

COMPONENTA  
Casting Future Solutions

# ANNUAL 2016 REPORT





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# CEO's review

At the beginning of the 2016 fiscal year Componenta Corporation was in the situation where it was unable to meet certain terms in the loan agreements with its financing banks; instead of having the loans called in it had obtained time to draw up a business strategy that would be acceptable to the banks so they would be willing to continue to provide financing. However, the company was unable to present a model that satisfied the banks, so to prevent the loans being called in, the company negotiated with certain investors to purchase or repay the receivables due to the banks in cooperation with the company. To achieve this, and to strengthen working capital, the company issued a EUR 40 convertible capital loan, and to pay the subscription price for this investors could pay in cash or could use receivables from the company. As a result of this arrangement, the company's secured loans decreased by more than EUR 72 million and working capital improved by some EUR 10 million.

Even after the financing arrangements described above, liquidity continued to be extremely weak. To improve our financial standing we decided to sell those business operations that fitted in least with our strategy. During the summer we managed to sell off the foundry in Iisalmi that manufactures large castings using furan resin moulding technology, and piston manufacturing for large engines in Pietarsaari. The profit from these divestments turned out to be very modest. At the end of the summer the Turkish subsidiary signed a new four year contract for a EUR 15 million financing facility. The markets for construction and mining machinery and agriculture machinery, which are important for Componenta, fell short of expectations and the cash flow from operations failed to pick up as forecast.

The company considered that Group companies would also manage to get through the summer. The situation started to become difficult in August when it became clear that, contrary to what had been assumed, it would not necessarily be possible to start up production units after the summer and keep them operating without additional financing. Since new additional financing could not be obtained, at the beginning of September Group management decided to apply to have the subsidiary in the Netherlands declared bankrupt and to file for corporate restructuring for the units in Finland and Sweden. The subsidiary in Turkey continued its operations without official proceedings.

It was possible to restart production at the units in Finland and Sweden in September as the result of prepayments made by customers.

Management at the Swedish units was replaced in August and the results have been extremely encouraging. Improvement has also been seen in Finland, although the situation is still not satisfactory. A very difficult period began in the Turkish company at the beginning of September, and at the time of writing the situation there has still not eased. Financiers and suppliers took on a different attitude after they noticed that the parent company had filed for corporate restructuring. The production plants operating in Turkey have not succeeded in achieving normal production volumes since September. At this moment, the shortfall corresponds to almost two months output. So far the company has managed to make customer deliveries by almost completely emptying the finished product chain. Deliveries are now carried out as urgent cases, which significantly weakens profitability.

In October we announced that we are trying to find a new owner for the shares in the Turkish subsidiary owned by Componenta Corporation. In practice the sale of these shares has been arranged by the main lending banks of the Turkish company, the club loan banks. The Componenta Dökümcülük shares owned by Componenta have been assigned to the club loan banks as collateral against the company's debts. The banks have the right to call in their receivables, but we have not received any announcement about this. In practice, however, the banks have acted to sell off the shares without discussing the issue with their owner, as

would be normal. In February 2017 we considered that we had lost the controlling interest in the Turkish subsidiary and announced that the Turkish subsidiary is not being consolidated in the consolidated balance sheet in the 2016 financial statements.

In October Componenta Corporation announced that it was looking for a buyer for the Wirsbo forge group in Sweden. Because of the weak financial performance of the forges in the past, we have not received any serious offer that would make it worthwhile to part with these business operations. However, the measures taken by the new management have made an impact and the cash flow from operations has now turned positive. On top of this, customers and suppliers have shown their commitment to the Componenta forges. As an alternative to selling the forges, efforts will be made to keep them part of the Componenta Group.

Componenta's management system was completely reorganized during 2016. The previous management system that served the Group as it used to be, functioning through a matrix organization and costing about EUR 20 million a year, was dismantled and several customer interface units were closed down. In my opinion the change in the organization has improved the quality of customer service. Technical sales led directly from the works results in better quality than the previous distributed system. Total annual costs for the management system for the Group's continuing operations are now about EUR 5 million, and we aim to reduce this still further during 2017.

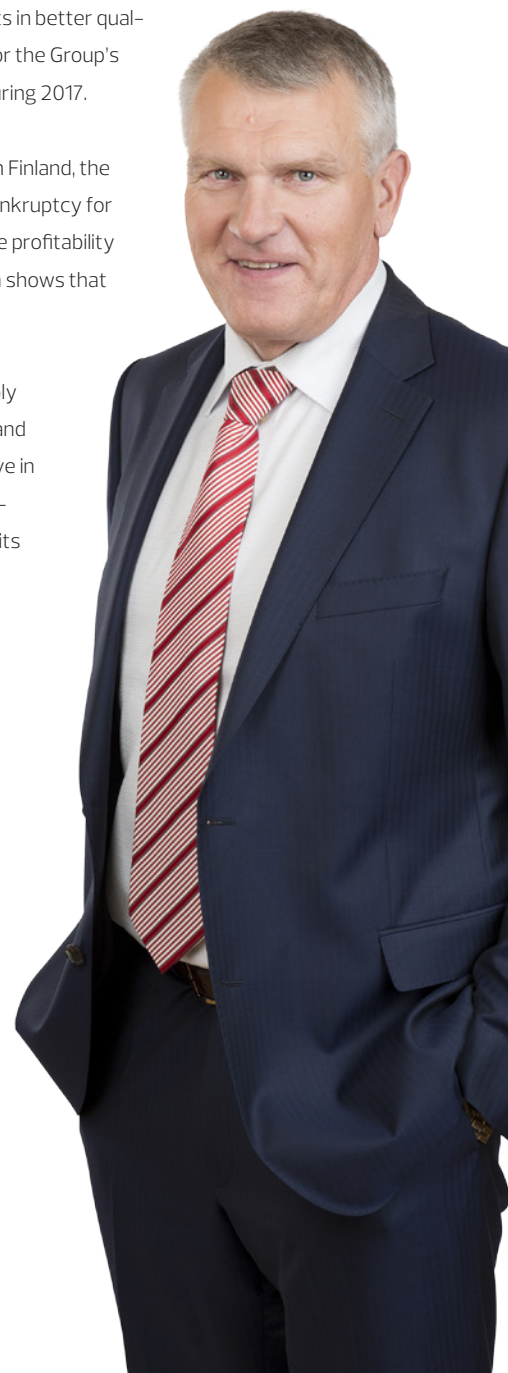
Componenta's previous strategy has been to transfer as much production as possible from Finland, the Netherlands and Sweden to Turkey with its lower labour costs. This evidently resulted in bankruptcy for the Netherlands company and corporate restructuring in Finland and Sweden. However, the profitability of the Orhangazi works in Turkey has weakened because of these product transfers, which shows that the strategy was chosen on incorrect grounds.

I believe that it is possible to carry out foundry, forge and machine shop operations profitably in Finland and Sweden mainly for local customers. The biggest variable costs for foundries and forges are related to raw materials, energy and labour. The first two of these are competitive in Finland and Sweden. Higher labour costs are compensated by lower logistics costs. Componenta will focus on continuously improving the quality and productivity of its production units in Finland and Sweden.

The 2016 financial statements for Componenta Group and the parent company have been prepared on a going concern basis. There is still uncertainty relating to the success of the restructuring proceedings.

I would like to thank our customers for their trust even in difficult times; customer financing enabled the company to normalize the company's production during autumn 2016. My thanks to our personnel for their persistence in carrying out what have at times been difficult measures. I particular wish to express my thanks to those who subscribed the convertible loan. Your contribution played a vital role in enabling Componenta to continue its operations.

**Harri Suutari**  
**President and CEO**





# Componenta in brief

Componenta is a major provider of cast components and casting solutions in Europe. Our customer service, component manufacturing and production of solutions are based on our strong engineering, casting and machining expertise.

Componenta serves local and global customers that are well-known manufacturers of vehicles, machines and equipment, market leaders in their sectors. Our offering and services for them cover the complete supply chain and meet the demands and challenges of each sector and customer. Componenta's operations are based on the Group's values and sustainability principles.

## Values

Openness, Honesty  
and Respect

## Mission

Casting Future  
Solutions

## Vision

Major casting solution  
provider locally

In 2016, the net sales of Componenta's continued operations amounted to approximately EUR 184 million and the number of employees was approximately 880. In 2016, Componenta had production units in Finland, Sweden, Turkey and the Netherlands. The shares of Componenta Corporation are quoted on Nasdaq Helsinki.

The figures and graphs presented in the Annual Report do not include discontinued operations. The Dutch operations were declared bankrupt at the beginning of September 2016 and, consequently, the Netherlands business was classified as discontinued operations in the third quarter of 2016. The Turkish business was classified as discontinued operations at the end of 2016, as the company took the view that it had lost control in the Turkish sub-group.

	2016	2015
Order book, continued operations, MEUR	129.0	134.7
Net sales, continued operations, MEUR	183.6	210.1
Adjusted EBITDA, continued operations, MEUR	3.1	8.3
Adjusted operating profit, continued operations, MEUR	-5.8	0.4
Adjusted operating profit, continued operations, %	-3.2	0.2
Adjusted result after financial items, continued operations, MEUR	-17.0	-16.2
Items affecting comparability in the result, after financial items, continued operations, MEUR	0.5	-19.0
Taxes, continued operations, MEUR	-7.2	-27.1
Earnings per share, continued operations, EUR	-0.18	-0.65
Employees at the end of the period, inc. leased personnel, continued operations	878	1,080





# The year in brief



## Renewal of the management system

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



## Implementation of financial arrangement

In May 2016 Componenta 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.



## Focus on core business

Componenta has implemented a strategic review of the business structure, which has included the closure or sale of production plants and other measures aiming to significantly improve profitability. Key divestments of non-core parts of the company's business were the sale of Suomivalimo's foundry business located in Iisalmi in June and the sale of the pistons business located in Pietarsaari in August 2016. In addition at the end of the year, Componenta announced its plan to sell its holding in the Turkish subsidiary and to sell its forge operations located in Sweden.



## Filing for corporate restructuring

On 1 September 2016 Componenta filed for restructuring of the parent company Componenta Corporation and its subsidiaries in Finland and Sweden. As part of these arrangements it was decided that Componenta's Dutch subsidiary Componenta B.V. would file for bankruptcy. Componenta Dökümcülük Ticaret ve Sanayi A.S. in Turkey continued its operations without any official proceedings. The filings of the Swedish subsidiaries were accepted and restructuring proceedings were started at the beginning of September. 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.

# Business

Componenta's business is the engineering and manufacture of cast components and related solutions to produce ready-to-assemble components for vehicles, machinery and equipment.

We engineer, cast and machine different component solutions. The comprehensive offering of our production units covers component sizes ranging from a few kilos to several tonnes and series sizes ranging from single pieces to series of tens of thousands of units. The offering also includes several different choices of materials.

Our customers are well-known manufacturers of vehicles, machines and equipment, and leading companies in different industrial sectors. We work closely with customers, starting from component engineering, leveraging our strong expertise in casting, machining and materials. This ensures that the components we produce meet the requirements of our customers and their business sectors and the challenges they face.

## Reporting segments 2016

During the 1 January – 31 December 2016 period, the reporting segments of Componenta Group were the aluminium business and the iron business. The iron business comprised Componenta's iron foundries and machine shops in Finland, Sweden, the Netherlands and Turkey. In addition, the segment included the Wirsbo forges in Sweden. The aluminium business comprised the aluminium foundry and the wheels business unit located in Turkey. Outside these core business segments is Other business, which at the end of 2016 includes service companies and property companies in Finland as well as the Group's administrative functions.

The figures and graphs presented in the Annual Report do not include discontinued operations. The Dutch operations were declared bankrupt at the beginning of September 2016 and, consequently, the Netherlands business was classified as discontinued operations in the third quarter of 2016. The Turkish business was classified as discontinued operations at the end of 2016, as the company took the view that it had lost control in the Turkish sub-group.

## Iron business

### Production units

Högfors foundry, Finland	Orhangazi foundry, Turkey *)
Pori foundry, Finland	Orhangazi machine shop, Turkey *)
Främmostad machine shop, Sweden	Weert foundry, Netherlands **)
Wirsbo forge, Sweden	Heerlen foundry, Netherlands **)

\*) Classified as discontinued operations at the end of 2016

\*\*\*) Classified as discontinued operations in the third quarter of 2016

**Order book**

At the end of 2016 the Iron business had an order book for continuing operations of EUR 30.8 (31.4) million, which is 2% less than at the same time in the previous year. The order book for the Iron business mainly comprised orders from manufacturers of heavy trucks, construction and mining machinery, and agricultural machinery, and from the machine building industry.

**Net sales**

During 2016 the Iron business had net sales for continuing operations of EUR 173.4 (193.8) million, or 11% less than in the previous year.

**Operating profit**

The adjusted operating profit for continuing iron operations in the review period was EUR -8.2 (-1.4) million. The adjusted operating profit for continuing operations was weakened by lower production volumes than in the previous year, operative exchange rate differences and especially by the stoppages in production caused by the tight liquidity and by filing for corporate restructuring during first three quarters.

**Number of personnel**

At the end of the year, the number of personnel working in continuing operations in the Iron business, including leased employees, was 842 (3,188).

**Aluminium Business****Production units**

Manisa foundry, Turkey \*)

Manisa Wheels, wheels business unit, Turkey \*)

\*) Classified as discontinued operations at the end of 2016

**Other business**

The adjusted operating profit of Other business during the review period was EUR 2.4 million (EUR 1.7 million). The profitability of Other business was improved by cost efficiency in administration in comparison to trademark and service fee leverage.

**Business in brief, continued operations, MEUR**

	2016	2015
Order book	129.0	134.7
Net sales	183.6	210.1
Adjusted operating profit	-5.8	0.4
Investments	1.3	5.7

A close-up photograph of a metallic, curved industrial component, likely a part of a turbine or engine. The surface is highly reflective, showing a clear reflection of a bright blue sky. The component features several circular openings and is secured with small screws. The lighting is dramatic, highlighting the smooth texture and curvature of the metal.

**” Products supplied  
by us are often  
critical parts of  
our customer  
products.**

# Customers

Componenta's customers are manufacturers of vehicles, machines and equipment in different industrial sectors, often leading players in their industries.

Componenta supplies customers with cast components and solutions made from these. They are often critical parts of customer products. Customers of Componenta's continued operations operate in four different industrial sectors: heavy trucks, construction and mining, machine building and agricultural machinery. Many of our customer relationships and partnerships have continued for years, even decades.

We provide our customers with the complete component supply chain. We know each customer's business and the challenges they face, and we respond to these by leveraging our expertise and experience in component engineering, casting, machining and logistics services.

## Heavy trucks

**69% of Componenta's sales in 2016**

We provide products that are optimised in cooperation with the customer, starting from the engineering phase, to ensure they meet the requirements set for them. Our customers in the heavy truck industry include e.g. Daimler, Scania and Volvo.

## Construction and mining

**5% of Componenta's sales in 2016**

We provide solutions to major manufacturers of machinery and equipment, utilising 3D and CAD tools, analyses and simulation. Our customers in the construction and mining industries include e.g. Bomag, Caterpillar and Volvo CE.

## Machine building

**32% of Componenta's sales in 2016**

This major customer segment comprises machine builders in many different industrial sectors. We provide solutions and components for example for the wind power industry, railway rolling stock, a wide range of vehicles, air and fluid distribution, engines, robots and machinery. Our customers in the machine building industry include e.g. ABB Robotics, Atlas Copco and Gardner Denver.

## Agricultural machinery

**5% of Componenta's sales in 2016**

We engage in demanding engineering in cooperation with our customers in order to find solutions to the technical challenges posed by the products. We supply components cast from iron that are cast coated, machined or surface treated according to need. Our customers in the agricultural machinery industry include e.g. AGCO, Case New Holland, Claas, John Deere and Valtra.

## Sales by customer industry

	2016	2015
Heavy trucks	69%	67%
Construction and mining	5%	5%
Machine building	21%	22%
Agricultural machinery	5%	5%



# Sustainability

Sustainability is an integral part of our operations and it is based on the company's values, strategy and operating methods. We comply with the laws and regulations of the countries where we have operations and with our common, Group-wide operating principles and policies in daily management and operations as well as in cooperating with all stakeholders. Our operations are based on Componenta's common values: openness, honesty and respect. All Componenta production units have third-party certified quality and environmental management systems. The production units in the Högfors and Pori foundries in Finland also have a certified OHSAS 18001 occupational health and safety system.

## Economic responsibility

In the long term, economic responsibility for Componenta means safeguarding competitive business operations and profitability, and increasing shareholder value. The restructuring procedures currently underway in Finland and Sweden will make it possible to put business operations back on a healthy footing and to develop them in future, but there is still uncertainty concerning the success of the restructuring proceedings and going concern.

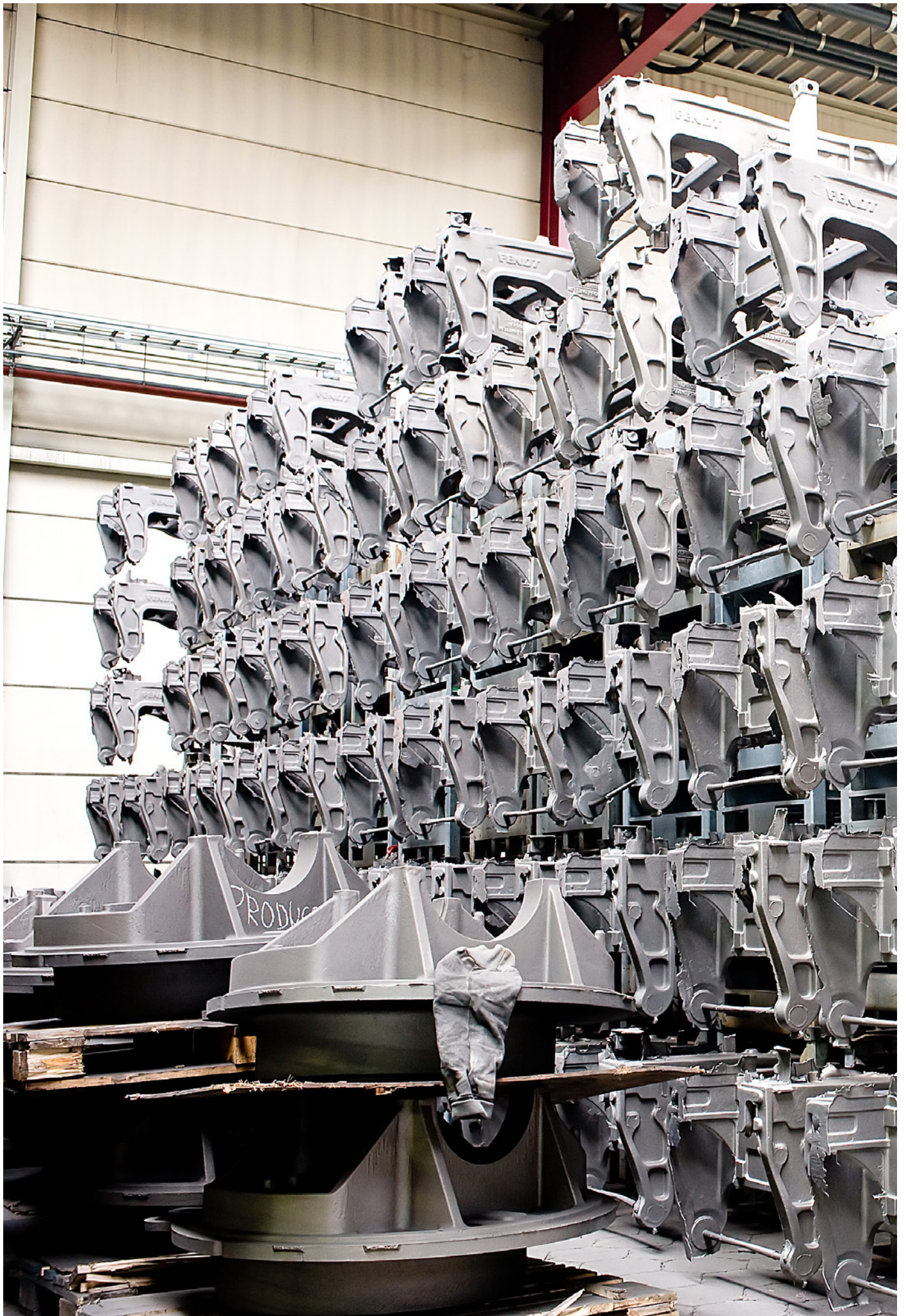
## Social responsibility

Social responsibility is based on Componenta's human resources policy, management principles and values. We respect the rights of our employees, and international human rights and equal rights treaties provide the fundamental principles for Componenta's business culture. We do not condone any form of bribery or discrimination under any circumstances. Our approach to suppliers also involves a focus on environmental and safety requirements, social responsibility and ethical principles. We do not pay bribes or make any other illegal payments.

## Environmental responsibility

Componenta's environmental responsibility includes minimising the environmental impacts of cast components and their production throughout the supply chain, from raw material to finished casting products. Componenta is also a significant recycler of raw materials and waste. The life cycle environmental impact of a product can be influenced starting from component engineering and the choice of materials. Most of the raw material used for cast components is recycled metal. In 2016, recycled steel accounted for 52% of the steel used at the Group's iron foundries. In 2016, 91% of the waste generated in production processes was directed to be reused.

The high quality of our products and operations also means minimising the environmental impact of our production and maximising cost-efficiency. The better the quality we produce, the lower the number of rejected castings and the smaller the consumption of raw material, energy and resources.





# Environmental impact

The production of cast components requires plenty of energy, and the production process also generates significant amounts of waste. Componenta's key environmental aspects and targets are related to energy consumption and its reduction, waste prevention and the reuse of waste instead of dumping it at landfill sites.

We monitor and measure raw material consumption and emissions from production, namely particle and VOC emissions as well as environmental noise caused by production. All Componenta foundries and forges comply with the emission and noise limits specified in the conditions of their environmental permits.

Componenta's policies for quality, the environment, health and safety guide our measures related to quality and environmental aspects. All production units have third-party certified quality and environmental management systems.

Component engineering decisions and choices of materials made in cooperation with the customer can reduce the environmental impacts arising from the production and use of components. A production-friendly casting is manufactured cost-efficiently and in an environmentally friendly manner, leveraging Componenta's technical expertise in casting, engineering and materials. Product properties such as durable and lightweight materials and optimised structures lead to longer useful lives for products and reduce emissions during use.

We can also reduce the environmental impact of our production through good quality management. Efficient processes and achieving a high level of quality by doing things right the first time help minimise the consumption of energy and materials and the amount of hours worked. It leads to greater economy in operations and lower costs.

## Sourcing and raw materials

Componenta has established strict requirements for raw materials that are critical to production operations, and the fulfilment of these requirements is monitored in the quality control processes of suppliers and our own receiving inspections. New raw materials are always tested in production before their actual use. For example, recycled steel used at iron foundries may not contain any impurities or hazardous substances, such as lead. Each batch of molten raw material is carefully analysed before it is cast into components, which includes measuring lead to an accuracy of three decimal places. Using optimal raw materials ensures that production operations are efficient and environmentally friendly.

The majority of the raw materials are sourced for each foundry as locally as possible, allowing for quality requirements and availability. In addition to price and quality, the selection of suppliers takes into account many factors of environmental and social significance, such as sustainable development, working conditions, safety and logistics. We expect our suppliers to adhere to the same standards that we adhere to in our operations in terms of quality, the environment and ways of working. ISO certification is a minimum target for our suppliers.

## Engineering and product development

At Componenta, engineering is a broad process covering not only the design and development of new or updated products, but also new product introduction, production planning and comprehensive project management. The diverse development of engineering competence and resources has been one of our key strategic development areas in recent years. We use modern engineering tools and methods, such as 3D CAD, casting simulation, machining simulation, and 3D printing.

We create added value for our customers by managing product development and engineering and by understanding and meeting our customers' needs. Customer requirements concerning new materials and new characteristics for cast components and comprehensive solutions guide the cooperative engineering process. New legislation, such as new emission limits on vehicles, provides business opportunities as the new limits can be met by, for example, reducing the weight of the vehicle in order to reduce their carbon dioxide emissions.

Componenta's foundries cast several different grades of iron, which makes it possible to select the most suitable material for each component. We are also involved in the development of even better and more durable casting materials. Our most recently introduced SSF iron (high silicon spheroidal graphite cast iron) and its excellent strength and durability properties make it possible to manufacture lighter and thinner-walled components. The components manufactured from it are also more durable in use, which benefits the manufacturer of the vehicle or machine as well as the end user.

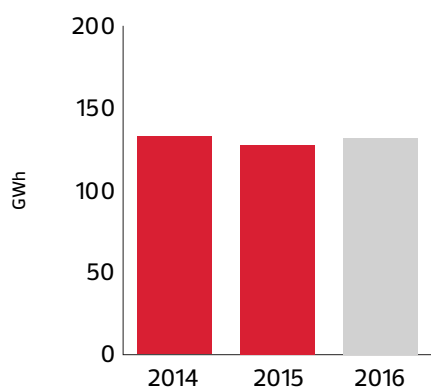
## Energy efficiency in production

At foundries, the melting of raw material and holding its temperature involves high energy requirements, which makes Componenta a significant consumer of energy. We actively monitor our energy consumption figures and take measures to increase the efficiency of energy consumption; for example, by means of casting planning and limiting the use of holding furnaces. Energy efficiency is also influenced by production volumes and the evenness of the load.

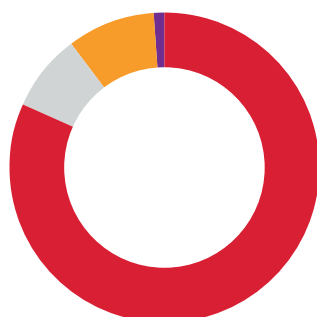
In 2016, our total energy consumption decreased slightly from the previous year and amounted to 131 GWh. Of the energy consumed, 81% was electrical energy. Foundries accounted for 59% of the total energy consumption. Energy consumption relative to production volume decreased by 5% at the iron foundries.

In Finland, Componenta is committed to national targets for reducing energy consumption. In Finland, we were part of the voluntary energy conservation and energy efficiency agreement for various industrial sectors that continued until 2016. Energy audits became a statutory requirement in Finland for large corporations such as Componenta in 2015.

### Total energy consumption, GWh



### Distribution of energy consumption



- Electricity 81 % (83 %)
- District heat 8 % (7 %)
- Liquid gas 9 % (9 %)
- Oil 1 % (2 %)

### Energy consumption by production plant



- Iron foundries 59 % (58 %)
- Aluminium production 10 % (8 %)
- Machine shops 32 % (33 %)

## Emissions

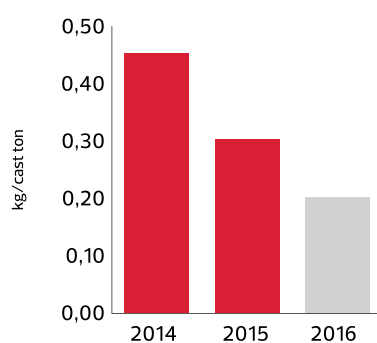
The most significant emissions from Componenta's production operations are related to dust generated in foundries as well as volatile organic compounds (VOC). There are also some odour emissions. Efforts are also made to reduce other emissions, such as noise from production units. Machining and forging do not cause significant emissions.

The mould sand and binding agents used at foundries generate dust in various stages of the process. Inside the foundries, dust is controlled by using extraction points, and filtering equipment prevents the dust from escaping into the air outside. It is planned to increase the filtering capacity of the Högfors foundry in Karkkila by introducing a new, more efficient filtering plant during 2017. VOC emissions are given off by the amines and solvents used in the production process. Emissions given off by solvents have been reduced by switching to water-based paints and coatings.

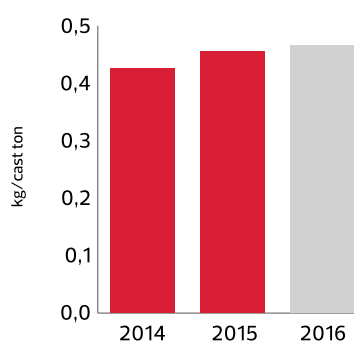
## Carbon footprint

The greenhouse gas emissions generated by Componenta's production operations are small in quantity, and Componenta is not liable to participate in emission trading.

### Particle emissions in foundries, kg / cast ton



### Amines and solvents, (VOC emissions), kg / cast ton



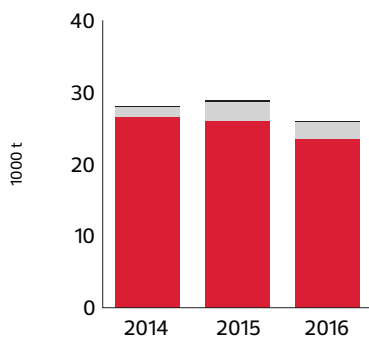
## Waste and recycling

In proportion to the products manufactured, Componenta's production operations generate much waste in spite of the internal rotation of materials. Foundries using disposable moulds – including all Componenta iron foundries – may generate even more waste than actual castings, and therefore the reuse and prevention of waste is important. In 2016, Componenta's production units generated a total of 26,019 tonnes of waste, of which approximately 91% was reused. Nearly all waste generated by Componenta is sorted, and unsorted waste represented only 0.3% of the total waste volume in 2016.

Reused waste generated by Componenta includes metals, slag, sand and dust. Promoting the reuse of waste and identifying new options for reuse is a high priority for us, which is why we participated in many different waste reuse projects in 2016. For example, the Pori foundry is participating in the EU LIFE foundry sand composting project.

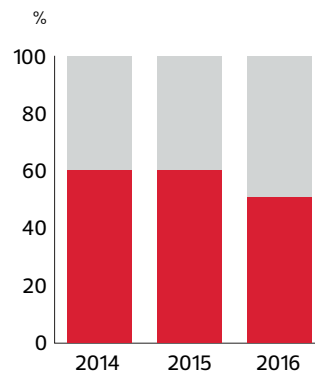
The foundries use water in the manufacturing of mould sand. Water from nearby water sources is used in cooling the process at foundries and forges.

### Waste, 1,000 tt



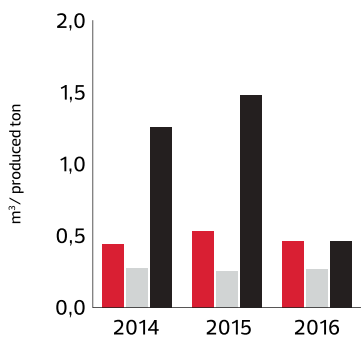
- Sorted and re-used
- Sorted, but not re-used
- Unsorted

### Recycled steel and pig iron used in melting, %



- Recycled steel
- Pig iron

### Water to wastewater plant by produced ton, m3



- m<sup>3</sup> / Cast ton
- m<sup>3</sup> / Machined ton
- m<sup>3</sup> / Forged ton

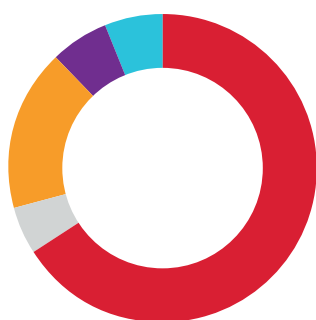
## Environmental costs and investments

Environmental costs at Componenta include costs directly relating to the environment, such as waste and waste water management, and activities to protect the environment. The processing of production waste accounts for by far the biggest part of these costs.

In 2016 the Group's environmental costs were 0.6% of net sales. Total costs declined slightly from the previous year mainly due to lower waste processing costs.

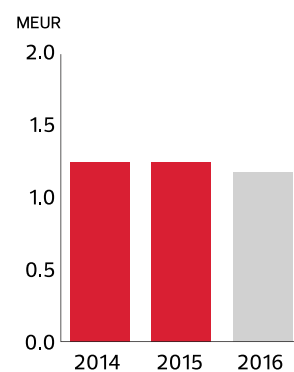
At Componenta, every investment is also assessed with regard to its environmental impacts. New machinery and equipment and changes in production methods can affect variables such as energy consumption, raw material consumption and emissions. No major investments were made in 2016.

### Environmental cost breakdown



- Waste management 66 % (71%)
- Wastewater management 5 % (4%)
- Protection of ambient air and climate total 17 % (18%)
- Protection of soil and groundwater 6 % (2%)
- Other environmental protective activities 6 % (6%)

### Environmental costs, MEUR





# Social responsibility

Social responsibility is based on Componenta's human resources policy, management principles and values – openness, honesty and respect. We respect the rights of our employees, and international human rights and equal rights treaties provide the fundamental principles for Componenta's business culture.

## Strategic human resources management

The human resources strategy at Componenta is part of the business strategy and is always closely linked to developing business operations and to priority areas in the strategy. In 2016 the human resources plan focused on supporting company management in implementing the new management system and incentive schemes, in recruiting key personnel and in carrying out measures to boost efficiency.

## Regular monitoring of job satisfaction

We survey personnel job satisfaction and the working atmosphere at regular intervals. In 2016 we carried out a Heartbeat personnel survey of those working at our production units in Sweden and Finland. The proposals for development and improvement arising from the survey will be acted on and any development measures required will be agreed on separately at each unit. In addition to the personnel surveys, we encourage and support ongoing dialogue between employees and their supervisors.

## Developing the work of supervisory staff

The company has systematically developed the work of supervisory personnel, through job rotation, assessments and development programmes. The programmes are carried out separately in the business areas in cooperation with internal trainers. In addition to training, in 2016 the company developed the overall skills of personnel by arranging training in occupational safety, quality, environmental issues and various IT systems.




### Development programme for production supervisors at the Högfors foundry

The basic idea behind the programme was to clarify the role and job descriptions for production supervisory personnel and to develop supervisor skills. The programme was carried out in close cooperation with foremen and the management team at the Högfors foundry in Karkkila. This was to ensure common rules and working methods for management.

The development programme began with a survey of the current situation, in which personnel were asked to state their views of the working methods of foremen at the moment and what they would expect the role of supervisory personnel to be at its best. The initial phase of the programme involved examining the duties and goals of supervisory personnel and their legal liability. The next phase was to build personal development plans based on the strengths and development needs of each individual. The final part of the programme involved drawing up rules for the work community and updating the job descriptions for supervisory personnel.

According to the feedback from the participants, the training programme developed above all the ability to identify existing strengths and areas needing development, as well as cooperation skills, and highlighted the importance of giving feedback.



## **Developing and ensuring comprehensive well-being at work are paramount factors for Componenta.**

### **Development discussions**

Personnel skills and the achievement of goals are surveyed at development discussions. At these discussions, supervisors assess and discuss with employees their goals, plans, abilities, and opportunities for career development. Through these discussions the company wishes to ensure that each employee recognizes their own goals in relation to company goals and is able to utilise and continuously develop their expertise.

### **Wellbeing and occupational safety**

Developing and ensuring comprehensive well-being at work are paramount factors for Componenta. We comply with the local regulations and rules related to production and support functions in all of our countries of operation. The required occupational health and well-being services are provided to employees at each unit. We aim to minimise and prevent the risk of accidents. We arrange occupational safety training at our units on a regular basis and make sure that our employees have up-to-date, appropriate and sufficient tools at their disposal. During 2016 there were no serious accidents at work or fatal incidents at Componenta.

To help maintain our employees' capacity to work, we provide comprehensive occupational healthcare services in all countries of operation. The aim is to significantly reduce absence due to illness through preventive measures. Componenta arranges various personnel events related to both physical and mental well-being and coping at work to support well-being at work and prevent diseases. Various sports and leisure events were arranged in every country of operation in 2016. These included golf tournaments, football matches and a variety of excursions.

### **Safeguarding resources for the future**

Over the years, Componenta has established a strong collaboration network with certain universities and colleges that provide education to students in our field. The collaboration with these institutes was continued in 2016 by, among other things, organising foundry visits for students and taking part in student trade fairs.

In addition to cooperation with educational institutes, we cooperate with other institutions and organizations and take part in key local events.

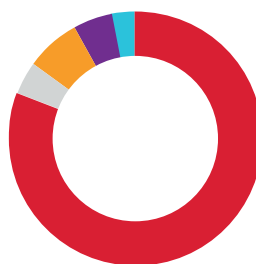


### Personnel by country



- Finland 53 % (61 %)
- Sweden 47 % (39 %)

### Personnel by function



- Production (blue collar) 81 % (74 %)
- Production management 4 % (4 %)
- Administration and management 7 % (10 %)
- Quality and maintenance 5 % (6 %)
- Sales, product development and purchasing 3 % (6 %)

### Personnel age structure



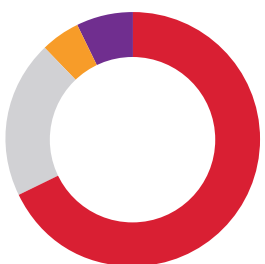
- 18-29, 12 % (12 %)
- 30-39, 23 % (26 %)
- 40-49, 29 % (27 %)
- 50-59, 26 % (26 %)
- 60-69, 10 % (9 %)

### Employment years



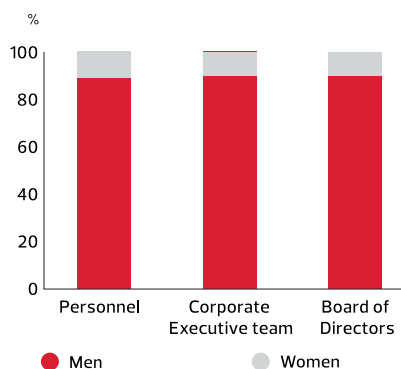
- 0-4, 26 % (23 %)
- 5-9, 15 % (20 %)
- 10-14, 17 % (17 %)
- 15-19, 11 % (11 %)
- 20-24, 15 % (14 %)
- 25-29, 7 % (6 %)
- 30-34, 3 % (3 %)
- 35-39, 2 % (3 %)
- yli 40, 4 % (3 %)

### Education



- High school or vocational school 68 % (62 %)
- Basic education 20 % (19 %)
- University degree 5 % (11 %)
- Polytechnic or college degree 7 % (8 %)

### Gender distribution of personnel & management %





**” Componenta’s values are a strong foundation for the Group’s daily operations and cooperation with stakeholders.**

# Responsible management

Componenta's values of Openness, Honesty and Respect are a strong foundation for the Group's daily operations and cooperation with stakeholders.

Our common operating principles and policies, the Group's management principles and the Code of Conduct, guarantee consistent internal processes and cooperation practices regardless of the location and country of the unit or function. In our business operations, we comply with all current laws and regulations and generally accepted business practices in all the countries in which we operate.

We respect our employees' rights and local labour laws everywhere and under all circumstances. International agreements on human rights and equality are integrated into Componenta's operating culture.

The production of cast components involves environmental impacts, which we strive to minimise by developing more environmentally friendly production methods and processes. Through component engineering, we can also reduce the environmental impacts arising from the use of the end product.

The administration and management of Componenta Corporation are based on Finnish legislation, the company's Articles of Association, the rules of the Helsinki stock exchange and the regulations and instructions issued by the Finnish Financial Supervisory Authority. Componenta complies with the Corporate Governance Code for Finnish listed companies.

Risk management is part of the company's monitoring system which ensures that the risks to which our business is exposed are identified, evaluated and monitored. This allows us to anticipate threats to and opportunities for business operations and ensure business continuity.

# Board of Directors



## Matti Ruotsala

b. 1956, M.Sc (Eng.)  
Board Member since 2012,  
Chairman since 2015 –

### Main occupation:

Deputy CEO of Fortum Corporation 2016 –

### Primary work experience:

COO of Fortum Corporation 2014 – 2016,  
Executive Vice President of Power Division 2009  
– 2014 and President of Generation at Fortum  
Corporation 2007 – 2009, Managing Director of  
Valtra Ltd 2005 – 2007 and Vice President of AGCO  
Corporation 2005 – 2007, Chief Operating Officer  
(COO) and Deputy to CEO at Konecranes Plc 2001  
– 2005, Several senior and managerial positions at  
Konecranes Plc and Kone Corporation 1982 – 2001.

### Positions of trust:

Kemijoki Oy:n, PKC Group Oy:n ja Teollisuuden Voima  
Oy:n hallituksen puheenjohtaja  
Oy Halton Group Ltd:n hallituksen jäsen

### Componenta shares:

40,000



## Olavi Huhtala

b. 1962, B.Sc. (Eng.)  
Board Member since 2014,  
Vice Chairman since 2015 –

### Main occupation:

Executive Vice President and Head of SSAB Europe  
2014 –

### Primary work experience:

Executive Vice President, Ruukki Metals 2009 – 2014.  
President at Ruukki Metals 2005 – 2009,  
President at Ruukki Fabrication 2003 – 2004,  
Rautaruukki Metform, marketing and executive  
duties 2000 – 2003.

### Positions of trust:

Member of the Board of Directors of Helens Rör AB  
and the Federation of Finnish Technology Industries  
Chairman of the Board of the Association of Finnish  
Steel and Metal Producers

### Componenta shares:

30,000



## Olli Isotalo

b. 1959, M.Sc. (Eng.)  
Board Member since 2015

### Main occupation:

CEO of Patria Group 2016 -

### Primary work experience:

President at Cargotec Corporation, Kalmar 2012 - 2016,  
Executive Vice President, Cargotec Corporation,  
Marine 2006 - 2012,  
President of Bromma Conquip AB 2003 - 2006,  
Managing Director of Velsa Oy 1999 - 2002,  
Vice President, Technology and Production Development  
at Kalmar Industries AB 1997 - 1999.

### Positions of trust:

Member of the Board of Directors of the Federation of  
Finnish Technology Industries

### Componenta shares:

-



## Perttu Louhiluoto

b. 1964, M.Sc. (Econ.), Master of Laws  
Board Member since 2015

### Main occupation:

President at Metso Corporation, Services 2015 -

### Primary work experience:

President, Metso Corporation, Flow Control 2014 -  
2015, Automation 2012 - 2014, President, Energy and  
Environment Technology, Metso Corporation 2011 - 2011,  
Senior Vice President, EMEA Market Area, Mining and  
Construction Technology, Metso Corporation 2009 - 2011,  
Senior Vice President, Operational Excellence, Metso  
Corporation 2008 - 2009, McKinsey & Company, Partner  
2000 - 2008, various positions 1991 - 1999.

### Positions of trust:

Member of the Board of Directors of Cramo Group

### Componenta shares:

-



## Riitta Palomäki

b. 1957, M.Sc. (Econ.)  
Board Member since 2012

### Main occupation:

CFO at Uponor 2009 -

### Primary work experience:

CFO at Kuusakoski Group Oy 2003 - 2009,  
Vice President, Controlling at ABB Oy 2001 - 2003,  
Financial Director, Standard Lifting Equipment at  
Konecranes Plc 1997 - 2001,  
Financial Director at ABB Service Oy 1991 - 1997,  
Various managerial positions within ICT at ABB  
Industry Oy 1983 - 1991.

### Positions of trust:

Member of the Board of Directors of Nordic  
Waterproofing Holding A/S

### Componenta shares:

20,000



## Tommi Salunen

b. 1972, M.Sc. (Econ.)  
Board Member since 2013

### Main occupation:

Chairman and Managing Partner, Aava Advisors Oy  
since 2012

### Primary work experience:

Head of investment banking Helsinki at Carnegie  
Investment Bank Ab 2010 - 2012 and director and  
senior adviser 2008 - 2010,  
CEO at Kaupthing Bank Oyj 2006 - 2007,  
Expert positions at Nordea 1998 - 2006.

### Positions of trust:

Member of the Board of Directors of  
Staffpoint Holding Oy

### Componenta shares:

30,000

# Corporate Executive Team



**Harri Suutari**

b. 1959, B.Sc. (Eng.)  
President and CEO 2015 -

**Primary work experience:**

Board professional 2012 - 2015,  
President and CEO at PKC Group Oyj 2002 - 2005,  
and 2008 - 2012,  
President and CEO at Ponsse Oyj 1994 - 2000,  
President and CEO at Kajaani Automatiikka Oy 1984 - 1996.

**Componenta shares:**

2,499,000



**Seppo Erkkilä**

b. 1960, M.Sc. (Eng.)  
Senior Vice President, Finland  
business area 2016 -

**Primary work experience:**

Vice President, Componenta Foundries in Finland  
2012 - 2016 and Operations in Finland 2012, Business  
Unit Director of Pori foundry 2006 - 2012, Director of  
Pietarsaari operations 2011 - 2012,  
Managing Director at Vertek Oy 2005 - 2006,  
Managing Director at UTU ELEC Oy 2001 - 2004,  
Vice President of UTU Switchgear 2003 - 2004,  
General Manager at Polimoon Oy 1990 - 2001.

**Componenta shares:**

4,020



## Marko Karppinen

b. 1971, M.Sc. (Econ.)  
CFO 2016 –

### Primary work experience:

Senior Vice President, Development, Componenta Corporation 2016, Vice President, Business Development, Componenta Turkey 2016, Director, Internal Audit at PKC Group Plc 2013 – 2016, Senior Vice President, Business Development at PKC Group USA Inc 2011 – 2013, CFO at Proventia Group Oy 2007 – 2011, CFO at PKC Group Plc 2003 – 2007, CFO and other financial positions at Ponsse Plc 1994 – 2001

### Componenta shares:

–



## Fredric Lindahl

b. 1971, Degree in Design engineering and studies in Industrial Economics. Senior Vice President, Främmestad machine shop 2016 –

### Primary work experience:

Key Account Manager, Componenta Group, 2015 – 2016, Account Manager, Construction and Mining, Componenta Group 2011 – 2015, Head of sales office in Sweden, Rieter Automotive, 2008 – 2011, Several sales and client manager positions related to Volvo Cars, Saab Automobile AB and Suzuki, Rieter Automotive 1994 – 2008.

### Componenta shares:

–



## Pasi Mäkinen

b. 1969, B.Sc. (Eng.)  
Senior Vice President, Turkey,  
Iron business area 2016 –

### Primary work experience:

Business Unit Director of Componenta Orhangazi (Turkey) 2015 – 2016, Vice President, Valmet Technologies Inc., Foundry Operations 2013 – 2015, President at Metso Foundries Jyväskylä Oy 2008 – 2013, Production Manager at Valmet Oyj/Metso Paper Oy/Metso Foundries Jyväskylä Oy 1999 – 2008.

### Componenta shares:

500



## Pauliina Rannikko

b. 1970, LL.M., M.Sc. (Econ.)  
Senior Vice President, Human  
Resources and Legal 2015 –

### Primary work experience:

General Counsel and Senior Vice President, Legal and Risk Management, Componenta Group, 2010 – 2015, Group General Counsel, Onninen Oy 2007 – 2010, Managerial and expert positions at Finnair Oyj and Roschier, Attorneys Ltd 1997 – 2007.

### Componenta shares:

600



## Mikael Schill

b. 1978, M.Sc. (Business Administration)  
Senior Vice President, Forging 2016 –

### Primary work experience:

Business Unit Controller, Componenta Wirsbo AB ja Componenta Arvika AB 2010 – 2016, Purchasing Manager, Componenta Wirsbo AB ja Componenta Arvika AB 2015 – 2016, HR Manager, Componenta Wirsbo AB ja Componenta Arvika AB 2014 – 2015, Assistant Controller, Componenta Wirsbo AB 2008 – 2010.

### Componenta shares:

–



## Sabri Özdoğan

b. 1975, B.Sc. (Eng) Senior Vice President, Turkey,  
Aluminum business area 2016 –

### Primary work experience:

Business Unit Controller, Componenta Wirsbo AB and Componenta Arvika AB 2010 – 2016, Purchasing Manager, Componenta Wirsbo AB and Componenta Arvika AB 2015 – 2016, HR Manager, Manager, Componenta Wirsbo AB and Componenta Arvika AB 2014 – 2015, Assistant Controller, Componenta Wirsbo AB 2008 – 2010.

### Componenta shares:

513



**“ Our goal is to provide comprehensive information about Componenta, its business environment and financial standing.**



# Information for shareholders

## Annual General Meeting

The Annual General Meeting of Shareholders of Componenta Corporation will be held at 1.00 pm on Friday 5 May 2017 in the SATO-talo auditorium at Panuntie 4, 00610 Helsinki.

## Right to participate

Shareholders who are registered on the record date for the Annual General Meeting, 24 April 2017, in the company's shareholder register maintained by Euroclear Finland Oy are entitled to participate in the AGM.

## Notice of attendance

Shareholders registered in the shareholder register who wish to participate in the AGM shall give notice of their attendance by 16.00 pm on 2 May 2017, in writing to Componenta Corporation, Panuntie 4, 00610 Helsinki, Finland, by telephone to +358 10 403 2202 or by email to [ir.componenta@componenta.com](mailto:ir.componenta@componenta.com). Letters or messages with notice of attendance must arrive before the close of the period for giving notice.

## Dividend and dividend policy

The Board of Directors proposes to the AGM that no dividend be paid for the fiscal year 1 January – 31 December 2016.

## Financial information in 2017

- Interim Statement for January – March 2017 on Friday 16 May 2017
- Half-year Financial Report for January – June 2017 on Tuesday 18 August 2017
- Interim Statement for January – September 2017 on Wednesday 16 November 2017

Componenta's publications and releases are available on Componenta's website immediately after publication. Componenta's 2016 Annual Report has been created as an interactive pdf and is available on Componenta's website at [www.componenta.com](http://www.componenta.com). Previous annual reports, sustainability reports and interim reports are also available on the company's website. A printed version of a publication can be ordered by email from [ir.componenta@componenta.com](mailto:ir.componenta@componenta.com). By registering on Componenta's website you can receive in your email all the releases published by the company immediately after they are published. All Componenta's financial publications are in Finnish and English.

## Investor relations and contact details

Our goal is to provide comprehensive information about Componenta, its business environment and financial standing in support of investment decisions. Before publishing the financial statements releases and interim reports we observe a 30 day silent period, when we do not hold meetings with investors or comment on financial performance.

Componenta serves investors and shareholders by email at [ir.componenta@componenta.com](mailto:ir.componenta@componenta.com).

# COMPONENTA

Casting Future Solutions