.9 million financial and tax items of normal operations.

External net sales by market area, continued operations

MEUR	1-9.2016	2015
Germany	82.7	76.3
Sweden	58.5	82.4
Turkey	45.5	69.0
Finland	23.1	42.8
Benelux countries	19.2	31.8
UK	24.1	36.7
Italy	21.4	30.0
France	15.3	24.4
Other European countries	11.1	13.2
Other countries	13.4	22.3
External net sales total, continued operations	284.5	429.0
Discontinued Operations	43.8	83.3
Eliminations	-10.1	-17.4
Group Total	318.2	494.8

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

2. Business acquisitions and business divestments

There were no business acquisitions in 2015 and in 1.1 - 30.9.2016.

Componenta did not sell any business operations in 2015.

The foundry operations of Iisalmi-based Suomivalimo were sold on 30 June 2016 to a company set up by Antti Lehtonen, Olli Karhunen and the operational management of Suomivalimo. The foundry real estate property in Iisalmi was sold to Iisalmen Teollisuuskyklä Oy. The Group recorded a sales loss of EUR 6.1 million on the transaction. The loss have been classified as an item affecting comparability.

Componenta's pistons business was sold on 17 August 2016 to Koncentra Pistons Oy. The Group recorded a sales profit of EUR 1.0 million from the transaction, which has been presented in items affecting comparability.

Divestment of Suomivalimo		Divestment of Pistons	
MEUR		MEUR	
The carrying value of the sold net assets	10.1	The carrying value of the sold net assets	4.5
Sales price of the sold net assets	4.1	Sales price of the sold net assets	5.6
Sales loss	6.1	Sales profit	1.0
Cash flow impact 1.1-30.9.2016	4.1	Paid sales price by 30.9.2016	5.4
		Unpaid sales price by 30.9.2016	0.2
		Cash flow impact 1.1-30.9.2016	5.2

3. Discontinued operations

The Dutch subsidiary Componenta B.V. filed for bankruptcy on 1 September 2016. As a result of this Componenta no longer has iron business operations in the Netherlands. The Dutch sub-group's operations have been classified as Discontinued Operations according to the IFRS 5 standard "Non-current Assets Held for Sale and Discontinued Operations" and the consolidation of Componenta B.V. into the corporate financial statement has been discontinued from the third quarter of 2016. The information in the income statement (including other comprehensive income), cash flow statement and some key financial ratios has been adjusted in the figures for the first and second quarters of 2016 and the 2015 figures for comparison. In the segment information Componenta B.V.'s figures have been presented as discontinued operations, and all Componenta B.V.'s impairment of net assets has also been presented as discontinued operations. Additionally, all impairment of net receivables from Componenta B.V. recorded by the remaining active companies within the corporation has been presented under discontinued operations.

The profit of operations being discontinued during the review period, including impairments on the Dutch sub-group's net assets and depreciations related to receivables from the Dutch sub-group recorded by the Group's continuing businesses, totalled EUR -24.1 (EUR -7.3 million). Depreciations of the Dutch sub-group's net assets and depreciations related to receivables from the Dutch sub-group recorded by the Group's continuing businesses during third quarter totalled EUR -17.7 million. During first and second quarter costs affecting comparability of EUR -2.9 million have been recorded relating to the closure of the Furen line production and other local restructuring costs.

The consolidation of Componenta B.V.'s local income statement has already discontinued on 1 July 2016 onwards because the Group has not received financial reports from Componenta B.V. regarding the Q3 figures. This does not materially affect the Group's consolidated result for the period.

Result of the discontinued operations

MEUR	1-9.2016	1-12.2015
Net Sales	43.8	83.3
Operating profit excluding items affecting comparability	-2.8	-7.6
Result after financial items excluding items affecting comparability	-3.5	-9.0
Result for the period excluding items affecting comparability	-3.5	-9.0
Items affecting comparability on income statement during 1-9.2016 & 1-12.2015	-2.9	-15.9
Items affecting comparability on income statement during third quarter 2016	-17.7	-
Result for the period, discontinued operations	-24.1	-24.9
Cash flow of discontinued operations		
MEUR	1-9.2016	1-12.2015
Net cash flow from operating activities	-4.6	-4.4
Net cash flow from investing activities	0.0	-1.0
Net cash flow from financing activities	0.0	0.2
Change in liquid assets	-4.6	-5.3

In 2015 Componenta did not have any discontinued operations

4. Other operating income

Continued Operations	1-9.2016	2015 Changed *)
MEUR		
Rental income	0.3	0.6
Profit from sale of non-current assets	1.6	0.1
Exchange gains and losses of trade receivables and payables, incl. hedges	-1.6	1.0
Other operating income	1.2	1.1
Other operating income total, Continued Operations	1.6	2.9
Rental income from investment property included in net sales, continued operations	0.4	0.6

*) The comparative figures from 2015 on income statement and cash flow statement have been adjusted because the Dutch sub-group's operations have been classified as Discontinued Operations according to the IFRS 5 standard

5. Operating expenses

Continued Operations	1-9.2016	2015 Changed *)
MEUR		
Change in inventory of finished goods and work in progress	-4.8	-3.4
Production for own use	0.0	0.3
Materials, supplies and products	-113.4	-185.0
External services	-12.5	-18.6
Personnel expenses	-73.4	-95.3
Rents	-2.6	-3.6
Maintenance costs of investment properties	-0.2	-0.3
Waste, property and maintenance costs	-13.3	-21.0
Energy	-19.8	-28.3
Sales and marketing	-0.1	-0.2
Computer software	-2.6	-3.4
Tools for production	-4.2	-6.0
Freights	-8.0	-11.3
Decrease in fair value of investment properties	0.0	-1.3
Other operating expenses	-27.8	-31.1
Total operating expenses, Continued Operations	-262.5	-408.4

*) The comparative figures from 2015 on income statement and cash flow statement have been adjusted because the Dutch sub-group's operations have been classified as Discontinued Operations according to the IFRS 5 standard

6. Personnel expenses

Continued Operations	1-9.2016	2015 Changed *)
MEUR		
Personnel expenses, Continued Operations		
Salaries and fees	-57.7	-76.0
Pension costs	-7.6	-8.9
Other personnel costs	-8.1	-10.4
	<u>-73.4</u>	<u>-95.3</u>

Average number of personnel by segment, excluding leased personnel, Continued Operations

	1-9.2016	2015 Changed **)
Iron Business	2.493	2.526
Aluminium Business	872	887
Other Business	80	114
	<u>3.445</u>	<u>3.527</u>

Average number of personnel during the period, Discontinued Operations

	318	455
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Average number of personnel during the period, Group

	3,761	3,982
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Personnel expenses include costs related to share-based payment EUR -0.0 (-0.0) million.

*) The comparative figures from 2015 on Income statement and cash flow statement have been adjusted because the Dutch sub-group's operations have been classified as Discontinued Operations according to the IFRS 5 standard

***) Figures for the comparative period have been adjusted as described in Accounting principles. During the first quarter of 2016 the operations of Componentas was divided into two operating segments, which are Iron Business and Aluminium Business. Other Business comprises the operations outside the core business.

7. Research and development costs

Continued Operations	1-9.2016	2015 Changed *)
MEUR		
The following amounts have been recognized in the income statement under research and development costs, Continued Operations		
	-1.5	-2.2

*) The comparative figures from 2015 on income statement and cash flow statement have been adjusted because the Dutch sub-group's operations have been classified as Discontinued Operations according to the IFRS 5 standard

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

Continued Operations	1-9.2016	2015 Changed *)
MEUR		
Depreciation and amortization		
Tangible assets, Continued Operations		
Buildings and structures	-1.8	-2.6
Machinery and equipment **)	-8.7	-10.8
Other tangible assets	-0.6	-0.6
	<u>-11.0</u>	<u>-13.9</u>
Intangible assets, Continued Operations		
Intangible rights	-1.0	-1.1
Computer software	-0.2	-0.3
Other capitalized expenditure	-0.5	-1.4
	<u>-1.7</u>	<u>-2.8</u>

Write-downs on tangible and intangible assets, Continued Operations ***)

	-4.2	-14.0
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Write-downs on group goodwill, Continued Operations ***)

	-8.0	-
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Total depreciation, amortization and write-downs

	<u>-24.9</u>	<u>-30.8</u>
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*) The comparative figures from 2015 on income statement and cash flow statement have been adjusted because the Dutch sub-group's operations have been classified as Discontinued Operations according to the IFRS 5 standard

**) The units-of-production depreciation method is used for production machinery and equipment. Continued Operations planned depreciation based on normal utilized capacity was EUR -11.7 (-13.7) million and capacity utilization correction was EUR 3.0 (3.0) million.

***) In 2016 the write-downs of production machinery in Sweden forging operations under the Iron business segment were EUR -4.2 million and the bookings were based on decreased rate of returns. Due to decreased rate of returns the write-down of goodwill in Turkey Iron business was recorded, EUR -7.5 million in 2016. In connection to the divestment of pistons operations a write-down of EUR -0.5 million was recorded for goodwill. Write-downs on machinery and equipment in 2015 relate to the write-downs on machinery and equipment at the foundries in Finland totalling EUR -9.3 million. In addition a write-down of EUR -0.1 million was recorded at the Smedjebacken forge in Sweden, which belongs to the Wirsbo profit centre and was closed down in 2015. The write-downs for the Finnish foundries were recorded because of a lower estimated yield. The write-downs for other production lines in the Netherlands relate to the future reduction in capacity usage as the result of transferring products to Turkey. Write-downs on buildings and structures recorded in the income statement in 2015 relate to foundry property in Finland EUR -4.6 million.

9. Financial income and expenses

	1-9.2016	2015 Changed *)
MEUR		
Interest income from loans and other receivables	0.5	1.2
Exchange rate gains from financial assets and liabilities recognized at amortized cost	3.8	3.4
Realized exchange rate gains from currency derivatives	0.1	4.7
Other financial income	44.5	0.1
Change in fair value of financial assets and liabilities held for trading	0.0	0.1
Effective interest expenses for financial liabilities recognized at amortized cost	-12.1	-13.9
Exchange rate losses from financial assets and liabilities recognized at amortized cost	-1.8	-5.6
Other charges on financial liabilities valued at amortized cost	-	0.0
Interest expenses and commissions for supplier factoring	-1.4	-1.2
Interest expenses and commissions for sold trade receivables	-4.6	-8.9
Interest expenses for interest rate swaps	-	-0.5
Realized exchange rate losses from currency derivatives	-0.4	-3.9
Other financial expenses	-1.3	-1.4
Financial income and expenses, total, continued operations	27.4	-24.0
Interest income from loans and other receivables	-0.4	-1.0
Interest expenses and commissions for sold trade receivables	-0.2	-0.3
Other financial expenses	-3.2	-0.1
Financial income and expenses, total, discontinued operations	-3.8	-1.4
Financial income and expenses, Group total	23.6	-25.4

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 -1.8 (1.0) million in exchange rate gains and losses arising from foreign currency denominated sales and purchases and EUR 0.0 (0.0) million from foreign exchange derivatives designated to these items.

Interest income on interest rate swaps has been moved to compensate interest expense. During 1 Jan 2016 - 30 Sep 2016 the Group has not received any significant commissions from financial assets.

*) The comparative figures from 2015 on Income statement and cash flow statement have been adjusted because the Dutch sub-group's operations have been classified as Discontinued Operations according to the IFRS 5 standard

10. Income taxes

MEUR	1-9.2016	2015 Changed *)
Income taxes, continued operations		
Income taxes for financial period	-1.4	-1.4
Change in deferred taxes (see note 19)	-1.4	-25.0
Continued operations total	-2.8	-26.4
Change in deferred taxes, Discontinued operations	0.4	-7.4
Income taxes, Group	-2.4	-33.8

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	1-9.2016	2015
Profit before tax, continued operations	6.2	-31.3
Income tax using Finnish tax rate	-1.2	6.3
Difference between Finnish tax rate and rates in other countries	0.2	-0.1
Tax exempt income	9.1	0.8
Non-deductible expenses	-3.1	-0.3
Adjustments to the taxable income for previous years	-2.1	1.1
Tax losses from which no deferred tax assets have been recorded	-3.7	-4.8
Re-assessment of deferred taxes**)	-2.0	-29.3
	-2.8	-26.4

*) The comparative figures from 2015 on Income statement and cash flow statement have been adjusted because the Dutch sub-group's operations have been classified as Discontinued Operations according to the IFRS 5 standard

***) The revaluation of deferred tax of continued operations includes write-downs of deferred tax assets relating to tax losses. Write-downs in the fiscal year by country were recorded as follows: Finland EUR 1.7 million and Sweden EUR 0.4 million. Write-downs in 2015 by country were as follows: Finland 22.5 million and Sweden 6.8 million. The company has deferred tax assets of EUR 3.7 million in Finland relating to tax losses in its balance sheet at 30.9.2016

11. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the parent company by the weighted average number of outstanding shares during the financial year.

	1-9.2016	2015
Basic and diluted earnings per share		
Numerator: Profit for the period attributable to the shareholders of the parent company, 1,000 EUR *)	-20,015	-83,363
Denominator: Weighted average number of outstanding shares during the financial year, 1,000 shares	113,959	97,269
Basic earnings per share, EUR	-0.18	-0.86
Earnings per share with dilution, EUR	-0.18	-0.86

*) Unpaid interest on the 2012 and 2013 hybrid bonds is not recorded until after the decision of the Board of Directors, in accordance with IFRS. Unpaid interest on hybrid bond totalled EUR 0.3 million after deferred taxes in 2016 (2015) and it has been taken into account as a factor reducing the profit for the period attributable to equity holders of the parent company when calculating the earnings per share. The profit for the period attributable to the equity holders of the parent company presented in the consolidated income statement was EUR -19.7 million (-83.1 million).

The weighted average number of shares used to calculate the diluted earnings per share takes into account the dilutive effect of all potential shares with such an effect. The dilutive effect of the convertible bond issued in 2016 (Note 32) and share-based incentive scheme for employees (Note 25) will not be taken into account in 2016 and in 2015 since the dilution would increase the earnings per share.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

12. Tangible assets

MEUR	30.9.2016	2015
Land and water areas		
Acquisition cost at 1 Jan	36.7	36.7
Additions	0.0	2.8
Disposals	-9.9	0.0
Re-classifications	-0.3	-0.1
Revaluation on land and water areas	0.0	-2.7
Translation differences	0.0	0.0
Book value at 30.9. & 31.12.	26.4	36.7
MEUR	30.9.2016	2015
Buildings and constructions		
Acquisition cost at 1 Jan	102.8	110.5
Additions	0.4	0.4
Disposals	-11.7	-0.1
Re-classifications	7.2	0.9
Revaluation on buildings	0.0	-9.1
Translation differences	-0.4	0.2
Acquisition cost at 30.9. & 31.12.	98.3	102.8
Accumulated depreciation at 1 Jan	-58.3	-50.1
Accumulated depreciation on decreases and re-classifications	6.7	2.8
Translation differences	0.2	-0.1
Depreciation and write-downs during the period	-9.1	-9.0
Accumulated depreciation at 30.9. & 31.12.	-58.5	-56.3
Book value at 30.9. & 31.12.	39.8	46.5
MEUR	30.9.2016	2015
Buildings and constructions, finance leasing		
Acquisition cost at 1 Jan	0.2	0.3
Re-classifications	-0.2	-0.1
Acquisition cost at 30.9. & 31.12.	0.0	0.2
Accumulated depreciation at 1 Jan	-0.1	-0.1
Accumulated depreciation on re-classifications	0.1	0.0
Depreciation during the period	0.0	0.0
Accumulated depreciation at 30.9. & 31.12.	0.0	-0.1
Book value at 30.9. & 31.12.	0.0	0.1
MEUR	30.9.2016	2015
Machinery and equipment		
Acquisition cost at 1 Jan	368.9	359.0
Additions	2.9	6.1
Disposals	-15.9	-3.7
Re-classifications	10.4	6.3
Companies acquired	0.0	0.0
Translation differences	-3.1	1.2
Acquisition cost at 30.9. & 31.12.	363.2	368.9
Accumulated depreciation at 1 Jan	-275.3	-252.2
Accumulated depreciation on decreases and re-classifications	11.6	0.2
Translation differences	2.2	-1.2
Depreciation and write-downs during the period	-17.3	-22.1
Accumulated depreciation at 30.9. & 31.12.	-278.8	-275.3
Book value at 30.9. & 31.12.	84.4	93.6
MEUR	30.9.2016	2015
Machinery and equipment, finance leasing		
Acquisition cost at 1 Jan	31.9	28.5
Additions	5.2	5.3
Disposals	-3.8	0.0
Re-classifications	-1.6	-2.1
Translation differences	-0.5	0.2
Acquisition cost at 30.9. & 31.12.	31.1	31.9
Accumulated depreciation at 1 Jan	-11.4	-9.4
Accumulated depreciation on decreases	1.5	-0.2
Translation differences	0.3	-0.1
Depreciation during the period	-1.7	-1.7
Accumulated depreciation at 30.9. & 31.12.	-11.4	-11.4
Book value at 30.9. & 31.12.	19.8	20.5
MEUR	30.9.2016	2015
Other tangible assets		
Acquisition cost at 1 Jan	16.5	14.9
Additions	0.7	1.3
Disposals	-0.5	-4.7
Re-classifications	0.2	5.0
Translation differences	-0.2	0.0
Acquisition cost at 30.9. & 31.12.	16.7	16.5
Accumulated depreciation at 1 Jan	-8.6	-8.0
Accumulated depreciation on decreases and re-classifications	0.2	0.0
Translation differences	0.0	0.0
Depreciation during the period	-0.9	-0.6
Accumulated depreciation at 30.9. & 31.12.	-9.2	-8.6
Book value at 30.9. & 31.12.	7.5	7.9
MEUR	30.9.2016	2015
Advance payments and fixed assets under construction		
Acquisition cost at 1 Jan	29.0	21.3
Additions	8.0	14.1
Disposals	-2.9	-0.2
Re-classifications	-19.2	-6.2
Translation differences	-0.1	0.1
Book value at 30.9. & 31.12.	14.9	29.0
Total tangible assets	192.7	234.3
13. Intangible assets		
MEUR	30.9.2016	2015
Goodwill		
Acquisition Cost 1.1.	29.2	29.1
Goodwill disposal	-0.5	
Goodwill write down	-7.5	
Translation difference	-0.2	0.0
Book value 30.9. & 31.12.	20.9	29.2

Allocation of goodwill and impairment testing

Goodwill has been allocated to cash generating units. Most of the goodwill is allocated to the Orhangazi foundry, part of the Foundry Division segment, and the goodwill related to this stood at EUR 20.1 million (27.6) at the end of September 2016.

Orhangazi foundry impairment test was carried out on September 30, 2016. The previous assessment date was December 31, 2015. The assessment date was brought forward to September 30, 2016 due to lower than estimated volume and quality and liquidity problems. This represented a triggering event resulting in an interim impairment test to assess if events or changes in circumstances indicate that the carrying amount of Orhangazi foundry goodwill may not be recoverable.

The future cash flows of the Orhangazi foundry, part of the Foundry Division segment, have been estimated using value-in-use calculations. The calculations have used 5-year discounted cash flow plans that are based on strategic plans approved by the management and for the estimated development of the sales and business environment. The estimated cash flow of the foundry is based on the use of property, plant and machinery in their present condition without any acquisitions. Average historical growth and developments in EBITDA have been taken into account in drawing up the strategic plans. The cash flow for the coming five years is based on estimates of developments in costs and demand. The 2016 EBITDA margin is estimated to be negative due to quality and liquidity problems and low volumes. In 2017 it is anticipated that these factors will not affect EBITDA and the EBITDA margin is expected to be about 5.2%. Growth in profitability 2017-2021 is based partly on growth in volumes, on new contracts that have been agreed, and on product transfers in accordance with the new strategy. For these reasons sales are also estimated to increase at an average annual rate of over 5% in the period 2017-2021. In addition, productivity and developments in costs are expected to improve profitability thanks to the processes that have either already been carried out or that have been decided on and through the quality improvement programs. The Group has decided on and carried out cuts in fixed costs that also reduce local fixed costs since they result in lower service charges to be paid to Group administration. Cash flows beyond five years are calculated using the residual value method. No growth factor has been included in the residual value.

The discount rate used is the weighted average cost of capital before tax defined by the company. Company has also used external expert when defining the used discount rate. The factors in this are risk-free interest rate, market risk premium, beta of the peer group, weighted average of borrowing costs, and the target ratio of the comparison for shareholder's equity. Company has used a pre tax weighted average cost of capital 9.3% in its calculations related to Orhangazi foundry.

There was no need to record impairment losses on the basis of impairment testing in 2014 and 2015. Based on the assessment carried out September 30, 2016 EUR 7.5 million goodwill write down has been recorded for the period January - September 2016. The goodwill write down has been allocated to Orhangazi iron foundry. Pistons business unit producing pistons was sold in August and the sales of the business caused write down of goodwill in group balance sheet EUR 0.5 million.

Sensitivity analysis:

A sensitivity analysis was carried out on the Orhangazi foundry using a variety of scenarios. These scenarios were achieved by altering the assumed values as follows:

- by changing profitability (EBITDA) +/- 1-10%
- by changing the weighted average cost of capital +/- 10%

Decreasing the capital cost by 5.8% to level 8.75% would not have caused goodwill write down with other parameters remaining the same. Also increasing the EBITDA by 4.45% and other parameters remaining the same would not have caused the goodwill write down. If the capital cost would increase by 10% to level 10.2%, and other parameters remaining the same, write down would be approximately EUR 17.9 million. If profitability (EBITDA) would be decreased by 10% and other parameters would remain the same, that would lead to approximately EUR 24.4 million write down of the goodwill.

It is the opinion of management that the changes in the basic assumptions in the theoretical scenarios mentioned above should not be interpreted as evidence that they are likely to occur.

14. Intangible assets

MEUR	30.9.2016	2015
Capitalized development costs		
Acquisition cost at 1 Jan	2.8	3.0
Additions	0.0	0.0
Disposals	-0.2	0.0
Re-classifications	0.0	-0.2
Translation differences	-0.1	0.0
Acquisition cost at 30.9. & 31.12.	2.6	2.8
Accumulated amortization at 1 Jan	-1.3	-0.5
Accumulated amortization on decreases and re-classifications	0.1	-0.3
Translation differences	0.0	0.0
Amortization during the period	-0.8	-0.4
Accumulated amortization at 30.9. & 31.12.	-1.9	-1.3
Book value at 30.9. & 31.12.	0.6	1.6
MEUR	30.9.2016	2015
Intangible rights		
Acquisition cost at 1 Jan	7.8	7.6
Additions	0.0	0.0
Disposals	-0.1	0.0
Re-classifications	0.0	0.1
Translation differences	-0.1	0.0
Acquisition cost at 30.9. & 31.12.	7.6	7.6
Accumulated amortization at 1 Jan	-4.9	-3.7
Accumulated amortization on decreases and re-classifications	0.1	0.0
Translation differences	0.1	0.0
Amortization during the period	-1.0	-1.1
Accumulated amortization at 30.9. & 31.12.	-5.7	-4.9
Book value at 30.9. & 31.12.	1.9	2.9
MEUR	30.9.2016	2015
Computer software		
Acquisition cost at 1 Jan	8.4	6.9
Additions	0.0	1.5
Re-classifications	0.0	0.0
Translation differences	-0.1	0.0
Acquisition cost at 30.9. & 31.12.	8.3	8.4
Accumulated amortization at 1 Jan	-6.3	-5.9
Accumulated amortization on decreases and re-classifications	0.0	0.0
Translation differences	0.0	0.0
Amortization during the period	-0.3	-0.4
Accumulated amortization at 30.9. & 31.12.	-6.6	-6.3
Book value at 30.9. & 31.12.	1.8	2.1
MEUR	30.9.2016	2015
Other capitalized expenditure		
Acquisition cost at 1 Jan	10.9	10.1
Additions	-0.2	0.0
Translation differences	0.0	0.0
Re-classifications	0.0	0.8
Acquisition cost at 30.9. & 31.12.	10.6	10.9
Accumulated amortization at 1 Jan	-10.4	-9.3
Accumulated amortization on decreases and re-classifications	0.2	-0.1
Translation differences	0.0	0.0
Amortization during the period	-0.2	-0.9
Accumulated amortization at 30.9. & 31.12.	-10.3	-10.4
Book value at 30.9. & 31.12.	0.3	0.5
MEUR	30.9.2016	2015
Advance payments for intangible assets		
Acquisition cost at 1 Jan	0.0	0.0
Additions	0.0	0.0
Disposals	0.0	0.0
Re-classifications	0.0	0.0
Book value at 30.9. & 31.12.	0.0	0.0
Total intangible assets	4.6	7.1

15. Investment properties

MEUR	30.9.2016	2015
Book value at 1 Jan	8.1	8.3
Additions	-	-
Disposals	-0.2	-
Transfers	3.0	2.6
Profit/loss from the fair valuation	-	-2.8
Book value at 30.09. & 31.12.	10.9	8.1

The fair values of investment properties are based on assessment books prepared by an independent and professionally qualified evaluator and last updated at the end of 2015. The values were not updated in the September 2016 interim report. The evaluation in 2015 was prepared for Finnish properties by KinteistötalioPeltola & Co Oy and for Swedish properties by Svefa AB, mainly by using the yield value methods. The reliability of the valuation of property is classified as Level 3. The fair values of properties transferred to investment properties in September 2016 interim report were EUR 3.0 million and the value of sold properties was EUR 0.2 million.

16. Shares in associated companies

MEUR	30.9.2016	2015
Book value at 1 Jan	1.2	1.2
Disposals	0.0	0.0
Share of results of associated companies	0.1	0.1
Additions	0.0	0.0
Translation differences	0.0	0.0
Book value at 30.09. & 31.12.	1.3	1.2

Associated companies 30 Sep 2016

	Assets, MEUR	Liabilities, MEUR	Net sales, MEUR	Profit/Loss, MEUR	Group share of holding, %
Kumsan A.S., Turkey	5.6	0.7	3.4	0.4	25.1

Associated companies 31 Dec 2015

	Assets, MEUR	Liabilities, MEUR	Net sales, MEUR	Profit/Loss, MEUR	Group share of holding, %
Kumsan A.S., Turkey	5.3	0.4	3.9	0.3	25.1
Componenta-Ferromatrix NV., Belgium	0.4	0.0	0.0	0.0	50.0

The value of shares in associated companies does not include goodwill at 30 Sep 2016. All associated companies are unlisted.

17. Financial assets

MEUR	30.9.2016	2015
Available-for-sale financial assets		
Acquisition cost at 1 Jan	0.9	0.9
Additions	-	-
Disposals	-0.2	-
Book value at 30.9.2016 & 31.12.2016	0.7	0.9

Available-for-sale financial assets consist of non-listed shares, the biggest investment being Majakka Voima Oy. As the fair value of these shares is difficult to determine reliably, they are recognized at acquisition cost less any impairment losses. According to Componenta's view the fair value and acquisition cost do not differ essentially. Other financial assets are classified in fair value valuation method level 3, please see additional information in Note 22. The gains from the sale of available-for-sale financial assets in 1-9.2016 were EUR 0.1 million.

18. Non-current receivables

MEUR	30.9.2016	2015
From associates		
Loan receivables	0.0	0.0
Other non-current receivables		
Loan receivables	0.5	0.7
Other receivables	0.7	7.1
	7.2	7.8
Total non-current receivables	7.2	7.8

The Group's non-current loan receivables are mainly related to investments. Other receivables on 30 Sep 2016 includes VAT receivables EUR 6.4 (EUR 3.5) million in Turkey, which utilization depends on the relation between domestic sales and export sales. The utilization is estimated to be possible in the time after 12 months. In addition, advanced payments have been recorded in other receivables EUR 0.0 (2.3) million which are related to the ongoing construction of the aluminium foundry in Manisa. Other non-current receivables were EUR 3 (1.3) million.

19. Deferred tax assets and liabilities

Changes in deferred taxes during the financial year 2016

MEUR	at 1 Jan 2016	Recognized in income statement	Recognized in equity	Translation differences	at 30 Sep 2016
Deferred tax assets					
Intercompany margin in inventory	0.1	0.0		0.0	0.1
Provisions and pension provisions	3.5	2.0	0.3		5.8
Tax losses carried forward	5.8	-2.1		0.0	3.7
Fair valuation of investment properties	0.3	0.0			0.3
Revaluation of buildings and land areas	1.9	0.0		0.0	1.9
Other differences	5.7	-0.5	-0.1	0.0	5.1
Total	17.3	-0.6	0.2	0.0	16.9
Offset with deferred tax liabilities	-11.8				-12.9
Total	5.5				4.0

Deferred tax assets recognized for losses in Finland EUR 3.7 million are based on the expected taxable income of the companies. It is estimated that these deferred tax assets can be utilized in 1-10 years. At the end of Sep 2016, the Group justifies being able to make use of the deferred tax assets recorded for losses on, for example, the impact of the efficiency improvement program that is still in progress and on considerably lower fixed costs. At the end of the interim review period the Group did not record any deferred tax assets related to tax losses in any other country than in Finland. During interim financial statements period 1.1-30.9.2016 deferred tax assets related to tax losses were written down by EUR 1.7 million in Finland and EUR 0.4 million in Sweden.

MEUR	at 1 Jan 2016	Recognized in income statement	Recognized in equity	Translation differences	at 30 Sep 2016
Deferred tax liabilities					
Valuing tangible assets at fair value when merging businesses	2.8	0.0		0.0	2.8
Accelerated depreciation	8.8	0.7		0.0	9.5
Fair valuation of investment properties	0.0	0.0	0.0	0.0	0.0
Revaluation of buildings and land areas	3.6	0.0	0.0	0.0	3.6
Finance leases	1.5	0.0		0.0	1.5
Other differences	6.0	-0.4	0.0	0.0	5.6
Total	22.6	0.3	0.0	0.0	22.9
Offset with deferred tax assets	-11.8				-12.9
Total	10.8				10.0

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 2015

MEUR	at 1 Jan 2015	Recognized in income statement	Recognized in equity	Translation differences	at 31 Dec 2015
Deferred tax assets					
Intercompany margin in inventory	0.1	0.0		0.0	0.1
Provisions and pension provisions	2.1	0.9	0.6		3.5
Tax losses carried forward	43.1	-37.5		0.2	5.8
Fair valuation of investment properties	0.1	0.2			0.3
Revaluation of buildings and land areas	1.3	0.6		0.0	1.9
Other differences	2.6	2.9	0.2	0.0	5.7
Total	49.4	-33.0	0.8	0.2	17.3
Offset with deferred tax liabilities	-12.0				-11.8
Total	37.4				5.5

MEUR	at 1 Jan 2015	Recognized in income statement	Recognized in equity	Translation differences	at 31 Dec 2015
Deferred tax liabilities					
Valuing tangible assets at fair value when merging businesses	3.1	-0.2		0.0	2.8
Accelerated depreciation	8.0	0.8		0.0	8.8
Fair valuation of investment properties	0.3	0.0	-0.3	0.0	0.0
Revaluation of buildings and land areas	5.6	-1.0		0.0	3.6
Finance leases	1.2	0.3		0.0	1.5
Other differences	6.9	-0.8	0.0	-0.1	6.0
Total	24.9	-0.8	-1.3	-0.1	22.6
Offset with deferred tax assets	-12.0				-11.8
Total	12.9				10.8

20. Inventories

Me	30.9.2016	2015
Raw Materials and Consumables	11.0	13.8
Work in Progress	4.9	11.3
Finished products and goods	19.4	30.4
Other inventories	10.8	13.3
Advance Payments	1.0	0.1
Total Inventories	47.1	68.9

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

During period 1-9/2016 in Finnish units EUR -0,3 million, in Swedish units EUR -0,4 million and in Turkish units EUR 0,0 million, an expense of total EUR -0,7 million (4,4) million was recognized to reduce the book value of inventories to their net realizable value.

During third quarter the Dutch operations were classified as discontinued operations. The inventories of the Dutch operations were EUR 13,9 million on 30 June 2016 and EUR 13,4 million on 31 Dec 2015.

21. Trade and other short-term receivables

MEUR	30.9.2016	2015
Trade receivables	40,7	21,3
Loan receivables	0,5	1,4
Derivative receivables	0,0	0,0
Tax receivables, income taxes	-	1,4
Prepayments and accrued income	3,9	2,2
VAT receivables	1,4	5,0
Other receivables	1,0	1,9
Total trade and other short-term receivables	47,5	33,2

Prepayments and accrued income include mainly prepaid accrued expenses.

Trade receivables by currency

	30.9.2016 %	2015 %
EUR	79.9	66.2
SEK	16.5	7.0
TRY	2.0	4.6
USD	0.9	0.1
GBP	0.6	1.9
RUB	-	0.2

22. Classification of fair value of financial assets and liabilities

Financial assets and liabilities that are valued at fair value are classified on three levels, depending on the estimated reliability of the valuation method:

LEVEL 1:
A reliable quoted market price exists for identical instruments quoted on an active market. Electricity price forwards are classified on this level, as their valuations are based on market prices for Nord Pool's similar standardized products.

LEVEL 2:
A market price quoted on the active market exists for similar but not identical instruments. The price may, however, be derived from observable market information. The fair values of interest rate and currency derivatives are calculated by deriving them from price information obtained on the active market and using valuation techniques that are commonly applied in the market.

LEVEL 3:
There is no active market for the instrument, a fair market price cannot be reliably derived, and defining the fair value requires significant assumptions.

Fair values by classification of valuation method 30 Sep 2016

MEUR	LEVEL 1	LEVEL 2	LEVEL 3
Foreign exchange rate derivatives (OTC)	-	-	-
Interest rate derivatives (OTC)	-	-	-
Commodity derivatives	-0.2	-	-
Available-for-sale investments	-	-	0.7

Fair values by classification of valuation method 2015

MEUR	LEVEL 1	LEVEL 2	LEVEL 3
Foreign exchange rate derivatives (OTC)	-	-0.6	-
Interest rate derivatives (OTC)	-	-	-
Commodity derivatives	-0.8	-	-
Available-for-sale investments	-	-	0.8

No financial assets or liabilities were transferred from one level to another during 1-9.2016.

23. Cash and cash equivalents

MEUR	30.9.2016	2015
Cash and cash equivalents included in the statement of financial position		
Cash at bank and in hand	7.3	6.1
Cash and cash equivalents included in the cash flow statement		
Cash at bank and in hand	7.3	6.1

24. 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 revaluation reserve, MEUR	Other reserves, MEUR
At 1 Jan 2015	97,269	21.9	15.0	-0.4	152.3	22.2	4.9
Transfers to retained earnings	-	-	-	-	-	-0.3	0.3
Other comprehensive income	-	-	-	0.0	-	-6.2	-0.8
At 31 Dec 2015	97,269	21.9	15.0	-0.4	152.3	15.6	4.4
Issue of the convertible capital loan and conversions to shares	56,756	-	-	-	27.7	-	4.2
Other comprehensive income	-	-	-	0.3	-	-1.2	-
At 30 Sep 2016	154,025	21.9	15.0	-0.2	180.0	14.5	8.6

The cumulative translation differences EUR -36.7 (-36.3) million in the Statement of changes in consolidated shareholders' equity contain the translation differences arising from translating the financial statements of non-Euro area business units. Gains and losses from hedging the net investments in non-Euro area units are also included in translation differences if the conditions for hedge accounting are met. The functional currency of the Turkish subsidiary changed to Euro from the beginning of March 2012 onwards. After that the group has not recorded any translation differences from the consolidation of the subsidiary related to exchange rate changes of Turkish lira.

The share premium reserve contains the amount paid for shares in a share issue that exceeds the nominal value of the share if the decision concerning the issue of convertible capital notes on which the subscriptions are based was made before the 2006 change in the Finnish Company Act. The amount exceeding the nominal value when converting convertible capital notes issued after the new Company Act came into force (1 September 2006) is recognized in the unrestricted equity reserve. Cash flow hedges include the valuations of commodity derivatives.

The building and land area revaluation reserve presents the impact on shareholders' equity of the revaluation of these assets.

Other reserves include the conversion option component of the convertible capital notes EUR 6.3 (2.1) million, share-based payments EUR 0.3 (0.3) million according to IFRS 2. Legal reserve EUR 0.0 (0.0) million is also included in other reserves. The company's shareholders' equity includes two equity bonds (hybrid bonds), which improve the company's equity ratio and are presented in shareholders' equity under other reserves, EUR 2.0 (2.0) million.

In May 2016 Componenta issued EUR 40 million convertible capital loan. By the end of the interim financial statements period 56,756,020 shares have been converted and the capital loans used for payments for the conversions were EUR 27.7 million, netted with the transaction costs related to the issue of the capital loan, and recorded under Unrestricted equity reserve. No dividend was paid from the 2015 result for the period.

25. Share-based payment

Share-based incentive scheme

The Extraordinary General Meeting of Componenta Corporation held on 15 April 2016 resolved, in accordance with the proposals of the Board of Directors, on the issuance of stock options. The stock options are intended to form part of the incentive and commitment program for key employees, so the Company has a weighty financial reason for issuing the options. The stock options will be issued gratuitously and will entitle their owners to subscribe for a maximum total of 10,000,000 new shares in the Company or existing shares held by the Company. The Board of Directors will resolve on the distribution of stock options and may additionally resolve on particular additional provisions concerning the receipt of stock options. Stock options will be distributed only if the Company resolves to carry out the planned financing arrangements with Turkish banks in addition to the already completed issuing of a convertible capital loan. There have been negotiations with Turkish banks concerning additional financing for the Turkish subsidiary and to extend the maturity of financing. Due to the ongoing restructuring processes and the bankruptcy of the Dutch subsidiary the Board of Directors has decided not to issue stock options.

The Board of Directors of Componenta Corporation decided on 10 February 2015 to set up a new share-based incentive scheme for key personnel in the Group. The scheme had one earning period, the 2015 calendar year. The earning criterion for the 2015 earning period was Componenta's consolidated result after financial items. Any bonuses would have been paid for the 2015 earning period if paid partially in company shares and partially in cash. The part paid in cash is meant to cover tax and similar costs arising from the bonus. There is a ban on disposing of, pledging or otherwise using the shares during the commitment period of two years set for them. If the employment of a key employee ends during this commitment period, they must return the shares given as a bonus to the company without compensation.

Any earnings in the incentive schemes decided on 10 February 2015 on the result after financial items excluding one-time items in 2015. The target group for the incentive scheme decided on 10 February 2015 contained 12 people at the end of 2015. If the targets set for the schemes had been met in full, bonuses of a maximum of 780,000 Componenta Corporation shares would have been paid in the scheme for the 2015 earning period. No share bonuses were paid for the 2015 earning periods in the schemes, since the earning criteria were not fulfilled. The impact of the schemes on the result before tax in 2016 was EUR 0.0 (0.0) million.

26. Pension obligations and other benefit plans

Pension obligations

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

Other benefit plans

Other employee benefits mainly include commitments required under Turkish employment legislation.

Under Turkish employment legislation, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). The amount payable consists of one month's salary limited to a maximum of TRY 4,297.2 for each year of service as of 30 September 2016 (31 December 2015: TRY 3,828.37). The liability is not funded.

The non-current provision recorded under other benefit plans in note 27 includes also previously described liability under Turkish employment legislation. The related provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the termination benefits to be paid to the employees. The following assumptions were used in the calculation of the total liability on 30 September 2015 and on 31 December 2015: Annual discount rate 10.00% (9.80%), annual salary increase expectation 6.00% (5.50%) and turnover rate to estimate the probability of retirement 94.91% (94.55%).

The pension scheme in Turkey described above is treated as a defined benefit scheme and its actuarial gains and losses are presented in the statement of comprehensive income and other items in personnel expenses in the income statement.

Changes in the current value of the liability are as follows:

MEUR	30.9.2016	2015
Opening liability 1.1.	8.9	8.9
Current service cost	0.5	0.6
Interest cost	0.7	0.9
Severance paid	-1.7	-1.3
Actuarial gains (-), losses (+)	1.4	1.9
Translation gains and losses	-0.6	-1.1
Closing liability 30.09.16 & 31.12.15	10.3	9.9

27. Provisions

Current

MEUR	Other benefit plans	Re-structuring provisions	Environmental provisions	Other provisions	Total
1.1.2016	-	4.2	0.1	2.7	7.0
Translation differences	-	-	-	-	0.0
Additions to provisions	-	0.0	-	2.1	2.1
Utilized during the period	-	-3.5	0.0	-1.0	-4.5
30.9.2016	-	0.7	0.1	3.8	4.6
1.1.2015	-	2.7	-	1.8	4.5
Translation differences	-	0.0	-	-	0.0
Additions to provisions	-	3.3	0.1	1.1	4.5
Utilized during the period	-	-1.8	-	-0.3	-2.1
31.12.2015	-	4.2	0.1	2.7	7.0

Non-current

MEUR	Muut työsuhde-etuudet	Uudelleen järjestely-varaukset	Ympäristö-varaukset	Yhteensä
1.1.2016	10.3	0.0	0.0	10.4
Translation differences	-0.6	-	-	-0.6
Additions to provisions	2.3	0.0	0.0	2.3
Utilized during the period	-1.7	0.0	0.0	-1.8
30.9.2016	10.4	0.0	0.0	10.4
1.1.2015	9.5	0.0	0.1	9.7
Translation differences	-1.1	-	-	-1.1
Additions to provisions	3.2	-	0.0	3.2
Utilized during the period	-1.3	-	-0.1	-1.4
31.12.2015	10.3	0.0	0.0	10.4

Other benefit plans, are mainly consisting of the plans under Turkish employment legislation EUR 10.3 (9.9) million more information in note 26.

MEUR	1-9.2016	2015
Change in provisions recognised as operating expenses in income statement, increase of expense (-), decrease of expense (+)	4.1	-1.3

28. Interest-bearing liabilities

MEUR	30.9.2016	2015
Non-current interest-bearing financial liabilities		
Loans from financial institutions *) **)	0.0	78.9
Finance lease liabilities	8.1	7.3
Pension loans	0.4	1.1
Convertible capital loan - liability portion	7.8	-
Bonds	0.3	-
Other loans	0.2	-
	14.6	87.3
Current interest-bearing financial liabilities		
Loans from financial institutions *) **)	150.7	142.6
Finance lease liabilities	5.1	5.9
Pension loans	0.4	0.9
Bonds	-	6.3
Other loans	0.3	-
	156.8	155.7

Total interest-bearing liabilities

171.2 243.1

*) In 2015 figures the long term part EUR 55.7 million in 2017 according to the syndicated loan agreement and EUR 6.3 million in 2019 according to the bond agreements have been classified as short term loans for the year 2016 due to the IFRS requirement. This is because the relieve of the covenant breach was not given at least for twelve months ahead from the end of the reporting period.

**) Componenta Corporation filed for restructuring with the district court of Helsinki on 1 September 2016. This constituted an event of default as set out in the Club Loan Agreement of Componenta Corporation's Turkish subsidiary. Due to the event of default, creditors may request immediate repayment of the club loan. As a result of the foregoing, several installments, nominal amount in aggregate of eur 85.6 million, agreed to be repaid after the coming 12 months, have been classified as current debt in the balance sheet of the group.

Currency breakdown of interest-bearing financial liabilities

	30.9.2016	2015
	%	%
Non-current	EUR 96.9	99.2
	SEK 3.1	0.8
	TRY -	-
Current	EUR 98.2	92.4
	SEK 0.7	1.9
	TRY 1.1	5.5
	GBP -	0.1

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

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

	30.9.2016	30.9.2016	2016	2016
	Nominal interest rates	Effective interest rates	Nominal Interest rates	Effective interest rates
	%	%	%	%
Loans from financial institutions	0.1 - 14.0	0.1 - 14.0	0.8 - 7.8	0.8 - 10.4
Finance lease liabilities	0.3 - 9.5	1.7 - 9.5	0.8 - 13.8	1.7 - 19.9
Pension loans	4.8 - 18.0	4.8 - 18.0	1.9 - 4.8	1.9 - 4.8
Bonds	2.0 - 2.0	5.4 - 5.4	2.0 - 5.0	4.5 - 5.9
Convertible capital notes	2.0 - 2.0	2.0 - 2.0	-	-

Repayment schedule for interest-bearing financial liabilities 30 Sep 2016

MEUR	2016	2017	2018	2019	2020	2021+
Loans from financial institutions *)	33.0	117.7	-	-	-	-
Finance lease liabilities	0.7	4.8	3.2	2.1	0.4	-
Pension loans	0.1	0.4	0.3	-	-	-
Convertible capital loan	-	-	-	-	7.6	-
Bonds	-	-	-	0.3	-	-
Other loans	0.3	0.2	-	-	-	-
	34.2	123.2	3.4	2.5	7.9	-

*) Componenta Corporation filed for restructuring with the district court of Helsinki on 1 September 2016. This constituted an event of default as set out in the Club Loan Agreement of Componenta Corporation's Turkish subsidiary. Due to the event of default, creditors may request immediate repayment of the club loan. As a result of the foregoing, several installments, nominal amount in aggregate of eur 85.6 million, agreed to be repaid after the coming 12 months, have been classified as current debt in the balance sheet of the group.

Repayment schedule for interest-bearing financial liabilities 2015

MEUR	2016	2017	2018	2019	2020	2021+
Loans from financial institutions *)	142.6	24.8	13.7	13.1	13.1	14.3
Finance lease liabilities	5.9	3.5	2.4	1.4	0.1	-
Pension loans	0.9	0.5	0.5	-	-	-
Capital notes	-	-	-	-	-	-
Bonds	6.3	-	-	-	-	-
	155.7	28.6	16.6	14.5	13.3	14.3

*) The long term part EUR 55.7 million in 2017 according to the syndicated loan agreement and EUR 8.3 million in 2019 according to the bond agreements have been classified as short term loans for the year 2016 due to the IFRS requirement. This is because the relieve of the covenant breach was not given at least for twelve months ahead from the end of the reporting period.

Maturity of finance lease liabilities

MEUR	30.9.2016	2015
Minimum lease payments fall due as follows:		
Not later than one year	5.5	6.3
Later than one year but not later than five years	6.5	7.8
Later than five years	-	-
	12.0	14.1
Future financial expenses	-0.7	-0.9
	11.3	13.2
Present value of minimum lease payments:		
Not later than one year	5.1	5.9
Later than one year but not later than five years	6.1	7.3
Later than five years	-	-
	11.3	13.2

Capital notes

Convertible Capital Notes 2016

On 16 May 2016 Componenta Corporation issued a EUR 40 million convertible capital loan. The convertible capital loan is a bullet loan and has a maturity of four years. The company may not repay the loan before its maturity date. The issuing price for the loan is 100 per cent and the annual interest is 2 per cent. The loan can be converted into Componenta Corporation shares during the term of the loan. The share subscription price is EUR 0.50. By 30 September 2016 EUR 24,934,000 of the convertible loan had been converted into shares and the company had issued 49,868,000 new shares. Componenta has on 5 October 2016 announced that from the issued convertible capital loan EUR 3,444,000 of the loan have been used for the subscription of 6,888,000 new shares in Componenta Corporation. The new shares have been entered into the Trade Register on 5 October 2016, but in the balance sheet the conversion has been recorded already during the third quarter 2016. The remaining convertible capital loan on 30 September 2016 has a nominal value of EUR 11.6 million.

Bonds

Unsecured Bond 2013

The unsecured bond 2013 had a balance sheet value of EUR 0.3 million on 30 September 2016. It was agreed in 2014 to extend the maturity period of the unsecured bond to 31 December 2019. In addition, it was resolved the amendments to the terms and conditions of the notes so that as of the amendment date the notes bear fixed interest at the rate of 2.00 % p.a. and that any interest accrued after 2 March 2014 shall be paid on the redemption date.

The loan is not secured. Receivables based on the bond rank equal to Componenta Corporation's other unsecured debt commitments. The bond has a balance sheet value of EUR 0.3 million on 30 September 2016. The accrued interest on the loan from 1 January to 30 September 2016 has been recorded as an expense in the income statement and as a liability in accrued expenses. The loan units of the unsecured bond are for trading on the regulated market on the NASDAQ OMX Helsinki Ltd stock list.

Secured Bond 2013

On 16 May 2016 Componenta Corporation issued a EUR 40 million convertible capital loan and discharged the same time the remaining nominal value of EUR 6.0 million of the secured bond 2013.

29. Current non-interest bearing liabilities

MEUR	30.9.2016	2015
Trade payables to others	52.2	54.2
Trade payables to associated companies	0.0	0.0
Accrued expenses and deferred income	21.4	20.5
Derivative liabilities	0.0	1.0
Advances received	7.4	0.3
Other current liabilities	7.2	4.1
Current non-interest bearing liabilities total	118.2	110.0

Accrued expenses and deferred income includes deferred personnel costs and deferred interest expenses. The most significant items in other current liabilities are value added tax payables, withholding taxes and custom payments.

Trade payables by currency

	30.9.2016	2015
	%	%
TRY	42.9	30.4
EUR	34.4	50.8
SEK	18.3	13.4
USD	4.0	5.0
GBP	0.4	0.4

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

Financial assets	30.9.2016	30.9.2016	2015	2015
MEUR	Carrying value	Fair value	Carrying value	Fair value
ITEMS RECOGNIZED AT FAIR VALUE				
Financial assets recognized at fair value through profit and loss				
Derivatives classified as held for trading	-	-	0.0	0.0
Financial items included in hedge accounting				
Derivatives (effective and ineffective portion)	0.0	0.0	0.0	0.0
ITEMS RECOGNIZED AT AMORTIZED COST AND AT COST				
Loans and other receivables				
Cash and cash equivalents	7.3	7.3	6.1	6.1
Loan receivables	0.7	0.7	1.2	1.2
Trade receivables	40.7	40.7	21.3	21.3
Available-for-sale financial assets				
Shares and holdings	0.7	0.7	0.8	0.8
Financial liabilities				
MEUR	30.9.2016	30.9.2016	2015	2015
	Carrying value	Fair value	Carrying value	Fair value
ITEMS RECOGNIZED AT FAIR VALUE				
Financial liabilities recognized at fair value through profit and loss				
Derivatives classified as held for trading	-	-	0.6	0.6
Financial items included in hedge accounting				
Derivatives (effective and ineffective portion)	0.2	0.2	0.8	0.8
ITEMS RECOGNIZED AT AMORTIZED COST				
Other financial liabilities				
Loans from financial institutions	150.7	153.4	221.5	224.7
Finance leases	11.3	11.3	13.2	13.2
Pension loans	0.8	0.9	2.0	2.0
Capital notes	7.6	7.6	-	-
Bonds	0.3	0.3	6.3	6.3
Trade payables and advances received	89.8	89.8	84.5	84.5

The fair values of interest-bearing liabilities have been calculated by discounting the future cash flows for the contract with market rates corresponding to the terms of the contract on the closing date or with estimates of a fair rate.

The carrying values of trade receivables and payables, commercial papers and finance leases tied to short-term market rates can be assumed to correspond with sufficient accuracy to their fair values due to the short maturity and interest rate renewal periods. The trade receivables are recorded in the statement of financial position adjusted by any impairment.

31. Capital management

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

The Board of Directors and Corporate Executive Team regularly monitor the capital structure of the Group. The Group monitors in particular the equity ratio, which due to the long-lasting difficult state of the market and write-downs on assets has fallen considerably below the target level of 40%. The equity ratio was 8.4% on interim financial statements period end 30 September 2016 and 4.6% on financial statements period end on 31 December 2015.

The key indicators for capital structure

	30.9.2016	31.12.2015
Net gearing	578.7%	1273.0%
Equity ratio	8.4%	4.6%

32. Financial risk management

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

Refinancing and liquidity risks

The Group aims to safeguard the availability of finance by spreading the maturity dates, sources and instruments in its loan portfolio. A single source of finance may not account for more than an amount specified in the Group Treasury Policy. The most important sources of finance used in the Group at the end of review period are the club loan from Turkish banks, trade receivables financing without recourse, convertible capital loan, other bilateral loan agreements with Turkish banks, lease financing, bonds and pension loans.

During the first, second and third quarter of 2016 Componenta has prepared and carried out a programme of action to safeguard the continuity of its operations and to strengthen its financial position. As part of the arrangement it is aiming to achieve, Componenta Corporation issued a EUR 40 million convertible capital loan and discharged the company's secured bank loans and secured bond to a total of EUR 72 million on 16 May 2016.

Negotiations with Turkish financial institutions and other local investment institutions have continued during the first, second and third quarters of 2016. The goal of these negotiations is to safeguard the extra financing required by the Turkish subsidiary and to extend the maturity of financing. Componenta Dökümcülük A.Ş. signed a new four year credit facility agreement worth EUR 15 million on 28 July 2016. The new loan is a separate part of the EUR 120 million club loan agreement, which was signed in 2014 and amended in 2015.

Despite the above mentioned financial arrangements and divestments of non-core businesses Componenta's liquidity situation became critical in August due to weak turnover and profitability developing more negatively than estimated. The company was unable to negotiate the financing required to rectify the situation. It therefore became impossible to continue operations without corporate restructuring, as the company could not keep its factories operational because of lack of materials. The company's external financing situation was made more challenging by the heightening of political unrest in Turkey, which made it particularly difficult for the company to obtain further financing in Turkey.

If all of these financial arrangements and corporate restructuring processes are not successfully completed, the company cannot secure the continuity of its operations. The Group has EUR 156.6 million in long- and short-term loans that mature during the coming 12 months. Componenta Corporation filed for restructuring with the district court of Helsinki on 1 September 2016. This constituted an event of default as set out in the Club Loan Agreement of Componenta Corporation's Turkish subsidiary. Due to the event of default, creditors may request immediate repayment of the club loan. As a result of the foregoing, several installments, nominal amount in aggregate of EUR 85.6 million, agreed to be repaid after the coming 12 months, have been classified as current debt in the balance sheet of the group.

In the short term Componenta has agreed financing with key customers in Finland and in Sweden to cover working capital needs. In order to ensure successful restructuring proceeding, fixed costs reductions will be continued further.

The maturing dates for long-term loans are presented in the notes to the consolidated balance sheet, Note 28. The Treasury policy states that the Group's liquidity should cover its near-term commitments. The minimum liquidity is defined in the Group Treasury policy. At the end of the reporting period 30 September 2016, Componenta's cash and cash equivalents totalled EUR 7.3(6.1) million.

Installments (nominal values) and interest payments on financial liabilities 30 september 2016

MEUR	2016	2017	2018	2019	2020	2021+
Loans from financial institutions	-33.0	-119.8	-	-	-	-
Finance leases	-0.7	-4.8	-3.2	-2.1	-0.4	-
Pension loans	-0.1	-0.4	-0.3	-	-	-
Capital notes	-	-	-	-	-	-
Convertible Capital loan	-	-	-	-	-7.6	-
Bonds	-	-	-	-0.3	-	-
Trade payables and other debt	-82.2	-	-	-	-	-
Interest expenses on loans	-5.2	-7.9	-5.9	-4.3	-3.2	-0.5
Interest rate swaps, net	-	-	-	-	-	-
Other Loans	-0.3	-0.2	-	-	-	-
	-121.7	-133.2	-9.3	-6.7	-11.1	-0.5

The figures have not been discounted to correspond to their present values. The figures are valid only on the closing date and the amount of interest on floating rate contracts may vary from actual cash flows. The repayment table for financial liabilities is not meant to portray the Group's expected total cash flow.

There is a significant possibility of variation in future cash flows for currency derivatives concerning the exchange rate difference and for this reason they are not included in the repayment table. Electricity forwards are essentially connected to physical electricity supplies and therefore are treated as part of future electricity purchases. This being the case they are not reported in the Group's cash flow table for financial liabilities. The expected cash flows for currency derivatives, electricity forwards and interest rate options at the closing date correspond to their fair values (Note 33).

For finance leases, repayments of the finance lease liability and interest expenses are used as a sufficient approximation of actual rents paid. Only changes in interest rates cause a small difference in the actual cash flow. The interest to be paid has been calculated with prevailing nominal interest rates. The actual interest payments on variable interest contracts will, therefore, probably differ slightly from the figures presented in the table.

Installments (nominal values) and interest payments on financial liabilities 2016

MEUR	2016	2017	2018	2019	2020	2021+
Loans from financial institutions *)	-143.8	-24.9	-14.0	-13.5	-13.5	-15.0
Finance leases	-5.9	-3.5	-2.4	-1.4	-0.1	-
Pension loans	-0.9	-0.5	-0.5	-	-	-
Capital notes	-	-	-	-	-	-
Bonds	-6.3	-	-	-	-	-
Trade payables and other debt	-84.5	-	-	-	-	-
Interest expenses on loans	-11.2	-7.7	-4.7	-3.9	-2.8	-0.6
Interest rate swaps, net	-	-	-	-	-	-
	-252.7	-36.7	-21.6	-16.7	-16.4	-15.6

*) The long term part EUR 55.7 million in 2017 according to the syndicated loan agreement and EUR 6.3 million in 2019 according to the bond agreements have been classified as short term loans for the year 2016 due to the IFRS requirement. This is because the relieve of the covenant breach was not given at least for twelve months ahead from the end of the reporting period.

Foreign exchange risk

The Group's foreign exchange risk is divided into transaction risk, which arises from income and expenses denominated in foreign currencies, and translation risk, which arises from equity investments and related profit or loss denominated in foreign currencies. The transaction position is calculated from the foreign currency denominated trade receivables and trade payables in the balance sheet. These form the part of the transaction position in which changes affect 'Operating profit'. The other part of transaction exposure includes items where the impact of changes in exchange rates are recorded in the income statement in 'Financial income and expenses' such as foreign currency cash in hand and at bank and the Group's internal and external foreign currency loans and loan receivables. The hedging level for both parts of the transaction position is set at 80 - 110%. If the total exposure for a specific currency is less than EUR 3 million, however, the hedging decision is taken on a case by case basis. Due to the company's weak financial performance, at the moment the company cannot obtain necessary credit facilities for signing hedging derivatives.

The Board of Directors decided to change the currency transaction risk policy related to Turkish subsidiary in 2014. According to the new policy the hedging levels of Turkish subsidiary may stand at anywhere between 0% and 100% in respect of currency transaction risk at the discretion of the Group's President and CEO. According to the previous policy Turkish subsidiary's hedging level for both transaction positions were set at 80-110%. However, these hedging levels might have been standing at 70-130% at the discretion of the Group's President & CEO. Since the functional currency of Turkish subsidiary was changed from Turkish lira to euro as of 1 March 2012, Turkish lira denominated balance sheet items create currency risk exposure to Componenta Turkey. Therefore, Turkish lira denominated balance sheet items affecting either 'Operating profit' or 'Financial income and expenses' are included for both transaction exposures. Foreign exchange risk hedges are not in hedge accounting.

The translation position is determined from the shareholders' equity and retained earnings of those foreign subsidiary and associated companies of the Group whose business currency is not the euro. The translation risk to the Group's equity is related to the British, Swedish and Russian subsidiaries as their equity denominated in local currency is converted to euros. As stated in the Group Treasury Policy, the translation position is hedged 0 - 100% at the discretion of the Group's President & CEO.

To hedge against changes in exchange rates, the Group uses foreign currency loans and deposits and other natural hedging relationships, as well as common derivative instruments such as foreign currency forward contracts and options, for which pricing on the market is reliable. Foreign currency derivatives mature in less than one year.

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

The table below shows the sensitivity for price changes of the Group's open currency exposures, including the currency derivatives used for hedging (note 33) in both transaction and translation position. Impact of change in currency rate +/- shows in the first case the effect on the income statement or the shareholder's equity as currency depreciates 10% against euro and in the second case as currency appreciates 10% against euro.

30.9.2016	Closing rate 30.9.2016	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/USD	1.1181	-2.9	-	10	0.3 / -0.3	
EUR/GBP	0.88103	-5.2	1.5	10	0.5 / -0.6	-0.1 / 0.2
EUR/TRY	3.3808	-48.0	-	10	4.4 / -5.3	
EUR/SEK	9.821	40.8	-22.6	10	-3.7 / 4.5	2.1 / -2.5
EUR/RUB	70.514	-	0.0	10	- / -	0.0 / -0.0

31.12.2015	Closing rate 31.12.2015	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/USD	1.0887	-4.1	-	10	0.4 / -0.5	
EUR/GBP	0.73395	3.8	1.9	10	-0.3 / 0.4	-0.2 / 0.2
EUR/TRY	3.1775	-26.0	-	10	2.4 / -2.9	
EUR/SEK	9.1895	29.9	-5.1	10	-2.7 / 3.3	0.5 / -0.6
EUR/RUB	80.6736	0.2	-0.0	10	-0.0 / 0.0	0.0 / -0.0

The Group does not apply cash flow or fair value hedge accounting as stated in IAS 39 for the transaction position.

Interest rate risk

The interest rate risk to which fair values and the cash flow are exposed arises mainly from the Group's loan portfolio, sold trade receivables and finance leases. Because of the cyclical nature of the Group's customer markets, the Treasury policy states that the average period for renewing the interest rates of the Group's net liabilities should be at least six months but no more than two years. The average interest fixing period for net liabilities is 11 months (8 months). The interest rate risk is managed by spreading the loan portfolio between fixed and floating interest rate loans and investments. The interest rate risk is spread among several interest rate renewal periods and fluctuations in interest rates affect the Group's financial position in stages. The interest rate risk is managed also by using interest rate derivatives. Interest rate derivatives have been used to increase the number of fixed interest-bearing liabilities, so as to extend the average interest rate renewal period.

Interest rate derivatives that hedge the Group's result are divided into derivatives included in cash flow hedge accounting as defined in IAS 39, and assets and liabilities held for trading. Therefore interest rate fluctuations do not affect the carrying values of interest-bearing items but only interest expenses and income recognized in the income statement. Changes in the fair values of interest rate derivatives classified as held for trading affect financial income and expenses in income statement whereas changes in the fair values of interest rate swaps included in cash flow hedge accounting affect the Group's shareholders' equity. The Group does not have any interest rate swaps in cash flow hedge accounting on the reporting date.

INCOME STATEMENT - FINANCIAL EXPENSES

MEUR	30.9.2016 for 2016 - 2017		31.12.2015 for 2016	
	Forecast change in financial expenses	Sensitivity interest rate curve +100bp	Forecast change in financial expenses	Sensitivity interest rate curve +100bp
Interest-bearing financial liabilities	-0.1	-0.4	-0.2	-1.0
Interest rate swaps, interest expenses and income net	-	-	-	-
Interest rate swaps, change in fair value	-	-	-	-

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

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

Commodity risk

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

Credit risk

Each Group company is primarily responsible for the credit risk of its own trade receivables. Group Credit Controlling sets guidelines, monitors credit risk management, and evaluates the creditworthiness of customers and their ability to fulfill their payment obligations.

Many customers are financially sound and solid companies, but in individual cases reports on payment behaviour and capital adequacy from credit rating companies are used to assist in credit decisions. The Group reduces its credit risk exposure by selling its trade receivables to financing companies without recourse. The share of sold trade receivables at the end of 30 September 2016 was 45% (80%) of all trade receivables.

The increase in overdue trade receivables can be explained mainly by the changes in the payment terms in Finland and Sweden to cover Group's working capital needs after the restructuring notice. The customers have not updated all payment terms changes to their systems by the end of September which explains the high level in overdue trade receivables at 30 September 2016. In addition, the monitoring and the collection of overdue trade receivables has been challenging due to corporate restructuring duties and due to personnel reductions related cost savings.

Credit losses / depreciations related receivables from the Dutch sub-group recorded by the Group's continuing businesses totalled EUR -31.2 million. Credit losses during January-September 2016 totalled EUR 0.0 (-0.5) million. The Group's credit loss risk was EUR 42.7 (24.8) million.

In accordance with the treasury policy approved by the Board of Directors, surplus cash reserves are invested only with institutions that are considered to carry low credit risk. The maximum period of the investment is limited to one week and maximum amounts are defined for each counterparty.

Outstanding trade receivables fall due as follows

MEUR	30.9.2016	31.12.2015
Not due	24.6	14.5
Overdue		
less than 1 month	9.5	2.1
1 - 3 months	3.8	1.9
3 - 6 months	1.9	1.4
more than 6 months	0.9	1.3
	40.7	21.3

33. Derivative Instruments

Nominal values of derivative instruments

MEUR	30.9.2016	2015
	Nominal value	Nominal value
Foreign exchange rate derivatives *)		
Foreign exchange rate forwards	-	7,5
Foreign exchange rate swaps	-	9,8
Interest rate derivatives		
Interest rate swaps		
Maturity in less than a year	-	-
Maturity after one year but less than five years	-	-
Commodity derivatives		
Electricity price forwards		
Maturity in less than a year	0,3	1,3
Maturity after one year but less than five years	1,0	1,7

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

Fair values of derivative instruments

MEUR	30.9.2016	30.9.2016	30.9.2016	2015
	Fair value, positive	Fair value, negative	Fair value, net	Fair value, net
Foreign exchange rate derivatives				
Foreign exchange rate forwards	-	-	-	-0,2
Foreign exchange rate swaps	-	-	-	-0,4
Interest rate derivatives				
Interest rate swaps	-	-	-	-
Commodity derivatives				
Electricity price forwards	0,0	-0,2	-0,2	-0,6

The fair value of derivative instruments corresponds to the gain or loss that would be recognized in the income statement if the contract were closed on the balance sheet date. The fair value of interest rate options, foreign exchange and electricity price forwards is calculated using the prevailing market prices, interest rate swaps are valued using discounted cash flow analysis using the yield curve prevailing on the reporting date.

The realized and unrealized exchange rate differences for currency derivatives hedging against changes in exchange rates for foreign currency trade receivables and trade payables in the balance sheet are recognized in 'Other operating income'. Exchange rate differences for foreign currency derivatives hedging against foreign currency loans and the accumulated interest difference and interest difference valuations are recognized in 'Financial income and expenses'. The fair values of interest rate derivatives that are not included in cash flow hedge accounting as defined in IAS 39 are recognized in 'Financial income and expenses'. Unrealized valuation gains and losses of derivatives are recognized in current and non-current receivables and liabilities. Unrealized fair valuation losses of EUR 0,2 (0,3) million were recorded under other non-current non-interest bearing liabilities.

Sensitivity analysis of electricity price forwards

Changes in the market prices of electricity price forwards would have the following impact on the fair values:

MEUR	Change in market price of electricity price forwards	
	30.9.2016 15% / -15%	2015 15% / -15%
Change in fair value of electricity price forwards	0,3 / -0,3	0,3 / -0,3

The sensitivity of the open foreign currency and interest rate exposures to changes in market prices is presented in Note 32.

Derivative instruments included in cash flow hedge accounting

MEUR	30.9.2016	30.9.2016	2015	2015
	Nominal value	Fair value, effective portion of hedge	Nominal value	Fair value, effective portion of hedge
Commodity derivatives				
Electricity price forwards	2,3	-0,2	3,1	-0,5

The fair values of commodity derivatives designated as cash flow hedges against changes in market prices have been recognized in the hedging reserve of equity and will be recognized through profit and loss when the hedged item affects profit and loss or its occurrence is no longer likely. Income statement effects arising from electricity forwards are recognized in purchases included in 'Operating Profit'.

No exchange rate differences have been capitalized for the acquisition cost of subsidiaries during the current or previous year.

Derivative instruments included in hedge accounting on net investments in foreign entities

No foreign exchange derivatives have been designated in the fiscal year or in the previous year as specifically hedges of translation items for foreign currency denominated shareholders' equity. Hedge accounting on net investments in foreign entities does therefore not include derivatives.

Derivative instruments held for trading

MEUR	30.9.2016	30.9.2016	2015	2015
	Nominal value	Fair value	Nominal value	Fair value
Foreign exchange rate derivatives				
Foreign exchange rate forwards	-	-	7,5	-0,2
Foreign exchange rate swaps	-	-	9,8	-0,4
Interest rate derivatives				
Interest rate swaps	-	-	-	-

Derivative instruments classified as held for trading are part of the Group's risk management but the hedge accounting principles of IAS 39 are not applied. The Group has no embedded derivatives at the balance sheet date.

34. Other leases

Group as lessee**Minimum lease payment schedule for other non-cancellable leases**

MEUR	30.9.2016	2015
Not later than one year	0,7	0,9
Later than one year but not later than five years	2,1	2,6
Later than five years	0,7	0,6
Minimum lease payments total	3,5	4,1

Other non-cancellable leases mainly comprise real estate, production equipment and car leases. The leases mature on average in 3-5 years. Some of the leases contain call options at a strike price that can be expected to correspond to the fair value at the expiry date.

Group as lessor

The minimum lease receivable schedule for other non-cancellable leases

MEUR	30.9.2016	2015
Not later than one year	0.2	0.2
Later than one year but not later than five years	0.7	0.7
Minimum lease payments total	0.9	0.8

Some of the production and office space that is currently not needed by the Group is leased to external parties. The rental agreements are from one to three years in length and normally contain an option to extend the lease period after the lease expires. Some of the property is classified, in accordance with IFRS, as investment property.

35. Contingent liabilities

MEUR	30.9.2016	2015
Real-estate mortgages		
For own debts	7.8	8.1
Business mortgages		
For own debts	53.3	114.5
Pledges		
For own debts	335.1	458.2
Other commitments	0.6	1.2

On 30 September 2016 Componenta had contingent financial leasing liabilities, from not yet started contracts, amounting to EUR 2.4 (3.7) million. Financial leasing liability and the investment capitalization is recorded in the statement of financial position when the financial leasing contract begins and when the financial leasing underlying machinery etc. object is received.

Some group companies are involved in few lawsuits and disputes relating to their business. Management believes that the outcome of such lawsuits and disputes will not have a material adverse effect on the Group's result or financial position when taking into consideration the grounds presented for the lawsuits and disputes, insurance coverage in force and the extent of Group's business.

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

Secured liabilities

MEUR	30.9.2016	2015
Liabilities secured with real estate or business mortgages		
Loans from financial institutions	0.0	0.0
Pension loans	0.8	2.0
Customer loans	2.3	-
	3.2	2.0
Liabilities secured with pledges and business mortgages		
Loans from financial institutions	128.1	178.3
Pension loans	-	-
	128.1	178.3

36. Related party disclosures

Group companies (control) 30.9.2016

Company	Domicile	Group share of holding, %	Parent company share of holding,
Arvika Smide AB	Arvika, Sweden	100.0	-
Componenta Dökümcülük Ticaret ve Sanayi A.S.	Othangazi, Turkey	93.8	93.8
Componenta Finland Oy	Karkkila, Finland	100.0	100.0
Componenta Främestad AB	Essunga, Sweden	100.0	-
Componenta Russia, LLC	Moscow, Russia	100.0	1.0
Componenta UK Ltd	Staffordshire, United Kingdom	93.8	-
Componenta Vinsbo AB	Surahammar, Sweden	100.0	-
Karkkila Koskikiinteistö Oy	Karkkila, Finland	81.0	66.9
Karkkila Lääkärikeskus Oy	Karkkila, Finland	100.0	100.0
Karkkila Vainmökkiintie Oy	Karkkila, Finland	100.0	-
Kiinteistö Oy Ala-Emäl	Karkkila, Finland	98.2	98.2
Kiinteistö Oy Pietarsaaren Tehtaankatu 13	Pietarsaari, Finland	100.0	-
Kiinteistö Oy Ylä-Emäl	Karkkila, Finland	100.0	100.0
Pietarsaaren Vanha Vallimo Oy	Pietarsaari, Finland	100.0	-
Uudenmaan Rakennustilimi Oy	Karkkila, Finland	100.0	100.0
Vanhan Ruukin Kiinteistöpalvelu Oy	Karkkila, Finland	100.0	100.0

Transactions with related parties

MEUR	1-9.2016	2015
Sale of goods and services to associated companies	0.1	-
Purchase of goods and services from associated companies	-0.1	-0.1

The prices of transactions with related parties are based on the Group's general price lists in force during the financial year.

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

1.1-30.9.2016, EUR	Salaries, fees & fringe benefits	Voluntary pension benefits	Total
Board of Directors	188,750	0	188,750
President and CEO Harri Suutari	349,600	35,700	385,300
Deputy CEO	34,073	992	35,065
Other members of CET	1,084,028	34,238	1,098,265
Total	1,616,452	70,928	1,687,380

2015, EUR	Salaries, fees & fringe benefits	Voluntary pension benefits *)	Total
Board of Directors	245,000	0	245,000
President and CEO Heikki Lehtonen (until 18 Nov 2015)	259,434	15,510	274,944
President and CEO Harri Suutari (as of 18 Nov 2015)	57,905	0	57,905
Deputy CEO	221,379	25,627	247,006
Other members of CET	1,089,385	28,875	1,118,260
Total	1,873,113	66,613	1,939,726

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

	1.9.2016	2015
Remuneration and fees, 1,000 EUR		
President and CEO Harri Suutari	366	58**)
President and CEO Heikki Lehtonen	-	273**)
Deputy CEO	35	247
Members of Board of Directors*)		
Harri Suutari	-	40
Matti Ruotsala	45	40
Riitta Palomäki	28	35
Tommi Salunen	28	35
Olavi Huhtala	28	35
Olli Isotalo	23	30
Perttu Louhivuoto	23	30
Total, Board of Directors	169	245

*) The remuneration of the Board of Directors from period 1-9.2016 have calculated as nine months share out from the agreed annual remuneration

***) Changed

The remuneration shown above for the President and person acting as deputy for the President include additional pension agreements in 2016 (2015) of EUR 35,700 (13,510) and 992 (25,627) a year. The retirement age of the President and CEO is 63 years. The retirement age for the deputy to the president and CEO is set in accordance with local legislation and at present is 65 years. The president and CEO is paid a supplementary pension each year, which is 8% of the basic annual earnings, but the payments executed by the company have been fallen behind from the targeted due to financial challenges of the Group. This supplementary pension agreement includes old age pension after reaching the age of retirement, paid up pension policy rights if the employment of the insured is terminated before reaching the age entitling to old age pension as stated in the insurance policy, disability insurance, and life insurance for the duration of employment, of the paid up pension policy and of pension. In addition the president and CEO has a separate pension capitalisation agreement, under which the pension begins at the age of 63 years and ends at the age of 68 years or when the savings in the capitalisation agreement have been used up. The payments executed by the company for the supplementary pension and for the pension capitalisation agreement with Harri Suutari were EUR 35,700 in 2016 and with Heikki Lehtonen EUR 13,510 in 2015. The actual pension is calculated annually by dividing the remaining amount of the savings by the remaining number of months for the pension. The annual payments by the company for the supplementary pension of the deputy to the president and CEO correspond to his gross total salary for one month. The company has had no deputy for president after 3 March 2016 onwards.

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

Other related party disclosures

Componenta Corporation's President and CEO Harri Suutari and CFO Markku Honkasalo subscribed to the EUR 40 million convertible capital loan issued on 16 May 2016. Suutari subscribed loan shares to the value of EUR 474,000 and Honkasalo EUR 60,000.

37. Events after end of period

Componenta has on 5 October 2016 announced that from the issued convertible capital loan 3,444 shares of the loan have been used for the subscription of 6,888,000 new shares in Componenta Corporation. The new shares have been entered into the Trade Register on 5 October 2016. Following the registration of the new shares, the total number of the Company's shares is 154,025,224. The new shares started trading in the Nasdaq Helsinki Ltd main list as from 6 October 2016. The new shares provide the right to dividends and other shareholder rights as from the registration date.

Componenta has on 7 October 2016 announced its plan to sell its shareholding in Componenta Dökümcülük Ticaret ve Sanayi A.Ş. (Turkish subsidiary). Componenta targets to achieve a solution by which the Componenta group companies outside Turkey would be released from their debts from Componenta Dökümcülük Ticaret ve Sanayi A.Ş. and its subsidiary and the Turkish subsidiary's operational situation would improve. Should the arrangement come true in accordance with the company's targets is not expected to have an impact on Componenta Corporation's cash flow or on the operations of remaining subsidiaries.

Componenta has on 13 October announced its plan to sell its forge operations located in Sweden i.e. Componenta Wirsbo AB and Componenta Arvika AB. Componenta has on 20 October 2016 announced that Marko Karppinen has been appointed CFO of Componenta as from 20 October 2016. Componenta has on 26 October 2016 announced that an extraordinary general meeting regarding the loss of own equity will be held on 7 December 2016.

COMPONENTA OYJ

INCOME STATEMENT		1.1.2016- 30.09.2016	1.1.2015- 31.12.2015
		EUR	EUR
	Note		
NET SALES	1)	15,796,098.41	28,690,127.44
Other operating income	2)	379,971.04	733,021.01
Operating Income	3)	-27,336,643.39	-25,691,905.28
Depreciations	4)	-2,588,349.15	-11,677,388.44
OPERATING PROFIT		-13,748,923.09	-7,946,145.27
Financial income and expenses	5)	-116,711,167.93	-138,102,519.37
PROFIT AFTER FINANCIAL ITEMS		-130,460,091.02	-146,048,664.64
Extraordinary items	6)	0.00	384,000.00
PROFIT AFTER EXTRAORDINARY ITEMS		-130,460,091.02	-145,664,664.64
Income taxes	7)	0.00	-298,159.87
PROFIT/LOSS FOR THE FINANCIAL PERIOD		<u>-130,460,091.02</u>	<u>-145,962,824.51</u>

COMPONENTA OYJ

BALANCE SHEET		30.09.2016	31.12.2015
Assets		EUR	EUR
	Note		
NON-CURRENT ASSETS			
Intangible assets	8)	630,936.69	6,773,319.46
Tangible assets	9)	230,069.44	2,046,907.18
Investments	10)	101,754,467.04	220,392,893.60
		<u>102,615,473.17</u>	<u>229,213,120.24</u>
CURRENT ASSETS			
Inventories	11)	0.00	944,711.96
Non-current receivables	12)	15,845,664.53	38,899,639.94
Current receivables	12)	7,231,957.71	18,411,127.20
Cash and bank accounts		353,774.87	537,902.68
		<u>23,431,397.11</u>	<u>58,793,381.78</u>
TOTAL ASSETS		<u>126,046,870.28</u>	<u>288,006,502.02</u>
Liabilities and Shareholders' Equity			
SHAREHOLDERS' EQUITY			
	13)		
Share capital		21,891,396.00	21,891,396.00
Share premium reserve		15,114,467.70	15,114,467.70
Unrestricted equity reserve		186,420,971.36	158,042,971.36
Reserve fund		4,980.00	4,980.00
Retained earnings		-99,922,508.44	46,040,316.07
Profit/Loss for the financial period		-130,460,091.02	-145,962,824.51
		<u>-6,950,784.40</u>	<u>95,131,306.62</u>
Total shareholders' equity		-6,950,784.40	95,131,306.62
LIABILITIES			
	14)		
Non-current liabilities		84,960,918.93	78,610,041.51
Current liabilities		48,036,735.75	114,265,153.88
Total liabilities		<u>132,997,654.68</u>	<u>192,875,195.39</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>126,046,870.28</u>	<u>288,006,502.02</u>

PARENT COMPANY CASH FLOW STATEMENT 1.1.-30.9.2016

1 000 e	2016	2015
CASH FLOW FROM OPERATIONS		
Profit / loss after financial items	-130,460	-146,049
Depreciations according to plan	1,035	2,540
Write-downs of non-current assets	1,553	9,138
Other income and expenses, non-cash items	9,885	-127
Selling profit of non-current assets	1,882	-32
Financial income and expenses	116,711	138,103
Cash flow before changes in working capital	606	3,573
Changes in working capital		
Current non-interest bearing receivables increase (-)/ decrease (+)	-2,302	-6,023
Inventories, increase (-)/decrease (+)	945	246
Current non-interest bearing liabilities increase (-)/ decrease (+)	-6,471	1,640
Cash flow from operating activities before financial items and taxes	-7,222	-564
Interest and payments paid from other financial expenses of operating activities	-6,424	-17,409
Dividends received from operations	-	2,893
Interest received from operations	2,311	11,720
Paid income taxes	0	-298
Cash flow before extraordinary items	-11,335	-3,658
Cash flow from operations extraordinary items	-	818
CASH FLOW FROM OPERATING ACTIVITIES (A)	-11,335	-2,840
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure in tangible and intangible assets	-148	-382
Proceeds from current and non-current assets	5,371	36
Investments in shares of subsidiary companies	-	-74
Other investments	-	-
Loans receivables, decrease (+) / increase (-)	-10,710	-1,643
Proceeds from shares of associated companies	-	0
Proceeds from sale of investments	80	121
CASH FLOW FROM INVESTING ACTIVITIES (B)	-5,407	-1,942
CASH FLOW FROM FINANCING ACTIVITIES		
Share issue	-	-
Repayment of capital note	-	-
Pääomallainan nostot	-	-
Draw-downs (+) and repayments (-) of current loans	-3,086	-953
Draw-downs (+) and repayments (-) of non-current loans	19,644	5,286
CASH FLOW FROM FINANCING ACTIVITIES (C)	16,558	4,333
CHANGE IN LIQUID ASSETS (A + B + C) increase (+)/ decrease (-)	-184	-449
Cash and bank accounts at the beginning of the period	538	987
Cash and bank accounts at period end	354	538
Change during the period	-184	-449

Componenta Corporation

Accounting principles for the interim financial statements

The interim financial statements for Componenta Corporation have been prepared in accordance with current laws and regulations in Finland. Finnish legislation is based on the provisions of the 4th and 7th directives of the European Union. The itemized income statement and balance sheet format have been applied in presenting the interim financial statements.

Foreign currency transactions

Business transactions in foreign currencies are recognized at the exchange rate on the date of the transaction. Forward contracts made to hedge foreign exchange risks are recognized in profit or loss at the same time as the commitment being hedged. Receivables and liabilities in foreign currency are translated into euros at the European Central Bank's average exchange rate on the balance sheet date. Exchange differences arising from translation are recognized in profit or loss under adjustments to sales or purchases or under financial items, depending on their nature.

Derivatives

The fair value of forward rate agreements is the profit or loss calculated at market prices on the closing date that would result from terminating the agreements. The fair value of interest rate options is estimated using commonly used option pricing models. The fair value of interest rate swaps is calculated by estimating and discounting future cash flows at market interest rates on the closing date. Forward foreign exchange contracts and foreign exchange swaps are valued at quoted forward exchange rates on the closing date and are divided into the fair value of the exchange rate difference and the fair value of the interest rate difference.

Negative fair values for exchange rate differences for foreign exchange derivatives are recognized on the closing date in the income statement. Positive fair values for foreign exchange derivatives made for hedging purposes are only recognized in the income statement if the hedging has also proved to be effective when examined after the event.

The positive fair values of other foreign exchange derivatives are not recognized in the income statement but are presented in the notes to the balance sheet. The fair values of foreign exchange derivatives presented in the notes also include the fair values of interest rate differences.

Inventories

Indirect acquisition and manufacturing costs have been added to the acquisition cost of inventories. The lowest cost principle has been applied in valuing inventories, so stock has been valued at acquisition cost, repurchase cost or probable sales price, whichever gives the lowest value for stock. Inventory usage is recorded on the FIFO principle. The company does not have any inventories at the end of the interim financial statement period, since the Pistons operations were sold on 17 August 2016.

Non-current assets and depreciation

Non-current assets are recorded in the balance sheet at their historical cost less planned depreciation. In addition, buildings contain revaluations on which depreciation is not made. Planned depreciation, except for production machinery and equipment, is calculated on a straight-line basis on the historical cost, based on the estimated useful economic life. As from 1 January 2009, the Group has applied the units-of-production method of depreciation for production machinery and equipment, in which the amount of depreciation is based on the actual output of production machinery and equipment. The units-of-production method gives a more precise picture of the actual economic wear on production machinery and equipment than straight-line depreciation, especially when capacity usage changes quickly.

Planned depreciation is calculated on a straight-line basis on the historical cost based on the probable useful life.

Intangible rights	3 - 10 years
Other long-term expenditure	3 - 10 years
Computing equipment	3 - 10 years

Other machinery and equipment	10 - 25 years
Other tangible assets	5 - 10 years

Leasing

Leasing payments are treated as rental expenses. Liabilities falling due for payment in the future are presented under contingent liabilities in the notes to the balance sheet.

Pensions

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

Income taxes

Taxes include taxes for the fiscal year calculated on the actual figures as well as taxes due for payment or refund from previous fiscal years that differ from the calculated taxes. However, taxes on one-time items are included in one-time items. Deferred tax assets have not been recorded for losses.

Going concern assumption

These interim financial statements have been prepared on the going concern basis. During the first six months of 2016 the company implemented financial solutions described in more detail in the January – September interim report, and continued negotiations with financial and other investment institutions during the third quarter. The Group also sold non-core business operations during the second and third quarters. Despite these measures the company's liquidity has remained tight, and as a result of this weak liquidity the company is no longer able to meet all its financial obligations as they fall due. In consequence of this, on 1 September 2016 the company filed an application to begin corporate restructuring proceedings.

In their assessment of the going concern principle, the company's Board of Directors and management have stated that the situation as described above is temporary, and that it is possible to overcome the difficulties in making payments with a restructuring programme. Restructuring proceedings in Finland and Sweden make it possible to restore and develop business operations in the future, but considerable uncertainty still surrounds their ability to continue as a going concern. The loss-making Netherlands subsidiary is filing for bankruptcy and the Finnish and Swedish subsidiaries are filing for restructuring proceedings. Componenta Corporation provides administrative services to the Finnish and Swedish companies, for which corporate restructuring creates an opportunity to put the capital structure and business operations back on a healthy footing and through the restructuring proceedings makes it possible for profitable operations to continue. The company is also planning measures to achieve cost savings that will improve the company's profitability.

The company recorded a significant loss in the 2015 financial year and in the January – September 2016 period, which was mainly due to write-downs on the value of subsidiary shares and of receivables from subsidiaries. On 30 September 2016 had cash funds and equivalents of EUR 0.4 million and other current assets of EUR 23.1 million. Current liabilities totalled EUR 48.0 million and long-term liabilities EUR 85.0 million. Most of the company's liabilities are internal debt within the Group that is included in the restructuring proceedings and falls due for payment according to the original payment schedule.

For the company's liquidity to improve, it is necessary for both the restructuring programme for the company and the subsidiaries and the company's measures to achieve cost savings to succeed. In the view of the company, there are significant uncertainties relating to the success of these measures, and company management has taken these into account in its assessment of the business as a going concern.

Valuation principles for investments in subsidiaries and receivables from subsidiaries

The company has filed for bankruptcy for its Netherlands subsidiary Componenta B.V. and for corporate restructuring for the Finnish subsidiary Componenta Finland Oy and the Swedish subsidiaries it owns, namely Componenta Främmestad AB, Componenta Wirsbo AB and Arvika Smide AB, in accordance with local restructuring proceedings. Considerable uncertainty relates to the cash generating ability of these

subsidiaries and to their ability to pay their debts and, in accordance with the prudence concept, a reduction in value as prescribed in article 13 of chapter 5 of the Finnish Accounting Act has been applied to investments in these companies and to receivables from them. The balance sheet value of the investments on 30 September 2016 is 0 and receivables are valued at the estimated recoverable amount.

The shares of the company's Turkish subsidiary Componenta Documculuk Ticaret ve Sanayi A.S. have been recognized at a value corresponding to the value of the shares owned by Componenta Corporation as quoted on the Istanbul stock exchange, which in the opinion of the company is the most accurate estimate of the revenue to be generated by this investment in the future. In an agreement drawn up on 16 August 2016 the company has pledged the shares of Componenta Documculuk Ticaret ve Sanayi A.S. as collateral for the external financial loans of this subsidiary. Componenta Corporation's application for corporate restructuring on 1 September has given the Turkish club loan banks the right both to exercise the voting rights in the company's general meeting held by the shares of Componenta Documculuk that are owned by the Componenta Corporation and were given as collateral to the club loan banks in August 2016 and to begin the process of realising these shares. There is uncertainty relating to the ability of the Turkish subsidiary to generate revenue for the parent company arising from the share collateral and the terms of the subsidiary's loan agreements.

Restructuring proceedings and the debts of Componenta Corporation

The final outcome of the restructuring proceedings is uncertain, therefore, in accordance with the prudence principle, the value of Componenta Corporation's debts has not been reduced in the interim financial statements of 30 September 2016 and they are presented as such at their nominal value.

COMPONENTA OYJ

	30.09.2016	2015
NOTES TO THE INCOME STATEMENT	EUR	EUR
1. NET SALES BY MARKET AREA		
Finland	4,990,098.19	10,345,649.49
Other Nordic countries	1,458,843.00	1,871,920.89
Central Europe	2,700,803.14	6,013,174.86
Other countries	6,646,354.08	10,459,382.20
Net sales total	<u>15,796,098.41</u>	<u>28,690,127.44</u>
2. OTHER OPERATING INCOME		
Rental income	300,332.99	635,540.00
Sales gains of fixed assets	48,932.83	32,201.01
Other operating income	30,705.22	65,280.00
Other operating income total	<u>379,971.04</u>	<u>733,021.01</u>
3. OPERATING EXPENSES		
Change in inventory of finished goods and work in progress	-104,840.98	-219,774.33
Materials, supplies and products		
Purchase of goods during the period	-716,556.63	-2,043,550.87
Change in inventory	-86,964.86	-26,180.89
Total	<u>-803,521.49</u>	<u>-2,069,731.76</u>
External services	-47,703.96	-122,341.87
Personnel expenses (*)	-5,840,162.27	-8,325,342.04
Other operating expenses		
Rents	-1,096,204.73	-1,565,981.29
Other operating expenses (**)	-19,444,209.96	-13,388,733.99
Total	<u>-20,540,414.69</u>	<u>-14,954,715.28</u>
<i>(** 1-9/2016 other operating expenses includes significant write downs of group receivables)</i>		
Total operating expenses	-27,336,643.39	-25,691,905.28
Total fees paid to auditors		
Audit fees	-129,533.45	-136,620.41
Other fees	-33,609.42	-23,431.82
	<u>-163,142.87</u>	<u>-160,052.23</u>
Personnel expenses and number of personnel (*)		
Salaries and fees	-4,678,613.60	-6,650,827.16
Pension costs	-943,085.77	-1,331,944.93
Other personnel costs	-218,462.90	-342,569.95
Total	<u>-5,840,162.27</u>	<u>-8,325,342.04</u>
Salaries and other remuneration of the Corporate Executive Team		
Team	-1,413,628.82	-991,618.55
Fringe benefits of the Corporate Executive Team	-13,841.21	-23,172.71
Average number of personnel	103	132
4. DEPRECIATIONS AND WRITE DOWNS		
Intangible assets		
Development expenditure	-8,046.01	-4,429.19
Intangible rights	-5,027.05	-7,571.61
Goodwill	-469,352.85	-1,846,279.27
Other long-term expenditure	-356,620.03	-528,231.99
Tangible assets		
Machinery and equipment	-196,037.96	-152,876.38
Write-downs on non-current assets	<u>-1,553,265.24</u>	<u>-9,138,000.00</u>
Total depreciation and write-downs	<u>-2,588,349.14</u>	<u>-11,677,388.44</u>

COMPONENTA OYJ

	30.09.2016	2015
5. FINANCIAL INCOME AND EXPENSES		
Interest and other finance income		
Group companies	1,781,953.01	9,290,523.52
Others	<u>47,507,391.99</u>	<u>8,467,229.55</u>
Total	<u>49,289,345.00</u>	<u>17,757,753.07</u>
Interest and other finance expenses		
Group companies	-5,303,158.94	-10,633,302.06
Others	<u>-6,085,632.53</u>	<u>-8,921,722.04</u>
Total	<u>-11,388,791.47</u>	<u>-19,555,024.10</u>
Write downs of non-current asset investments (* (* contains significant write downs of values of group company shares and convertible loans	-118,606,647.45	-136,305,248.34
Write downs of current asset investments (* (* contains significant write downs of values of loans granted to group companies	-36,005,074.01	
Financial income and expenses, total	-116,711,167.93	-138,102,519.37
Financial income and expenses include exchange gains/losses (net)		
Group companies	-41,969.31	-218,257.22
Others	<u>1,588,902.36</u>	<u>987,985.91</u>
Total	<u>1,546,933.05</u>	<u>769,728.69</u>
6. EXTRAORDINARY ITEMS		
a Extraordinary income		
Group contributions	-	384,000.00
Total	<u>-</u>	<u>384,000.00</u>
7. INCOME TAXES		
Direct taxes from current period	-	-298,159.87
Direct taxes from previous periods	-	-
Total	<u>-</u>	<u>-298,159.87</u>
Taxes In income statement	-	-298,159.87

COMPONENTA OYJ

30.09.2016 2015

NOTES TO THE STATEMENT OF FINANCIAL POSITION

NON-CURRENT ASSETS

8. INTANGIBLE ASSETS

Development expenditure

Acquisition cost at 1 Jan	83,108.14	22,514.74
Additions +	-	60,593.40
Disposals of sales of business *)	-83,108.14	-
Acquisition cost at 30.09./31.12.	0.00	83,108.14
Accumulated planned amortization at 1 Jan	-26,565.37	-22,136.18
Accumulated amortization transferred in sales of business	34,611.38	-
	-8,046.01	-4,429.19
Accumulated amortization 30.09./31.12.	0.00	-26,565.37
Book value at 30.09./31.12.	0.00	56,542.77

Capitalized development expenditure is consisting of new product family development costs.

Capitalized expenditure are treated in accordance with the decision of Ministry of Trade and Industry and the amortization period is 5 years.

Intangible rights

Acquisition cost at 1 Jan	96,570.84	96,570.84
Disposals of sales of business *)	-73,906.21	-
Acquisition cost at 30.09./31.12.	22,664.63	96,570.84
Accumulated planned amortization at 1 Jan	-79,657.88	-72,086.27
Accumulated amortization transferred in sales of business	62,020.30	0.00
Amortization during the period	-5,027.05	-7,571.61
Accumulated amortization 30.09./31.12.	-22,664.63	-79,657.88
Book value at 30.09./31.12.	0.00	16,912.96

Goodwill

Acquisition cost at 1 Jan	25,031,038.11	25,031,038.11
Acquisition cost at 30.09./31.12.	25,031,038.11	25,031,038.11
Accumulated planned amortization at 1 Jan	-10,260,803.96	-8,414,524.69
Amortization during the period	-469,352.85	-1,846,279.27
Accumulated amortization 30.09./31.12.	-10,730,156.81	-10,260,803.96
Accumulated write-downs at 1 Jan	-9,138,000.00	-
Write-downs during the period	-5,162,881.30	-9,138,000.00
Accumulated write-downs 30.09./31.12.	-14,300,881.30	-9,138,000.00
Accumulated write-downs at 30 Sep/31 Dec	0.00	5,632,234.15

**) Writedown is related to sales of Pistons business unit

Other long-term expenditure

Acquisition cost at 1 Jan	5,433,047.65	5,313,467.87
Additions +	-	43,060.50
Disposals of sales of business *)	-640,047.15	-
Re-classifications +/-	197,651.03	76,519.28
Acquisition cost at 30.09./31.12.	4,990,651.53	5,433,047.65
Accumulated planned amortization at 1 Jan	-4,403,170.40	-3,874,938.41
Accumulated amortization transferred in sales of business	362,323.26	-
Amortization during the period	-356,620.03	-528,231.99
Accumulated amortization 30.09./31.12.	-4,397,467.17	-4,403,170.40
Book value at 30.09./31.12.	593,184.37	1,029,877.26

Advance payments and assets under construction

Acquisition cost at 1 Jan	37,752.32	36,563.32
Additions +	-	1,189.00
Acquisition cost at 30 Sep/31 Dec	37,752.32	37,752.32

TOTAL INTANGIBLE ASSETS 630,936.69 6,773,319.46

COMPONENTA OYJ

	30.09.2016	2015
9. TANGIBLE ASSETS		
Machinery and equipment		
Acquisition cost at 1 Jan	3,304,919.18	2,955,750.57
Additions +	-	3,585.21
Disposals -	-500.00	-
Disposals of sales of business *)	-2,302,101.34	-
Re-classifications +/-	-	345,583.40
Acquisition cost at 30.09./31.12.	1,002,317.84	3,304,919.18
Accumulated planned amortization at 1 Jan -	-2,624,785.13	-2,471,908.75
Amortization during the period	-196,037.96	-152,876.38
Accumulated amortization transferred in sales of business	1,879,903.13	-
Accumulated amortization at 30.09./31.12.	-940,919.96	-2,624,785.13
Book value at 30.09./31.12.	61,397.88	680,134.05
Book value of productional machinery and equipment at 30.09	-	502,418.35
Other tangible assets		
Acquisition cost at 1 Jan	168,671.56	168,671.56
Acquisition cost at 30.09./31.12.	168,671.56	168,671.56
Book value at 30.09./31.12.	168,671.56	168,671.56
Assets under construction		
Acquisition cost at 1 Jan	1,198,101.57	1,319,272.62
Additions +	148,118.67	334,473.60
Disposals -	0.00	-33,541.97
Re-classifications +/-	-197,651.03	-422,102.68
Accumulated amortization transferred in sales of business	-1,148,569.21	-
Acquisition cost at 30.09./31.12.	0.00	1,198,101.57
TOTAL TANGIBLE ASSETS	230,069.44	2,046,907.18
*) Sales of business refers to sales of Pistons business unit		
10. INVESTMENTS		
Shares in group companies		
Acquisition cost at 1 Jan	338,187,325.72	338,113,124.75
Additions +	-	74,200.97
Disposals -	-	-
Acquisition cost at 30.09.	338,187,325.72	338,187,325.72
Accumulated write-downs at 1 Jan	-137,769,786.31	-1,439,828.31
Write-downs during the period	-99,338,293.37	-136,329,958.00
Accumulated write-downs at 30.09./31.12.	-237,108,079.68	-137,769,786.31
Book value at 30.09./31.12.	101,079,246.04	200,417,539.41
Other shares		
Acquisition cost at 1 Jan	680,684.76	769,653.65
Disposals -	-5,463.76	-88,968.89
Acquisition cost at 30.09./31.12.	675,221.00	680,684.76
Book value at 30.09./31.12.	675,221.00	680,684.76
Capital note investments in group companies		
Acquisition cost at 1 Jan	19,268,287.98	-
Additions +	-	19,268,287.98
Write-downs during the period	-19,268,287.98	-
Acquisition cost at 30.09./31.12.	0.00	19,268,287.98
Other investments		
At the beginning of the period	26,381.45	28,381.45
Deductions	-26,381.45	-2,000.00
At the end of the period	0.00	26,381.45
INVESTMENTS TOTAL	101,754,467.04	220,392,893.60
CURRENT ASSETS		
11. INVENTORIES		
Materials and supplies	-	311,792.03
Work in progress	-	208,903.91
Finished goods	-	424,016.02
TOTAL INVENTORIES	-	944,711.96

COMPONENTA OYJ

	30.09.2016	2015
12. RECEIVABLES		
<u>Non-current receivables</u>		
Loan receivables from group companies	15,844,212.73	38,844,188.14
Loan receivables from others	1,451.80	55,451.80
Total non-current receivables	<u>15,845,664.53</u>	<u>38,899,639.94</u>
<u>Current receivables</u>		
Receivables from group companies		
Trade receivables	4,591,751.24	11,980,035.57
Loan receivables	0.00	2,100,786.53
Other receivables	396,089.00	387,170.00
Prepayments and accrued income	1,214,914.92	1,080,507.27
Trade receivables	23,413.54	9,838.95
Loan receivables	114,383.97	253,666.77
Other current receivables	250,170.18	1,018,530.25
Prepayments and accrued income	641,234.86	1,580,591.86
Total current receivables	<u>7,231,957.71</u>	<u>18,411,127.20</u>
Significant items of accrued income		
Interest receivables	345,499.03	87,965.62
Amortized arrangements fees of the loan agreements	408,278.29	1,363,036.90
Exchange rate gains	-	168,534.74
Rents	232,353.67	25,336.49
National Emergency Supply Organisation related receivable from Componenta Finland Oy	846,000.00	834,750.00
Insurance payments	-	79,977.93
Others	24,018.79	101,497.45
Total	<u>1,856,149.78</u>	<u>2,661,099.13</u>
13. SHAREHOLDERS' EQUITY		
Share capital at 1 Jan	<u>21,891,396.00</u>	<u>21,891,396.00</u>
Share capital at 30 Sep	<u>21,891,396.00</u>	<u>21,891,396.00</u>
Share capital		
The share capital of the company was at 30.09.2016 EUR 21 891 396 and the number of shares was 147 137 224.		
Share premium reserve at 1 Jan	<u>15,114,467.70</u>	<u>15,114,467.70</u>
Share premium reserve at 30 Sep	<u>15,114,467.70</u>	<u>15,114,467.70</u>
Unrestricted equity reserve at 1 Jan	158,042,971.36	158,042,971.36
Additions and share issue	<u>28,378,000.00</u>	<u>-</u>
Unrestricted equity reserve at 30 Sep	<u>186,420,971.36</u>	<u>158,042,971.36</u>
Reserve fund at 1 Jan	<u>4,980.00</u>	<u>4,980.00</u>
Reserve fund at 30 Sep	<u>4,980.00</u>	<u>4,980.00</u>
Retained earnings at 1 Jan	-99,922,508.44	46,040,316.07
Profit/loss for the financial period	<u>-130,460,091.02</u>	<u>-145,962,824.51</u>
Retained earnings total at 30 Sep	<u>-230,382,599.46</u>	<u>-99,922,508.44</u>
SHAREHOLDERS' EQUITY	<u>-6,950,784.40</u>	<u>95,131,306.62</u>
Calculation of distributable equity at 30 Sep		
Retained earnings	-99,922,508.44	46,040,316.07
Profit/loss for the financial period	-130,460,091.02	-145,962,824.51
Unrestricted equity reserve	<u>186,420,971.36</u>	<u>158,042,971.36</u>
Total	<u>-43,961,628.10</u>	<u>58,120,462.92</u>

COMPONENTA OYJ

	30.09.2016	2015
14. LIABILITIES		
Interest bearing liabilities	121,023,077.43	178,705,448.87
Non-interest bearing liabilities	11,974,577.25	14,169,746.52
	<u>132,997,654.68</u>	<u>192,875,195.39</u>
<u>Non-current liabilities</u>		
Capital notes	-	-
Hybrid loans	2,586,000.00	2,586,000.00
Bonds	343,000.00	-
Convertible bonds	11,622,000.00	0.00
Liabilities to group companies	70,297,640.20	76,024,041.52
Other non-current interest bearing liabilities	112,278.73	0.00
Non-current interest bearing liabilities total	<u>84,960,918.93</u>	<u>78,610,041.52</u>
Non-current liabilities fall due as follows		
Not later than one year	-	-
Later than one year but not later than five years	84,960,918.93	38,610,041.52
Later than five years	-	40,000,000.00
Terms of the capital notes, see note 36 on the consolidated financial statements.		
<u>Current interest bearing liabilities</u>		
Loans from financial institutions	-	64,909,161.78
Convertible bonds	-	6,343,000.00
Other current interest bearing liabilities from group companies	36,062,158.50	28,843,245.58
Current interest bearing liabilities total	<u>36,062,158.50</u>	<u>100,095,407.36</u>
<u>Current non-interest bearing liabilities</u>		
Advances received	237,500.00	147,500.00
Liabilities to group companies		
Trade payables	650,965.74	2,255,258.11
Accrued expenses and deferred income	<u>4,698,537.04</u>	<u>4,135,653.66</u>
Liabilities from others		
Trade payables	2,730,071.52	2,411,099.44
Other liabilities	316,892.02	713,843.31
Accrued expenses and deferred income	3,340,610.93	4,506,392.00
Current non-interest bearing liabilities total	<u>11,974,577.25</u>	<u>14,169,746.52</u>
Current liabilities total	48,036,735.75	114,265,153.88
Significant items of accrued expenses		
Interests	6,142,484.36	5,744,639.44
Annual salaries with social security	407,412.02	1,132,668.46
Exchange rate losses	-	562,873.56
Pensions	372,872.32	256,505.94
Parent company's liability towards National Emergency		
Supply Organisation	846,000.00	834,750.00
Other	270,379.27	110,608.26
Total	<u>8,039,147.97</u>	<u>8,642,045.66</u>
TOTAL LIABILITIES	132,997,654.68	192,875,195.40

COMPONENTA OYJ

	30.09.2016	2015
15. SECURED LIABILITIES, CONTINGENT LIABILITIES AND OTHER COMMITMENTS		
Pledges		
For own debts	-	406,923,989.01
On behalf of group companies	83,100,000.00	-
	<u>83,100,000.00</u>	<u>406,923,989.01</u>
Guarantees		
On behalf of group companies ***)	96,898,903.81	90,962,303.03
	<u>96,898,903.81</u>	<u>90,962,303.03</u>
Other commitments		
Future payments of the lease liabilities		
Not later than one year	84,599.96	528,543.22
Later than one year	-	451,093.20
	<u>84,599.96</u>	<u>979,636.42</u>
Other commitments on behalf of group companies	646,982.13	824,732.41
Other commitments		
Liabilities secured with mortgages		
Loans from financial institutions	-	69,823,450.26

Commitments indicate the maximum amount of the guarantees related to accounts payables.

Guarantee used can fall below the maximum liability amount.

***) Comparison data corrected

16. FINANCIAL RISK MANAGEMENT AND DERIVATIVE INSTRUMENTS

Foreign exchange rate derivatives

Foreign exchange rate forwards		
Nominal value	-	7,500,000.00
Fair value	-	-168,367.29
Foreign exchange rate swaps		
Nominal value	-	9,801,864.29
Fair value	-	-391,838.40

Commodity derivatives

Electricity derivatives		
Nominal value	2,266,928.14	3,058,368.21
Fair value	-207,031.32	-773,677.00

Foreign exchange rate derivatives inside the group

Foreign exchange rate forwards		
Nominal value	-	7,500,000.00
Fair value	-	165,678.22

The fair value of derivative instruments corresponds to the gain or loss that would be recognized in the income statement if the contract were closed on the balance sheet date.

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

DEFERRED TAX ASSETS AND LIABILITIES NOT RECORDED IN THE STATEMENT OF THE FINANCIAL POSITION

Unutilized tax losses for which the company has not recorded any deferred tax assets totalled EUR 126,123,022.21 (73,597,250.01). The related deferred tax receivable is EUR 25,224,604.44 (14,719,450.00).

Signature of the interim financial statement

Helsinki 16 November 2016

Matti Ruotsala
Chairman

Olavi Huhtala

Olli Isotalo

Perttu Louhiluoto

Riitta Palomäki

Tommi Salunen

Harri Suutari
President & CEO

COMPONENTA OYJ

LIST OF ACCOUNTING BOOKS

Electronic archive

Journals

General ledger

Book keeping archive in electronic format according to the decision 47/1998 of the Ministry of Trade and Industry has been saved to the server that is locating in Vantaa Fujitsu Finland Oy's premises, Mittatie 1. Back up files of the data base have been saved to CD.

Computer prints

Cash Ledger

Accounts Receivable

Accounts Payables

Balance Sheet book separately bound

Notes to Balance Sheet bound to Balance Sheet book

Used voucher types and method of storage

Conversion journals Y1

electronic archive

Travel invoices Y3

paper documents and electronic archive

Cash journals Y2

paper documents

Sales Invoices DG, DR, RV

paper documents

Sales Payments Dz

paper documents

Memorandum vouchers AA, AB, AC, AF, SA, Y7

paper documents

Purchasing Invoices KG, KR, RE

electronic archive

Payments of purchases KZ, ZP

paper documents

Payroll receipts Y4

paper documents

TWIN loan ledger documents Z1, Z2

paper documents