Annual review
2017

COMPONENTA

Contents

Componenta in brief

Componenta is an international technology company. Componenta specializes in supplying cast and machined components to its global customers, who are manufacturers of vehicles, machines and equipment. The company's shares are listed on Nasdaq Helsinki.

	2017	2016	Change, %
Key figures for continued operations *)			
Order book, MEUR	23.6	20.4	16%
Net sales, MEUR	122.4	138.9	-12%
EBITDA, MEUR	29.8	-11.7	-
EBITDA, %	24.3	-8.4	-
Operating result, MEUR	26.3	-32.3	-
Operating result margin, %	21.5	-23.3	-
IFRS-based key figures			
Basic earnings per share, e	0.70	-1.64	-
Equity ratio, %	34.8	-165.3	-
Group's restructuring debt, MEUR	19.0	163.4	-88%
Number of personnel at end of period, incl. leased personnel	691	664	4%
Alternative performance measures			
Adjusted net sales, MEUR	122.4	122.0	0%
Adjusted EBITDA, MEUR	4.8	0.8	472%
Adjusted EBITDA margin, %	3.9	0.7	-
Adjusted operating result, MEUR	2.9	-6.1	-
Adjusted operating margin, %	2.4	-5.0	-

*) The alternative performance measures and reconciliation calculations for comparable performance measures are presented on pages 102 in the Financial Statements.

Year 2017 in brief

- Componenta's continued operations returned to profitability in 2017 due to restructuring measures.
- The order book of continued operations stood at EUR 23.6 million (EUR 20.4 million) at the end of 2017.
- The net sales of the Group's continued operations for the financial year remained largely unchanged compared to the previous year's net sales and amounted to EUR 122.4 million (comparable adjusted EUR 122.0 million).
- The adjusted EBITDA of continued operations was EUR 4.8 million (comparable adjusted EUR 0.8 million) and the adjusted operating result was EUR 2.9 million (comparable adjusted EUR -6.1 million).
- The corporate restructuring programmes of the parent company and Componenta Finland Ltd were confirmed by district court decisions on 23 August 2017. The five-year payment programmes stipulated by the restructuring programmes will go into effect in May 2019.
- The restructuring programme of the Swedish subsidiary Componenta Främmestad AB was confirmed on 3 July 2017.
- The shares in the Turkish subsidiary, Componenta Dökümcülük Ticaret ve Sanayi A.Ş., were sold according to plan in a transaction completed on 27 September 2017. In connection with the transaction, the Turkish club loan banks discharged Componenta Corporation from all liabilities and obligations based on the club loan agreement, including the discharge from a loan guarantee of EUR 80 million.
- Componenta Wirsbo AB and Componenta Arvika AB, which were both subject to corporate restructuring proceedings, were declared bankrupt on 17 July 2017.
- Componenta will continue its systematic efforts to satisfy the obligations stipulated by the restructuring programmes.

Componenta focus on contract workshop operations in Finland and Sweden.

Foundry in Karkkila, Finland
Capacity: 30,000 tpa

Foundry in Pori, Finland
Capacity 17,600 tpa

Workshop in Främmestad, Sweden
• machining
• painting
• assembly

CEO's review

The year 2017 was the Group's first profitable financial year since 2009. We continued to systematically implement restructuring measures and focused on improving Componenta's profitability. The restructuring programmes of the parent company and its operational subsidiaries were confirmed in Finland and Sweden. Following the confirmation of the restructuring programmes, the Group companies' debt burden in foundry operations was reduced to a level that can, to the best of my understanding, be managed with cash flow from operations.

The Group is no longer engaged in the forge business after Componenta Wirsbo AB and Componenta Arvika AB, which had been under corporate restructuring, filed for bankruptcy in July. The forge companies were unable to pay their restructuring debts within the specified time. I have no regrets about the loss of the forge business, as its profitability was low and it would have required a very significant injection of working capital. As the forge business has had no synergies with the foundry business, its loss has no negative impact on the remaining business operations.

As planned, we divested the highly indebted Turkish foundry business by agreeing on the sale of our shares in Componenta Dökümcülük Ticaret ve Sanayi A.Ş. Componenta's guarantee liabilities were reduced by EUR 80 million in connection with the transaction.

The restructuring measures taken by the Group have been essential for securing Componenta's future. The measures have led to a downsizing of the Group's business, but also a substantial reduction in the Group's debt. At the balance sheet date, the Group's equity ratio stood at 34.8% (-165.3%).

Componenta Främmestad AB paid off all of its short-term restructuring debt after the end of the financial year. As of the time of writing, the Group has approximately EUR 15.3 million in long-term external interest-free restructuring debt, of which EUR 2.5 million is in Sweden and the rest is in the Group companies in Finland, as well as EUR 0.8 million in interest-bearing long-term restructuring debt.

The Finnish Group companies must pay external restructuring debts amounting to approximately EUR 1.7 million per year from 2019 to 2022. The remaining amount, approximately EUR 7.2 million, must be paid in 2023. The Swedish Group company must pay an external restructuring debt of EUR 2.5 million within the next six years if the company's result makes payment possible.

The improved profitability was primarily due to lower fixed costs. The Group also implemented operational efficiency improvement measures in 2017 to not only achieve cost savings, but also to ensure the quality of our products. Close cooperation with customers is at the heart of our day-to-day operations. Our goal has been to ensure that the renewal measures and changes in our operations correspond to customer needs. Having stabilised our operations, we will focus even more on the growth of our operations, particularly with respect to our existing customers. We adopted a flat line organization structure in 2016 and transferred the customer service function to our production facilities. This has substantially improved our service capacity and will enable improved profitability going forward.

I thank all of our customers, shareholders, suppliers, service providers and particularly our personnel for committing to securing Componenta's continuity.

Report by the Board of Directors 2017

Summary of main events in 2017

Componenta's continued operations returned to profitability in 2017 due to restructuring measures. The order book of Componenta's continued operations stood at EUR 23.6 million (EUR 20.4 million) at the end of 2017. The net sales of the Group's continued operations for the financial year remained largely unchanged compared to the previous year's adjusted net sales and amounted to EUR 122.4 million (EUR 122.0 million). The adjusted EBITDA of continued operations was EUR 4.8 million (EUR 0.8 million) and the adjusted operating result was EUR 2.9 million (EUR -6.1 million).

In 2017, Componenta focused on restructuring its operations and continued to divest its most heavily indebted businesses. The corporate restructuring programmes of the parent company and Componenta Finland Ltd were confirmed by district court decisions on 23 August 2017. The five-year payment programmes stipulated by the restructuring programmes will go into effect in May 2019. The restructuring programme of the Swedish subsidiary Componenta Främmestad AB was confirmed on 3 July 2017. The company is due to pay its restructuring debts by July 2018. Componenta will continue its systematic efforts to satisfy the obligations stipulated by the restructuring programmes.

The shares in the Turkish subsidiary, Componenta Dökümcülük Ticaret ve Sanayi A.Ş., were sold according to plan in a transaction completed on 27 September 2017. The agreement covered all of the Company's iron, machine shop and aluminium business in Turkey. The transaction had no cash flow impact. In connection with the transaction, the Turkish club loan banks discharged Componenta Corporation from all liabilities and obligations based on the club loan agreement, including the discharge from a loan guarantee of EUR 80 million.

Componenta Wirsbo AB and Componenta Arvika AB, which were both subject to corporate restructuring proceedings, were declared bankrupt on 17 July 2017. The six-month restructuring debt payment periods imposed on the companies proved to be too short.

The Componenta Group's total debt has been substantially reduced as a result of restructuring measures. At the balance sheet date, Componenta had a total of EUR 19.0 million in external restructuring debt. In addition, Componenta had approximately EUR 0.1 million of advance payment financing granted by customers in use in Finland at the end of 2017. Componenta Främmestad AB has a capital loan of EUR 27.0 million from its former Turkish subsidiary. This item is included in equity. The loan must be fully paid before Componenta Främmestad AB's potential distribution of dividends.

Pasi Mäkinen was appointed Componenta Corporation's Chief Operating Officer in July 2017. He is in charge of the Group's Finnish foundries in Pori and Karkkila as well as the machine shop located in Främmestad, Sweden.

Restructuring proceedings

The restructuring programme for Componenta Främmestad AB was confirmed by the ruling of the District Court of Skaraborg on 3 July 2017. In accordance with the court ruling, the company was to pay restructuring debts of around EUR 2.6 million to creditors outside the Componenta Group and salary guarantee of EUR 0.6 million to Swedish government within 12 months. The sufficient support by the creditors was a prerequisite for the confirmation of the restructuring programme and it was obtained as Componenta Främmestad AB and Componenta Turkey signed in May 2017 a separate agreement regarding EUR 10 million restructuring debt receivable of Componenta Dökümcülük Ticaret ve Sanayi A.Ş.. According to the agreement, the debt is cut by 75% and the remaining EUR 2.5 million shall be paid back within a period of six years, after the repayment of the other restructuring debt. The repayment is tied to the EBITDA of Componenta Främmestad AB.

The District Court of Helsinki confirmed the restructuring programmes for Componenta Corporation and its subsidiary Componenta Finland Ltd on 23 August 2017. In accordance with the restructuring programme the unsecured debts of Componenta Corporation were cut by approximately 94% due to the exclusion of Turkey's loan guarantee liability and the debts with lowest priority were cut in their entirety. The secured debts of Componenta Finland Ltd will be paid in their entirety, whereas unsecured debts were cut by 75%. At the end of the financial year Componenta's external restructuring debts were EUR 19.0 million of which Componenta Corporation's share was EUR 7.8 million, Componenta Finland Ltd's share was EUR 5.8 million and Componenta Främmestad AB's share EUR 5.4 million. The payment programmes for both Finnish companies will commence in May 2019 and end in November 2023. The payment programme for the whole Group will end in 2024. By reason of the debt cuts Componenta Group's debts that are recorded in balance sheet were reduced by EUR 130.2 million, which strengthens the equity through the result.

Componenta signed on 4 August 2017 an agreement to sell its shareholding in Componenta Döküm-cülük Ticaret ve Sanayi A.Ş., amounting to 93.6% of the company's shares and votes, to Döktaş Metal Sanayi ve Ticaret A.Ş. The transaction was completed on 27 September 2017. In connection with the closing of the sale of the shareholding the Turkish club loan banks have discharged Componenta Corporation from all liabilities and obligations based on the club loan agreement, including the discharge from a loan guarantee of EUR 80 million. The completion of sale of shareholding in the Turkish company has some effect on the fulfilment of the restructuring programme of Componenta Corporation, confirmed by the District Court of Helsinki on 23 August 2017. The loan guarantee of EUR 80 million to the Turkish club loan banks has been taken into account as a conditional and maximum amount in the confirmed restructuring programme since the Turkish club loan banks had not yet discharged Componenta Corporation from the loan guarantee by the time of confirmation of the restructuring programme. As the sale of shareholding has been completed the guarantee liability of EUR 80 million will be excluded from Componenta Corporation's debts that have been taken into account as a conditional and maximum amount in the restructuring programme.

On grounds of the supplementary payment obligation included in the restructuring programme the company's unsecured creditors are entitled to a proportion corresponding payment to the restructuring debt of EUR 80 million i.e. a supplementary payment of total EUR 3.2 million in the last payment date of the payment programme in November 2023. The supplementary payment will be paid to the unsecured creditors in accordance with the restructuring programme in proportion to their receivables. The restructuring programme of Componenta Corporation still contains approximately EUR 7.3 million other debts that have been taken into account as a conditional and maximum amount, for which the payments of approximately EUR 0.3 million have been allocated in accordance with the payment programme included in the restructuring programme. The total external restructuring debts in the balance sheets of Componenta Corporation and Componenta Finland Ltd will after the debt cuts be EUR 13.6 million as the supplementary payment obligation following the exclusion of the

Repayment schedule for external restructuring debts

MEUR	2018	2019	2020	2021	2022	2023	2024	Total
Componenta Corporation	–	0.7	0.7	0.7	0.7	5.2	–	7.8
Componenta Finland Ltd	–	1.0	1.0	1.0	1.0	2.0	–	5.8
Componenta Främmestad AB	2.9*)	0.4	0.4	0.4	0.4	0.4	0.4	5.4
Total	**2.9**	**2.0**	**2.0**	**2.0**	**2.0**	**7.5**)	**0.4**	**19.0**

*) Componenta Främmestad AB has paid restructuring debts which fall due July 2018 in March 2018.

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

guarantee liability of EUR 80 million and the payments allocated for the debts considered as a conditional and maximum amount have been taken into account. The guarantee liability and other debts that have been considered as a conditional and maximum amount had earlier been taken into account in liabilities outside the balance sheet.

Componenta Corporation and Componenta Finland Ltd may be obligated to make supplementary payments due to better-than-expected cash flow. Possible obligation to make supplementary payment is not included in the figures above.

Discontinued operations

The Group companies Componenta Wirsbo AB and Componenta Arvika AB, both located in Sweden, were declared bankrupt on 17 July 2017. As a result, the Componenta Group no longer operates in the forge business. The operations of the Wirsbo sub-group have been classified as discontinued operations in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations" and the consolidation of Componenta Wirsbo AB and Componenta Arvika AB in the consolidated financial statements was discontinued in the third quarter of 2017. The discontinued operations in the 2016 financial year included the sub-groups in the Netherlands and Turkey. Net sales for discontinued operations in the review period were EUR 27.2 million (EUR 311.2 million). The operating result of discontinued operations in the review period were EUR 36.4 million (EUR -81.1 million). The combined result of the discontinued operations was EUR -4.8 million (EUR -209.5 million). The result for discontinued operations in the year excluding items affecting comparability was EUR 0.1 million (EUR -15.8 million) and the estimated operating profit excluding items affecting comparability was EUR 0.2 million (EUR 2.1 million).

Continued operations

Continued operations in the review period were the foundry operations in Pori and Karkkila, Finland, and the machine shop in Främmestad, Sweden. In addition, the continued operations included real estate companies of minor importance in Finland.

Operating segments and change in reporting in 2017

The primary products sold by Componenta are non-machined, machined and painted iron cast components. Sales revenue that is insignificant from the Group's perspective is received from the leasing of office space and industrial premises. Following the Group's restructuring, Componenta had one reporting segment at the end of 2017.

The Group's chief decision maker in operational questions is the CEO, who also serves as the Chairman of the Board of Directors in all of the parent company's subsidiaries. The Group's Corporate Executive Team and other management assist and support the President and CEO in carrying out his duties.

Order book

Componenta's order book of continued operations at the beginning of 2018 was 16% large than in the previous year, standing at EUR 23.6 million (EUR 20.4 million). The order book comprises confirmed orders for the customers of next two months.

Net sales

Comparable net sales for current continued operations in 2018 period was at the same level as in previous year, standing EUR 122.4 million (EUR 122.0 million). The net sales in accordance with the IFRS in the review period was EUR 138.9 million (2015: EUR 210.1 million, the figure for continued operations were published in 2016 financial statement and includes Wirsbo sub-group).

By customer sector, Componenta's net sales was composed of as follows: heavy trucks 65% (73%) and other industries in total 35% (27%).

Result

The adjusted EBITDA of the Group's continued operations improved from the previous year and amounted to EUR 4.8 million (EUR 0.8 million). The adjusted EBITDA for the review period was particularly improved by lower fixed costs as well as the efficient planning and implementation of production and logistics, which was enabled by the Group's liquidity being better than in the comparison period. The effect of exchange rate differences on EBITDA was EUR -0.1 million (EUR -2.2 million). Factors with a negative impact on profitability included the temporary cancellation of the Finnish energy tax refund, the effect of higher raw material prices at the foundries and special freight costs related to Componenta Dökümcülük Ticaret ve Sanayi A.Ş.'s delivery problems. The temporary cancellation of the energy tax refund in Finland ended after the district court confirmed the restructuring programmes on 23 August 2017.

The operating result of the Group's continued operations was EUR 26.3 million (2016: EUR -32.3 million; 2015: EUR -18.5 million, includes Wirsbo sub-group). The operating result margin of the Group's continued operations was 21.5% (2016: -23.3%; 2015: -8.8%, includes Wirsbo sub-group). The adjusted comparable operating result of the Group's continued operations improved from the previous year and amounted to EUR 2.9 million (EUR -6.1 million). The adjusted operating result was improved by the higher EBITDA as well as the depreciation of machinery and equipment being lower than in the previous year by EUR 5.2 million. Depreciation on machinery and equipment was reduced due to impairment recognised in previous years, which meant that the depreciable amount was smaller than in the reference period. The operating result according to IFRS for continued operations during the review period, including items affecting comparability, was EUR 26.3 million (EUR -32.3 million). The items affecting comparability in the operating result were positive at EUR 23.4 million (EUR -29.8 million) as a consequence of cuts in the restructuring debts amounting to EUR 30.6 million, the impairment of the assets of service companies amounting to EUR -2.6 million and restructuring and reorganization costs of EUR -1.4 million.

Changes in the value of investment properties were recognised in the amount of EUR -2.6 million due to progress made in the process of selling properties and the preliminary offers received in connection with these processes. In addition, impairment of EUR -1.6 million was recognised on long-term capital goods.

The comparable net financial costs of the Group's continued operations, excluding items affecting comparability, totalled EUR -0.4 million (EUR -9.8 million) for the financial year. The financial costs decreased due to the restructuring proceedings and financing arrangements. No accrued interest costs were recorded in the review period for unsecured interest-bearing debts under the restructuring process. This is because they have been treated as lowest priority debt whereupon the accrued interest has been cut by 100 per cent after the beginning of the restructuring process. Net financial items for continued operations, including items affecting comparability, amounted to EUR 102.1 million (EUR 33.1 million).

The adjusted result of continued operations, after financial items, was EUR 2.5 million (EUR -12.3 million) for the financial year, and the result after financial items for continued operations, including items affecting comparability, was EUR 128.3 million (EUR 0.8 million). The items affecting comparability in the result for the financial year, after financial items, totalled EUR 125.8 million (EUR 13.1 million). The items affecting comparability included in the result for continued operations for the financial year, EUR 126.1 million in total, consisted mainly of cuts in the restructuring debts in the Finnish and Swedish companies, EUR 130.2 million, and, in addition to the previously mentioned, of items recognised in relation to Componenta Corporation's guarantee liabilities, EUR -3.2 million, due to the more accurate specification of the Group's restructuring debts. The guarantee liability and other debts that have been considered as a conditional and maximum amount had earlier been taken into account in off-balance sheet liabilities.

Taxes for the period for continued operations totalled EUR 0.5 (EUR -6.9 million). Taxes for the period include impairment of EUR 0.0 million (-5.4 million) on deferred tax assets related to confirmed losses in Finland and Sweden and other impairment totalling EUR 0.0 million (EUR -1.8 million) was recognised in Finland and Sweden for net deferred taxes. The impairment was recognised due to the considerable uncertainty surrounding the Company's viability as a going concern and the uncertainty related to the utilisation of the deferred tax assets in question.

The result in the year for discontinued operations, including impairment on the net assets of the Wirsbo sub-group as a result of derecognition, and the impairment recorded by Group companies under continued operations concerning receivables from and shareholdings in the Wirsbo sub-group, totalled EUR

-4.8 million (EUR -209.5 million). The items affecting comparability included impairments on the net assets of the sub-group and impairments recognised for the companies within the Group with continuing operations relating to receivables from, and shares owned in, the Wirsbo sub-group. The result for discontinued operations in the year excluding items affecting comparability was EUR 0.1 million (EUR -15.8 million) and the estimated operating profit excluding items affecting comparability was EUR 0.2 million (EUR 2.1 million).

The Group's profit for the review period was EUR 124.1 million (EUR -215.5 million). Basic earnings per share were EUR 0.70 (EUR -1.64) for the review period and the basic earnings per share for continued operations were EUR 0.73 (EUR -0.05).

The Group's equity was positive on the financial statements date. However, calculating return on equity in 2017 is not appropriate because the figure used for equity in the formula is the average of the four quarters, which would be negative (2016: n/a, 2015: -92.6%).

Balance sheet, financing and cash flow

At the end of the financial year, Componenta's cash funds and bank receivables totalled EUR 5.5 million (EUR 4.4 million). The liquidity of the Company's continued operations was higher during the review period than in the reference period, which enabled more efficient production operations. The Company had no committed credit facilities at the end of the review period. Componenta made financing agreements in late 2016 with major clients in Finland and Sweden based on advance payments. The advance payment based loan amount raised at the end of the review period was EUR 0.1 million. Advance payment financing will be discontinued when the loans are repaid in their entirety, using operational income, in early 2018.

At the end of the financial year, the Componenta Group's external restructuring debts amounted to EUR 19.0 million, of which Componenta Corporation's share was EUR 7.8 million, Componenta Finland Ltd's share was EUR 5.8 million and Componenta Främmestad AB's share EUR 5.4 million (of which EUR 2.5 million was attributable to Turkey, EUR 2.3 million to other external creditors and EUR 0.6 million salary guarantees to the Swedish state). Of the restructuring debts outside the Group, EUR 19.0 million, EUR 2.9 million was short-term debt. In addition, there are short-term account payables, accrued debts and other debts, amounting to EUR 15.4 million (EUR 89.1 million). The external restructuring debt includes EUR 1.4 million in interest-bearing debt, of which EUR 0.6 million is short-term. Net gearing stood at -16.2% at the end of 2017. Calculating the comparison figure for 2016 is not appropriate due to negative equity. At the end of December 2017, the Group's equity ratio stood at 34.8% (2016: -165.3%, 2015: 4.6%). Pursuant to the local financial reporting practices, each of the Group companies had positive equity at the end of the financial year: The equity figures were EUR 15.2 million for Componenta Corporation, EUR 7.8 million for Componenta Finland Ltd and EUR 14.5 million for Componenta Främmestad AB. The Group's equity was positive at EUR 18.3 million. The Group's equity was also improved by the fact that the EUR 27.0 million capital notes received from Componenta Dökümcülük Ticaret ve Sanayi A.Ş. were classified as a equity instrument in the third quarter. According to the agreement, the capital loan carries no interest and no repayment schedule has been specified for it. The loan must be fully paid before Componenta Främmestad AB can distribute dividends.

The net cash flow from operations in the financial year for continued operations was EUR 2.8 million (EUR -10.9 million). The improved cash flow for continued operations is due to the higher profitability of operations. Changes in working capital during the review period amounted to EUR 2.7 million (EUR 3.9 million). The decrease in funds tied up in working capital is attributable to cuts to accounts payable, which accounted for EUR 32.5 million. Changes in the payment terms of accounts payable and trade receivables also contributed to the change in working capital. Accounts payable have been paid off in advance and with very short payment periods. Trade receivables have also been collected faster, with shorter payment periods. At the end of the financial year the net operating profit was EUR 12.6 million.

Investments

Investments in production facilities in the financial year totalled EUR 2.8 million (EUR 19.9 million) of which financial lease investments accounted for EUR 0.7 million (EUR 6.4 million) of these. Production investments for continued operations totalled EUR 1.6 million (EUR 0.8 million) and for discontinued operations EUR 1.2 million (EUR 19.1 million). The net cash flow from investments was EUR -2.6 million (EUR -0.9 million), which includes the cash flow from the Group's investments in tangible and intangible assets, and the cash flow from thesale of fixed assets and businesses. The investment net cash flow of continued operations was EUR -1.4 million (EUR 7.9 million).

Research and development activity

In 2017 the research and development expenses of Componenta's continued operations totalled EUR 0.0 million (EUR 0.2 million), which is equivalent to 0.0% (0.0%) of the Group's turnover for continued operations. Research and development costs are very low since Componenta carries on order machine shop business and therefore it does not have own products worth mentioning.

Statement of non-financial information

Sustainability is an integral part of Componenta's operations and it is based on the company's values, strategy and operating methods. Componenta's approach to sustainability covers both strategic planning and short-term planning. The development of key sustainability indicators is monitored and analysed on a continuous basis. The company's management sets annual targets for the most significant aspects of sustainability, and an action plan with the relevant responsibilities is prepared to support the achievement of the targets.

From the perspective of sustainability, the most significant aspects of Componenta's operations are environmental responsibility and the well-being of personnel. Componenta operates in an industry in which environmental responsibility issues are of central importance. The production of cast components requires plenty of energy, and the production process also generates significant amounts of spent sand, slag and waste. Information related to environmental responsibility is reported for the Group's production units in Finland and Sweden that have a significant environmental impact. As Componenta's industry is also very labour-intensive, personnel costs and investments in employee well-being and competence have a significant impact on the company's success. The figures pertaining to social responsibility and employees cover the Group's entire personnel.

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

Description of business model

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

Environmental responsibility

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

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

Componenta's most important objectives related to environmental responsibility are emission prevention, energy efficiency, reducing energy consumption and waste as well as the reuse of waste. Energy consumption is actively monitored and various measures are taken to increase the efficiency of energy consumption, including casting planning and quality development. Energy efficiency is also influenced by production volumes and the evenness of the load. In 2017, Componenta's total energy consumption increased by 5.6% from the previous year to 94 GWh (89 GWh). Of the energy consumed, 80% was electrical energy (78%). The other energy sources were district heat, liquid gas and oil, which represented 20% of total energy consumption (22%). Relative to production volume, the energy consumption of the iron foundries declined by 1.8%. Componenta's target for 2018 is to reduce its relative energy consumption by 2%.

The life cycle environmental impact of a product can be influenced starting from cast component engineering and the choice of materials. The better the quality that is produced, the lower the number of rejected castings and the smaller the consumption of raw material, energy and resources. Promoting the reuse of waste and identifying new options for reuse is a high priority for Componenta. Using recycled material as raw material in production has been an obvious choice for the company for a long time. Most of the raw material used for cast components is recycled metal. In 2017, recycled steel accounted for 61% (52%) of the steel used at the Group's iron foundries.

In proportion to the products manufactured, Componenta's production operations generate a significant quantity of waste in spite of the internal rotation of materials. In 2017, Componenta's production units generated a total of 22,326 (19,871) tonnes of waste, of which approximately 83% (89%) was reused. Nearly all waste generated by Componenta is sorted, and unsorted waste represented only 0.3% (0.4%) of the total waste volume in 2017. The reused waste includes metals, slag, sand and dust. The final products manufactured by Componenta can also be recycled. Componenta's aim is to ensure that all waste sand and dust, in particular, is reused. The target for 2018 is to reuse 89% of the total waste volume.

The most significant emissions from production operations are related to dust generated in foundries. The mould sand and binding agents used in foundries generate dust at various stages of the process. Inside the foundries, dust is controlled by using extraction points, and filtering equipment prevents the dust from escaping into the air outside. Componenta monitors and measures raw material consumption and emissions from production, namely particle and VOC emissions as well as environmental noise caused by production. Foundry dust emissions in 2017 amounted to 0.2 kg per tonne of cast components produced (0.2 kg/tn). An annual target has not been set, as dust emissions are measured at three-year intervals using a certified procedure.

The overall costs of environmental responsibility increased year-on-year mainly due to one-time expenses arising from environmental permit regulations. Environmental expenses include costs that are directly related to the environment, such as waste management, waste water management and activities related to environmental protection. The processing of production waste represents the vast majority of the expenses. In 2017, environmental expenses amounted to 0.9% (0.7%) of the Group's net sales. At Componenta, every investment is also assessed with regard to its environmental impacts. New machinery and equipment and changes in production methods can affect variables such as energy consumption, raw material consumption and emissions. No significant investments were made in 2017.

Social responsibility and employees

At the end of 2017, the average number of personnel in Componenta's continued operations, including leased personnel, was 691 (664). The geographic distribution of personnel (including leased personnel) was that 67% (70%) of the personnel of continued operations were in Finland at the end of 2017, and 33% (30%) were in Sweden. Componenta's HR strategy is part of the Group's business strategy, and it is always firmly linked to business development and strategic focus areas. Social responsibility is based on Componenta's HR policy, management principles and values – Openness, Honesty and Respect. Componenta complies with the local regulations and rules related to production and support functions in all of its countries of operation. In accordance with Componenta's values and management principles, all decisions pertaining to recruitment, remuneration and promotion are exclusively based on the competence and performance of each employee. Each unit has an equality plan that is reviewed annually. Employees also have access to an internal whistleblowing channel for reporting issues such as suspected incidents of discrimination.

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

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

In 2017, the rate of long-term and short-term absences due to illnesses and accidents was 5.7% (6.0%). Componenta has an operational model for responding to absence due to illness. The model highlights cooperation between the employee, the occupational healthcare provider and the HR function. The purpose of the measures taken under the operational model is to prevent illness from developing into disability. The operational model for responding to absence due to illness is being developed further and Componenta will implement various occupational health campaigns in 2018 in cooperation with partners.

Componenta regularly monitors and logs not only actual occupational accidents, but also "close calls". In 2017, the actual rate of occupational accidents leading to absence was 89 accidents per one million working hours, compared to 99 in the previous year. There were no serious occupational accidents or fatalities at Componenta in 2017. The majority of occupational accidents are caused by carelessness or actions that deviate from normal operating procedures. With this in mind, the aim is to anticipate potential hazards and take timely action to intervene in deficiencies related to adherence to the correct working methods. Incidents that led to accidents or close calls are systematically investigated in accordance with the company's operational model and the necessary actions are subsequently taken to update work instructions and increase awareness among the work community. Employees are reminded of the instructions and safe working methods as often as possible. Employees are also encouraged to take initiative in observing potential hazards and report safety-related observations.

In 2018, Componenta will develop a special programme aimed at reducing absence due to illness and occupational accidents. The target under the programme is a rate of absence due to illness of no more than 4% and an accident frequency of less than 70 accidents per one million working hours.

Respect for human rights

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

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

Understanding the principles pertaining to respect for human rights is every Componenta employee's responsibility. One key aspect of Componenta's risk management is the internal whistleblowing channel that employees can use to report suspected incidents of non-compliance with the company's Code of Conduct, such as violations of human rights. Componenta will invest resources in increasing awareness of the whistleblowing channel in 2018. The most significant role with regard to risks identified in the supply chain is played by Componenta's procurement and sales organizations as well as unit-level management and the company's senior management. Previously, Componenta arranged mandatory annual Code of Conduct training for these groups. Due to the corporate restructuring procedures initiated in 2016, this training was not held in 2016 and 2017. Componenta will again arrange normal Code of Conduct training in 2018 for employees in the most relevant positions with regard to the management of ethical risks.

Componenta aims to increasingly assess ethical risks related to business partners before establishing cooperative relationships. In 2018, Componenta aims to incorporate its Code of Conduct in a more concrete manner in its procurement and contracting activities by requiring partners to make a written commitment to adherence with Componenta's Code of Conduct. In practice, this will be achieved by including a separate Code of Conduct form in agreements or by adding a contractual provision regarding the Code of Conduct into the agreements.

Anti-corruption and bribery

Componenta's most significant risks related to anti-corruption and bribery are related to potential violations or negligence related to Componenta's operating principles in the production chain. Negligence of anti-corruption and bribery provisions can pose a reputation risk and a risk of sanctions for Componenta as well as financial losses if production chain partners are not selected based on appropriate criteria related to overall economic considerations. Componenta strives to maintain a fair business culture. The company's Code of Conduct includes instructions related to, among other things, giving and receiving gifts and hospitality as well as avoiding conflicts of interest. Componenta is a politically independent company.

Componenta's operational programme aimed at the identification and prevention of risks related to corruption and bribery includes training for managers and employees. It is considered important that employees understand what bribery is and how it must be prevented at the level of their practical duties. Componenta's procurement and sales organizations as well as unit-level management and the company's senior management play a significant role in anti-corruption and bribery activities. These groups are covered by mandatory Code of Conduct training, which Componenta will again arrange in 2018. Componenta's internal whistleblowing channel also plays an important role in the reporting of suspected incidents of corruption and bribery.

As in the case of social responsibility related to respect for human rights, Componenta aims to incorporate its Code of Conduct in a more concrete manner in its procurement and contracting activities with respect to anti-corruption and bribery in 2018. The aim is to require business partners to make a written commitment to complying with national and international anti-bribery regulations. This will allow Componenta to increasingly choose business partners that have internal anti-bribery policies and processes for monitoring related compliance.

Shares and share capital

The shares of Componenta Corporation are quoted on Nasdaq Helsinki. The average share price during the review period was EUR 0.20, the lowest price was EUR 0.11, and the highest EUR 0.38. The quoted price at the end of year 2017 stood at EUR 0.14 (EUR 0.18). The share capital had a market capitalisation of EUR 25.5 million (EUR 31.7 million) and the volume of shares traded during the period was equivalent to 205.5% (118.6%) of the share stock.

Componenta Corporation's share capital stood at EUR 1.0 million (EUR 21.9 million) at the end of the period. At the end of the period the company had a total of 177,269,224 (176,137,224) shares. The increase in the number of shares results from the conversion of the principal of the convertible loan into shares. During 2017 altogether 1,132,000 new Componenta Corporation shares were subscribed with convertible loan issued in 2016. The company had 7,685 (5,423) shareholders at the end of the review period.

Flagging notices

During the financial year Componenta received four flagging notices as required by the Finnish Securities Market Act in the period 10 February – 3 October 2017. A separate stock exchange release has been published for each flagging notice.

According to these flagging notices, the holding of Ilmarinen Mutual Pension Insurance Company in Componenta Corporation shares and voting rights was fell below 5% on 3 October 2017. The total holding of Etra Capital Oy and Tiiviste-Group Oy, in which Erkki Etola exercises control, in Componenta Corporation shares and voting rights fell below 15% on 22 March 2017. The holding of Sampo Group in Componenta Corporation shares and voting rights fell below 5 % on 10 February 2017. The holding of Mandatum Life Insurance Company Limited in Componenta Corporation shares and voting rights fell below 5 % on 10 February 2017.

Resolutions of the Annual General Meeting

The Annual General Meeting of Componenta Corporation, held on 5 May 2017, adopted the financial statements and the consolidated financial statements for the financial period from 1 January to 31 December 2016 and discharged the members of the Board of Directors and the CEO from liability concerning the financial period. In accordance with the proposal of the Board of Directors, the General Meeting resolved that no dividend will be paid for the financial period ended 31 December 2016.

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

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

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

The General Meeting proposed that out of the loss of EUR 336,419,172.22 related to the financial periods ended on or before 31 December 2016 (the loss of the financial period ended on 31 December 2016 being EUR 236,496,663.78), as shown in the financial statements of the company as per 31 December

2016, a total amount of EUR 233,487,815.06 be covered by reducing the unrestricted equity reserve, the share premium reserve, the reserve fund and the Company's share capital. After these actions the unrestricted equity reserve is EUR 366,000.00,the share premium reserve and the reserve fund is EUR 0.00 and the share capital of the company is EUR 1,000,000.00.

The General Meeting also resolved to cancel the resolution by the General Meeting made on 15 April 2016 to issue a maximum of 10,000,000 option rights to the key employees of the Componenta Group.

Share-based incentive scheme

The Componenta Group does not have a current share-based incentive scheme.

Board of Directors and management

At its organizational meeting held after the Annual General Meeting on 5 May 2017, the Board of Directors elected Petteri Walldén as the Chairman of the Board and Tommi Salunen as the Vice Chairman of the Board.

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

Componenta Group's Corporate Executive Team on 31 December 2017:

- Harri Suutari, President and CEO, b. 1959, B. Sc. (Eng.), since 2015
- Marko Karppinen, CFO, b.1971 M.Sc., since 2016
- Pasi Mäkinen, COO, b.1969, B.Sc. (Eng.), since 2016.

In addition, the following persons have been members of the Corporate Executive Team in 2017:

- Pauliina Rannikko, Senior Vice President, Legal and HR, until 17 April 2017
- Seppo Erkkilä, Senior Vice President, Finland Business Area, until 30 June 2017
- Fredric Lindahl, CEO of Componenta Främmestad AB, until 30 June 2017
- Mikael Schill, CEO of Componenta Wirsbo AB and Componenta Arvike AB, until 17 July 2017
- Sabri Özdoğan, Senior Vice President, Turkey, Aluminium Business Area, until 4 August 2017
- Tuula Rainto, Group General Counsel, 2 May – 22 September 2017.

Risks and factors causing uncertainty to business

The most significant risks to Componenta's business are risks relating to the business environment (competition risk, situation and pricing risk, commodities risks and risks relating to the environment), risks relating to business operations (customer, supplier, productivity, production and process risks, upsets in the employment market, contract and product responsibility risks, personnel and data security risks) and financing risks (risks relating to arranging financing and liquidity; currency, interest and credit risks).

Foreign currency loans, deposits and other natural hedging relationships are used in order to protect from exchange rate fluctuations. Due to the restructuring proceedings, at the moment the company cannot obtain the credit facilities it would need for signing hedging derivatives.

For the Group's business operations it is imperative that it can source certain raw materials, such as recycled steel, iron blocks and energy, at competitive prices. The cost risk associated with raw materials is primarily managed using pricing agreements, with which the prices of products are adjusted according to the prices of their raw materials. A rise in the price of raw materials can tie up more funds than estimated in working capital.

Componenta's possible risks related to working capital and liquidity issues may adversely affect the volumes of future new sales and lessen the size of orders placed by customers for products to replace discontinued products. Volumes may be weakened by possible customer losses due to commercial reasons.

Concerning the continuity of operations, the significant estimates and assumptions made by the company and management as well as uncertainties are as follows:

- Componenta Corporation and Componenta Finland Ltd are able to make payments stipulated in the restructuring programme.
- Componenta Främmestad AB will be able to pay its restructuring debts in accordance with the agreed

payment schedules in July 2018. After the end of the financial year Componenta Främmestad AB has paid all its short-term restructuring debts, EUR 2.9 million. Furthermore, Componenta Främmestad AB has a debt of EUR 2.5 million to Componenta Döküm-cülük Ticaret ve Sanayi A.Ş.. The debt will be paid off in six years after payment of other restructuring debts. The repayment is tied to the EBITDA of Componenta Främmestad AB.

- Componenta Wirsbo AB and Componenta Arvika AB filed for bankruptcy at the local district courts in July. In Componenta's opinion, the failure of the restructuring proceedings for Componenta Wirsbo AB and Componenta Arvika AB is not estimated to have a significant impact on the restructuring proceedings for other Group companies or on the ability of the parent company to continue as a going concern.
- When analysing cash flow and liquidity forecasts for the companies over the next 12 months, the management has estimated the companies' future sales volumes, net sales, operating margins, capital expenditure and working capital needs.

Changes in equity and convertible capital loans

Filing regarding loss of share capital has been made to the trade registry on 12 September 2016. The entry will be removed from the trade register when the parent company's equity is more than half of the share capital. Notification to the trade register will be filed as the audit for the financial year 2017 has been completed.

Events after the end of the period

Kiinteistö Oy Pietarsaarenkatu 13, a wholly-owned subsidiary of Oy Högfors-Ruukki Ab, which is a subsidiary of Componenta Corporation, sold a parcel of land on 23 February 2018. Pietarsaaren Vanha Valimo Ltd, a wholly-owned subsidiary of Componenta Finland Ltd, sold a parcel of land on 23 February 2018. According to the restructuring programmes the investment properties owned by the group entities should be sold during the restructuring programme. Both parcels were sold at market value. Oy Högfors-Ruukki Ab, a wholly-owned subsidiary of Componenta Corporation, sold its wholly-owned subsidiary Kiinteistö Oy Pietarsaarenkatu 13 on 5 April 2018 at market value. The total cashflow impact of all sales on the Group were EUR 0.5 million.

Componenta Främmestad AB has paid all its short-term restructuring debts, EUR 2.9 million. In addition, Componenta Främmestad AB must pay an external restructuring debt of EUR 2.5 million to the former Turkish sub-group within the next six years if the company's result makes payment possible.

Componenta's guidance for 2018

Componenta expects continued operations to have net sales of EUR 110 – 130 million in 2018 and corresponding EBITDA excluding items affecting comparability is expected to be EUR 4 – 6 million. In 2017 net sales for continued operations was EUR 122.4 million and adjusted EBITDA EUR 4.8 million. Componenta's business outlook is based on the business outlook of its largest customers and the market outlook of the industry. Potential fluctuations in exchange rates, higher raw material prices and the general competitive climate may affect the business outlook. Changes to new accounting principles are not estimated to have a significant impact on future financial statements.

Divident proposal

On 31 December 2017 the distributable equity of the parent company was EUR 14.2 million (EUR -138.9 million). Pursuant to Chapter 9 Section 58 of the Restructuring of Enterprises Act it is forbidden to pay dividend between confirmation and end of the restructuring program. Also, pursuant to Chapter 14 Section 2 of the Limited Liability Company Act, the company may not distribute the unrestricted equity to the shareholders during three years, since the company has reduced the share capital for loss coverage.

Annual General Meeting

Componenta Corporation's Annual General Meeting of Shareholders will be held on 24 May 2018 at 9.00 in Vantaa. Notice of the annual general meeting will be published in a separate stock exchange release.

Corporate Governance Statement

Componenta Corporation will publish its Corporate Governance Statement for 2017 as a separate report. Once published, the statement can be read on the company's website at www.componenta.com.

Consolidated financial statements

Consolidated income statement

MEUR	Note	Jan 1–Dec 31, 2017	%	Jan 1–Dec 31, 2016 *)	%
Continued Operations					
NET SALES	1	122.4	100.0	138.9	100.0
Other operating income	5	31.5		1.5	
Operating expenses	6,7,8	-124.1		-152.0	
Depreciation, amortization and write-down of non-current assets	9	-3.5		-20.6	
OPERATING RESULT	1	26.3	21.5	-32.3	-23.3
Financial income	10	110.3		49.4	
Financial expense	10	-8.2		-16.3	
Financial income and expenses in total		102.1		33.1	
RESULT AFTER FINANCIAL ITEMS		128.3	104.8	0.8	0.6
Income taxes	11	0.5		-6.9	
RESULT FOR THE FINANCIAL PERIOD, Continued Operations		128.8		-6.1	
Discontinued Operations					
Result for the financial period, Discontinued Operations		-4.8		-209.5	
RESULT FOR THE FINANCIAL PERIOD		124.1		-215.5	
Allocation of net profit for the period					
To equity holders of the parent		124.1		-206.3	
To non-controlling interest		0.0		-9.2	
Total		124.1		-215.5	
Earnings per share calculated on the profit attributable to the shareholders of the parent company					
Earnings per share, Group, EUR	12	0.70		-1.64	
Earnings per share, Continued operations, EUR		0.73		-0.05	
Earnings per share, Discontinued operations, EUR		-0.03		-1.59	
Earnings per share with dilution, Group, EUR	12	0.70		-1.64	

The notes are an integral part of these financial statements.

*) The comparative figures from 2016 on income statement and cash flow statement have been adjusted because the Wirsbo sub-group operations have been classified as discontinued operations according to the IFRS 5 standard.

Consolidated statement of comprehensive income

MEUR	Jan 1–Dec 31, 2017	Jan 1–Dec 31, 2016 *)
Net result	124.1	-215.5
Continued Operations		
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Revaluation of land and property	0.0	-0.5
Items that may be reclassified subsequently to profit or loss		
Translation differences	-0.9	1.3
Actuarial gains and losses	0.0	0.0
Cash flow hedges	0.1	0.3
Other items	-0.2	0.0
Total items that may be reclassified to profit or loss subsequently	-1.0	1.1
Income tax on other comprehensive income	0.0	-0.1
Other comprehensive income, net of tax, Continued operations	-1.0	1.0
Discontinued Operations		
Revaluation of land and property, net of tax	0.0	-15.8
Translation differences	-0.6	38.7
Actuarial gains and losses, net of tax	0.0	4.0
Other items	0.0	0.0
Other comprehensive income, net of tax, Discontinued operations	-0.6	26.9
TOTAL COMPREHENSIVE INCOME	122.5	-187.6
Allocation of total comprehensive income		
To equity holders of the parent	122.5	-180.0
To non-controlling interest	0.0	-7.6
	122.5	-187.6

The notes are an integral part of these financial statements.

*) The comparative figures from 2016 on income statement and cash flow statement have been adjusted because the Wirsbo sub-group operations have been classified as discontinued operations according to the IFRS 5 standard.

Consolidated statement of financial position

MEUR	Note	Dec 31, 2017	Dec 31, 2016
ASSETS			
Non-current assets			
Tangible assets	13	**21.0**	35.8
Goodwill	14	**0.0**	0.0
Intangible assets	15	**0.2**	0.9
Investment properties	16	**0.5**	3.6
Shares in associated companies	17	**0.0**	0.0
Financial assets	18	**0.0**	0.0
Receivables	19	**0.4**	0.3
Deferred tax assets	20	**0.0**	0.0
		22.1	40.6
Current assets			
Inventories	21	**14.3**	17.7
Receivables	22	**9.3**	21.4
Tax receivables	22	**0.0**	0.1
Cash and cash equivalents	24	**5.5**	4.4
		29.1	43.5
Assets classified as held for sale	4, 16	**1.5**	–
		1.5	–
TOTAL ASSETS		**52.8**	84.2

MEUR	Note	Dec 31, 2017	Dec 31, 2016
LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY			
Share capital		**1.0**	21.9
Share premium reserve		**0.0**	15.0
Unrestricted equity reserve		**0.4**	191.1
Other reserves		**29.5**	5.6
Cash flow hedges		**0.0**	–0.1
Translation differences		**–0.9**	0.6
Retained earnings		**–135.8**	–157.2
Profit/loss for the financial period		**124.1**	–206.4
Equity attributable to equity holders of the parent company	25	**18.3**	–129.7
Non-controlling interest		**0.0**	0.0
Shareholders' equity		**18.3**	–129.7
LIABILITIES			
Non-current liabilities			
Capital loans	29	**0.0**	0.4
Interest bearing	29	**1.4**	56.2
Other non-interest bearing	35	**15.3**	27.0
Provisions	28	**0.0**	0.0
Deferred taxes	20	**1.3**	2.4
Current liabilities			
Other interest bearing	29	**1.1**	37.9
Other non-interest bearing	31	**15.3**	89.1
Tax liability		**0.0**	0.0
Provisions	28	**0.1**	0.8
		34.4	213.8
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**52.8**	84.2

The notes are an integral part of these financial statements.

Cash flow statement

MEUR	Jan 1–Dec 31, 2017	Jan 1–Dec 31, 2016 *)
Cash flow from operations		
Continued Operations		
Result after financial items	128.3	0.8
Depreciation, amortization and write-down	3.5	20.6
Net financial income and expenses	-102.1	-33.1
Other income and expenses, adjustments to cash flow	-29.5	-1.0
Change in net working capital		
Inventories	-1.0	1.1
Current non-interest bearing receivables	6.2	-4.4
Current non-interest bearing liabilities	-2.5	6.2
Other working capital items	0.0	1.0
Interest received	0.0	0.1
Interest paid	-0.1	-2.3
Other financial income and expenses	0.0	0.0
Dividends received	0.0	0.0
Taxes paid	0.0	0.0
Cash flow from Continued operations	2.8	-10.9
Cash flow from Discontinued operations	1.3	10.7
Net cash flow from operations	4.1	-0.2
Cash flow from investing activities		
Continued Operations		
Capital expenditure in tangible and intangible assets	-1.8	-2.1
Business divestments and proceeds from tangible and intangible assets	0.0	9.7
Other investments and loans granted	0.0	0.0
Proceeds from other investments and repayments of loan receivables	0.3	0.3
Net cash flow from investing activities, Continued operations	-1.4	7.9
Net cash flow from investing activities, Discontinued operations	-1.2	-8.8
Net cash flow from investing activities	-2.6	-0.9

MEUR	Jan 1–Dec 31, 2017	Jan 1–Dec 31, 2016 *)
Cash flow from financing activities		
Continued Operations		
Dividends paid	–	–
Expences of convertible bond	0.0	25.4
Repayment of finance lease liabilities	0.1	-3.0
Draw-down (+)/ repayment (-) of current loans	0.0	-0.3
Draw-down of non-current loans	0.0	0.1
Repayment of non-current loans and other changes	-0.1	-15.7
Net cash flow from financing activities, Continued operations	0.0	6.5
Net cash flow from financing activities, Discontinued operations **)	-0.5	-7.1
Net cash flow from financing activities	-0.4	-0.6
Change in liquid assets	1.1	-1.7
Cash and bank accounts at the beginning of the period	4.4	6.1
Effects of exchange rate changes on cash	0.0	0.0
Cash and bank accounts at period end	5.5	4.4

The notes are an integral part of these financial statements.

*) The comparative figures from 2016 on income statement and cash flow statement have been adjusted because the Wirsbo sub-group operations have been classified as discontinued operations according to the IFRS 5 standard.

**) Includes the derecognition of cash funds of the discontinued operations from the Group's statement of financial position.

Statement of changes in consolidated shareholders' equity

MEUR	Share capital	Share premium account	Unrestricted equity reserve	Revaluation of buildings and land areas	Other reserves	Cash flow hedges	Translation differences	Retained earnings	Total	Non-controlling interest	Shareholders' equity total
Shareholders' equity Jan 1, 2017	**21.9**	**15.0**	**191.1**	**0.0**	**5.6**	**-0.1**	**0.6**	**-363.6**	**-129.7**	**0.0**	**-129.7**
Net result								124.1	124.1		124.1
Translation differences							-0.9		-0.9		-0.9
Cash flow hedges						0.1			0.1		0.1
Other comprehensive income items					-0.2				-0.2		-0.2
Comprehensive income items, discontinued operations							-0.6		-0.6		-0.6
Total comprehensive income					-0.2	0.1	-1.5	124.1	122.5		122.5
Convertible bond, conversion to shares			0.6						0.6		0.6
Re-classifications	-20.9	-15.0	-191.2		-0.8			227.9	0.0		0.0
Capital loan					27.0				27.0		27.0
Write-down of hybrid bond					-2.0				-2.0		-2.0
Shareholders' equity Dec 31, 2017	**1.0**	**0.0**	**0.4**	**0.0**	**29.5**	**0.0**	**-0.9**	**-11.7**	**18.3**	**0.0**	**18.3**

MEUR	Share capital	Share premium account	Unrestricted equity reserve	Revaluation of buildings and land areas	Other reserves	Cash flow hedges	Translation differences	Retained earnings	Total	Non-controlling interest	Shareholders' equity total
Shareholders' equity Jan 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 result								-206.4	-206.4	-9.1	-215.5
Translation differences							1.3		1.3	0.0	1.3
Cash flow hedges						0.3	0.0		0.3		0.3
Revaluation of buildings and land areas				-0.6	0.6			0.0	0.0		0.0
Other comprehensive income items					0.0				0.0		0.0
Comprehensive income items, discontinued operations				-15.2	0.0		36.3	3.7	24.8	1.5	26.4
Total comprehensive income				-15.8	0.6	0.3	37.6	-202.7	-180.1	-7.6	-187.7
Issue of convertible bond					0.6				0.6		0.6
Convertible bond, conversion to shares			38.8						38.8		38.8
Shareholders' equity Dec 31, 2016	**21.9**	**15.0**	**191.1**	**0.0**	**5.6**	**-0.1**	**0.6**	**-363.6**	**-129.7**	**0.0**	**-129.7**

Notes to the consolidated financial statements

Accounting principles for the consolidated financial statements

Basic information about the Group

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

The Group's parent company is Componenta Corporation (business ID 1635451-6), whose shares are quoted on the NASDAQ Helsinki stock exchange. The parent company is domiciled in Helsinki. The registered street address is Teknobulevardi 3–5 D, FI-01530 Vantaa, Finland.

A copy of the consolidated financial statements can be obtained on the Internet at www.componenta.com or from the head office of the Group's parent company at Teknobulevardi 3–5 D, 01530 Vantaa, Finland. The financial year for all Group companies is the calendar year and it ended on 31 December 2017.

In its meeting on 28 March 2018, the Board of Directors of Componenta Corporation approved these financial statements for publication. According to the Finnish Limited Liability Companies Act, shareholders have the opportunity to approve, reject or amend the financial statements at the Annual General Meeting held after publication. The Annual General Meeting can also amend the financial statements.

General information

Componenta Group's liquidity situation became critical in August 2016 due to weak net sales and profitability developing more negatively than estimated. Componenta could not negotiate the additional financing necessary and, due to this, the continuation of the business without restructuring proceedings was impossible because lack of production materials meant that the factories could not be kept in operation. On 1 September 2016, Componenta filed for restructuring of the parent company, i.e. Componenta Corporation, and its subsidiaries Componenta Finland Ltd in Finland and Componenta Främmestad AB, Componenta Wirsbo AB and Componenta Arvika AB in Sweden. As part of the arrangement Componenta's Dutch subsidiary, Componenta B.V., filed for bankruptcy and was declared bankrupt on 2 September 2016. The restructuring decisions of Componenta Arvika AB and Componenta Wirsbo AB gained legal force in January 2017. The draft restructuring programme of Componenta Corporation and Componenta Finland Ltd were submitted to the District Court of Helsinki on 30 March 2017. Componenta lost control over Componenta Dökümcülük Ticaret ve Sanayi A.Ş. ("Componenta Dökümcülük") during the last quarter of 2016 and therefore the Componenta Dökümcülük group was not consolidated into Componenta's financial statements for the year ended 31 December 2016.

Componenta Främmestad AB received a restructuring ruling from the local district court on 3 July 2017 and the ruling gained legal force on 24 July 2017. The District Court of Helsinki confirmed the restructuring programme for Componenta Corporation and its subsidiary Componenta Finland Ltd on 23 August 2017. The unsecured debts of Componenta Corporation were cut by approximately 94% and the lowest-priority debts were cut in their entirety in the restructuring proceedings. The impact of Componenta Corporation, Componenta Finland Ltd and Componenta Främmestad AB debt cuts on the result has been recorded in the third quarter. The payment programme will commence for both companies in May 2019 and end in November 2023. The payment programme will end in 2024 for the whole Group.

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

Corporate restructuring proceedings

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

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

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

The completion of the sale of the shareholding in the Turkish company has some effect on the fulfilment of the restructuring programme of Componenta Corporation, confirmed by the District Court of Helsinki on 23 August 2017. The loan guarantee of EUR 80 million to the Turkish club loan banks has been taken into account as a conditional and maximum amount in the confirmed restructuring programme, since the Turkish club loan banks had not yet discharged Componenta Corporation from the loan guarantee by the time of the confirmation of the restructuring programme. Following the completion of the sale of the shares held in the Turkish company, the guarantee liability of EUR 80 million was excluded from Componenta Corporation's debts that have been taken into account as a conditional and maximum amount in the restructuring programme. On grounds of the supplementary payment obligation included in the restructuring programme, Componenta Corporation's unsecured creditors are entitled to a proportion corresponding to payment of the restructuring debt of EUR 80 million, i.e. a supplementary payment totalling EUR 3.2 million, on the last payment date of the payment programme in November 2023. The supplementary payment will be paid to the unsecured creditors in accordance with the restructuring programme in proportion to their receivables. The restructuring programme of Componenta Corporation still contains approximately EUR 7.3 million in other debts that have been taken into account as a conditional and maximum amount, for which the payments of approximately EUR 0.3 million have been allocated in accordance with the payment programme included in the restructuring programme. Following the debt cuts, the total external restructuring debts on the balance sheets of Componenta Corporation and Componenta Finland Ltd will amount to approximately EUR 13.6 million, as the supplementary payment obligation following the exclusion of the guarantee liability of EUR 80 million and the payments allocated for the debts considered as a conditional and maximum amount have been taken into account. The guarantee liability and other debts that have been considered as a conditional and maximum amount had earlier been taken into account in off-balance sheet liabilities.

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

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

The key content of Componenta Corporation's restructuring programme

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

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

The key content of Componenta Finland Ltd's restructuring programme

In Finland, the District Court of Helsinki issued its decision regarding the commencement of the restructuring proceedings in respect of Componenta Finland Ltd on 30 September 2016. The District Court of Helsinki confirmed the restructuring programmes for Componenta Finland Ltd on 23 August 2017. The secured debts of Componenta Finland Ltd will be paid in their entirety, whereas unsecured debts were cut by 75%. The payment programme will commence in May 2019 and end in November 2023. With the confirmation of Componenta Finland Ltd's restructuring programme, the cuts of the company's debt enter into force. On the basis of the debt cuts, the debts on the company's balance sheet decreased by approximately EUR 29 million, which strengthens the company's equity through profit and loss. Following the debt cuts, the total external restructuring debts on the balance sheet of Componenta Finland Ltd will amount to approximately EUR 5.0 million, as the payments allocated for the debts considered as a conditional and maximum amount have been taken into account. Debts that have been considered as a conditional and maximum amount have earlier been taken into account in off-balance sheet liabilities only.

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

Furthermore, the company may incur a supplementary payment obligation if the final amount of debts that are included in guarantee liabilities, and that have been taken into account as a conditional and maximum amount in the restructuring programme, is lower than the amount recorded in the restructuring programme.

Componenta Främmestad AB's restructuring ruling

Componenta Främmestad AB's restructuring application was approved and the restructuring proceedings commenced on 1 September 2016. Componenta Främmestad AB received a restructuring ruling from the District Court of Skaraborg on 3 July 2017 and the ruling gained legal force on 24 July 2017. In accordance with the court ruling, the company is to pay restructuring debts of around EUR 2.3 million to creditors outside the Componenta Group, and a salary guarantee of EUR 0.6 million to the Swedish government, within 12 months. The sufficient support by the creditors was a prerequisite for the confirmation of the restructuring programme and it was obtained as Componenta Främmestad AB and Componenta Turkey signed a separate agreement in May 2017 regarding a EUR 10 million restructuring debt receivable of Componenta Turkey. According to the agreement, the debt is cut by 75% and the remaining EUR 2.5 million shall be paid back within a period of six years, after the repayment of the other restructuring debt. The repayment is tied to the EBITDA of Componenta Främmestad AB.

Basis of preparation of the consolidated financial statements

Componenta Corporation is a Finnish public limited company domiciled in Helsinki. Componenta Group ("Componenta" or "the Group") is composed of Componenta Corporation and its subsidiaries. Componenta's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), applying the IAS and IFRS standards and SIC and IFRIC interpretations in force on 31 December 2017. IFRS standards refers to standards and interpretations as adopted by the EU in accordance with the procedure established in EU regulation (EC) 1606/2002 as required by the Finnish Accounting Act and related provisions. The notes to the consolidated financial statements also conform to Finnish accounting and corporate legislation.
Following the confirmation of the restructuring decision, a restructuring programme supervisor was assigned to Componenta. According to the restructuring programme, the supervisor is required to submit an annual report on the implementation of the restructuring programme as well as a final report at the conclusion of the restructuring programme. At the request of a creditor or the supervisor, the court may order that the restructuring programme is to lapse. Despite the limitations related to control under IFRS 10, the company believes that the inclusion of Componenta Finland Ltd, Componenta Främmestad AB, Componenta Wirsbo AB and Componenta Arvika AB in the consolidated financial statements of Componenta is justified

and gives a true and accurate picture of the Group's result and financial position.

In the management's opinion, the preparation of a consolidated financial statements is justified because the functions of the company and its consolidated subsidiaries are closely related to each other and are interdependent. Accordingly, Componenta's financial information for the financial year ending on 31 December 2017 is given in consolidated financial statements, which cover the company and its subsidiaries under corporate restructuring as well as other companies under the parent company's control. Separate parent company financial statements have been drawn up for Componenta Corporation in accordance with IAS 27, including a condensed statement of financial position and condensed income statement, along with certain notes (see Note 39 on the parent company's separate financial information).

Going concern

The financial statements for financial year 2017 have been prepared on the going concern basis. It is assumed that Componenta can, during the foreseeable future, realise its assets and pay back its liabilities as part of normal operations within the framework of the restructuring programmes. When assessing the going concern principle, Componenta's management has taken into account the uncertainties and risks related to the various confirmed restructuring programmes, available funding sources and the cash flow estimates for the coming 12 months of the companies under restructuring proceedings. Due to limitations arising from the restructuring programmes, Componenta's assessment is that it has only a limited opportunity to influence how it can transfer cash funds and bank receivables between Group companies (such as the subsidiaries' ability to distribute funds in the form of dividends, Group contributions or intra-Group loans) and the nature of new financing the Group can acquire. In assessing the ability to continue as a going concern, the management has analysed the impact of the approved restructuring programmes on the financial position and cash flow of the Group, the companies under restructuring proceedings and the parent company.

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

From the point of view of the continuity of operations, the company's and its management's significant estimates and assumptions as well as uncertainties are as follows:

- Componenta Corporation and Componenta Finland Ltd will be able to make payments stipulated in the restructuring programme.
- Componenta Främmestad AB will be able to pay its restructuring debts in accordance with the agreed payment schedules in July 2018. After the end of the financial year Componenta Främmestad AB has paid all its short-term restructuring debts, EUR 2.9 million. Furthermore, Componenta Främmestad AB has a debt of EUR 2.5 million to Componenta Dökümcülük Ticaret ve Sanayi A.Ş.. The debt will be paid off in six years after payment of other restructuring debts. The repayment is tied to the EBITDA of Componenta Främmestad AB.
- Componenta Wirsbo AB and Componenta Arvika AB filed for bankruptcy at the local district courts in July. In Componenta's opinion, the failure of the restructuring proceedings for Componenta Wirsbo AB and Componenta Arvika AB is not estimated to have a significant impact on the restructuring proceedings for other Group companies or on the ability of the parent company to continue as a going concern.
- When analysing cash flow and liquidity forecasts for the companies over the next 12 months, the management has estimated the companies' future sales volumes, net sales, EBITDA margins, capital expenditure and working capital needs.

The cash flow forecasts and financing of the companies subject to restructuring proceedings involve significant management estimates and assumptions as well as uncertainties. When preparing cash flow forecasts for the companies, the management has estimated the companies' future sales volumes, net sales, EBITDA margins, capital expenditure and working capital needs. These estimates are subject to significant uncertainty, as there is no certainty that the anticipated sales volumes, sales prices and EBITDA margins will be achieved or that capital expenditure can be implemented as expected.

Discontinued operations

Bankruptcies of Componenta Wirsbo AB and Componenta Arvika AB in Sweden

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

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

The 2017 figures and 2016 figures for comparison have been adjusted for the income statement, including other comprehensive income items, and for the cash flow statement and certain key figures. In the segment information, the figures for the Componenta Wirsbo sub-group are presented as discontinued operations.

In 2016, the sub-groups in the Netherlands and Turkey were classified as discontinued operations. The company considered that it lost control over the Turkish sub-group towards the end of 2016, and for this reason consolidation of the sub-group in the Group's financial statements ended on 31 December 2016 and its operations were classified as discontinued operations in Componenta's consolidated financial statements of 31 December 2016. According to the company's view, there was no exact date and it is difficult to define precisely when control was lost at the end of 2016 so, to simplify reporting, derecognition was made on 31 December 2016. This was considered not to have a material effect on the result of the discontinued operations. As a result of losing control, Componenta Group no longer had iron business operations or aluminium business operations in Turkey. The consolidation of Componenta B.V.'s local net sales and expenses was already discontinued on 1 July 2016 because the Group did not receive financial reports from Componenta B.V. regarding the Q3 figures. This did not materially affect the consolidated financial statements. The net sales of the Group's continued operations also included sales revenues from companies classified as discontinued operations and, correspondingly, the net sales of discontinued operations, presented in the notes, included sales revenues from Group companies consolidated in the consolidated financial statements.

Subsidiaries

Componenta Group's consolidated 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 is able to affect those returns through its power over the subsidiary.

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

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 result for the financial period of an associated company or a joint venture is shown in the statement of comprehensive income before the Group's operating result or loss. The Group's share of changes in equity that have not been recognised 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 a joint venture, together with goodwill arising from the acquisition (less any accumulated impairment), less impairment made on individual investments, is shown on the balance sheet. 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.

On 31 December 2017, the Group had no associated companies.

Non-controlling interest

Distribution of the profit for the financial period to parent company owners and non-controlling interest 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 on the balance sheet. 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. The valuation principle is determined separately in connection with each corporate acquisition. 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 non-controlling interest holdings in the Group's subsidiaries that do not result in loss of control are accounted for as equity transactions.

On 31 December 2017, there were no non-controlling interests in companies consolidated in the Group.

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

The foreign exchange rate differences arising from 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 recognised 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.

Tangible and intangible assets

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

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 evaluators, and for buildings is the fair value less depreciation after the revaluation. Land and water areas are not depreciated. Measurements of value are made sufficiently regularly so that the fair value of a revalued asset does not differ materially from its carrying amount. Valuations of assets subject to revaluation are carried out at a maximum of three-year intervals. However, valuations are carried out more frequently if substantial changes are about to take place that may affect the valuation of the assets. Valuations are carried out by independent, qualified, external evaluators in Finland and Sweden, following each evaluator's own process and the method considered most appropriate for the asset being valued, starting with a review of macroeconomic factors and available market information and ending with the use of an appropriate model and a fair value calculated with this. The valuation is based on what is probably the most productive use of the asset and on valuation models where the input used portrays the facts and conditions of each economic environment (such as level of employment, general economic situation, recent transactions). In the revaluation of fixed assets, the yield value method is used for real estate, the market-based model is used for land areas, and the acquisition cost based model is used for real estate in markets in which there is no active rental market. During the financial year that ended on 31 December 2016, valuations were made for all the company's asset items located in Finland and being revalued, and entries based on these have been made to the values of the assets. The values determined do not reflect the fair realisation value of the asset.

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 capitalised development costs. For intangible assets that have a limited useful economic life, straight-line depreciation is entered as an expense in the income statement over their useful economic lives. The Group has no intangible assets that have an unlimited useful economic life.

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

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 for production machinery and equipment, is calculated on a straight-line basis on the original acquisition cost, based on the estimated useful economic life. On 1 January 2009, the Group started to use the units-of-production depreciation method for production machinery and equipment, in which the amount of depreciation is based on the actual output of production machinery and equipment. The units-of-production method gives a more precise picture of the actual economic wear on production machinery and equipment than the straight-line method, especially when capacity utilisation rates change quickly. Estimated useful economic lives by asset group are as follows:

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

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 amortised but is tested annually for impairment.

Impairment

The carrying amounts of the Group's assets are reviewed on each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the balance sheet value of the asset exceeds the recoverable amount for the asset. The recoverable amount of an asset is the greater of its net selling price and value in use. As a rule, value in use is based on the estimated discounted future net cash flows obtainable through the asset. Due to the inherent uncertainties arising from the restructuring programmes, and also partially due to operational challenges and lower yield expectations, the Group has recorded an impairment of EUR 1.5 million on Componenta Främmestad AB's machinery and equipment. The impairment is mainly due to lower yield expectations.

Land areas, buildings and constructions included in property, plant and equipment and investment properties are valued on the balance sheet at fair value on the balance sheet date. The fair values are defined each year for investment properties and at least 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. In the investment properties of the Finnish companies, impairment amounted to EUR 2.6 million.

Investment property

Property that is owned by the Group and leased to an external party, and that is not primarily owner-occupied, and which is held by the Group to earn rentals or capital appreciation rather than for use in the production of goods, is classified as investment property and is valued on the balance sheet at fair value. Gains and losses arising from change in the fair value of investment property 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. In 2016, the fair values of investment properties were determined by an independent and qualified real estate evaluator and the fair values are principally measured by using the yield value method. In previous years, long-term ownership or significant development of a property were taken into account in assessing the yield estimates for certain properties, and the changes in value of these properties is classified as impairment. In 2017, the fair values of the investment properties were determined on the basis of purchase offers received.

Research and development costs

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

Inventories

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

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 recognised on the balance sheet under fixed assets at the commencement of the lease at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments. Any substantial incremental costs that are directly attributable to negotiating and arranging the lease are added to the amount recognised as an asset. Depreciation is made on the fixed asset over its estimated useful economic life according to the Group's depreciation policy, or if there is reasonable certainty that the ownership of the asset will not be obtained at the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful economic life.

The lower of the fair value of the asset and the present value of the minimum lease payments is recognised as a finance lease liability. Lease payments are divided into financing charges and reduction of the outstanding liability, using the effective interest rate method so that the liability is repaid over the lease term as an annuity. The financing charge calculated with the effective interest rate is recognised as a financial expense. The difference between the floating interest rate agreements and the effective interest rate is recorded as a rental expense.

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

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 scheme, 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 external 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.

Share-based payments

In 2017 and 2016, no share-based incentive schemes were set up for senior management.

The Group applies the IFRS 2 standard to the share-based incentive scheme for its key personnel. The benefits given in the scheme are valued at fair value at the time when they are granted and are recognised as an expense in the income statement on a straight-line basis over the earnings period. A liability is recognised for the part to be paid in cash and the change in its fair value is correspondingly recognised as an expense for the period in which it occurs. The fair value of the part to be paid in shares is recognised 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.

Operating segments and change in segment reporting in 2017

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

The primary products sold by Componenta are non-machined, machined and painted iron cast components. Sales revenue that is insignificant from the Group's perspective is received from the leasing of office space and industrial premises. Following the Group's restructuring, Componenta had one reporting segment at the end of 2017.

The Group's chief decision maker in operational questions is the CEO, who also serves as the Chairman of the Board of Directors in all of the parent company's subsidiaries. The Group's Corporate Executive Team and other management assist and support the CEO in carrying out his duties.

Information on geographical areas

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

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, extraordinary write-downs, or reversals of write-downs, expenses due to accidents and natural disasters, provisions for planned restructuring, environmental matters and penalties. All items resulting from deconsolidation and presented under discontinued operations are classified as affecting comparability. In connection with the restructuring proceedings, the company's debt has been cut and, on the basis of the cuts in debts, composition income has been created. This income is classified as items affecting comparability. The Group's management exercises discretion in making decisions regarding the classification of items affecting comparability.

Componenta publishes the following performance measures adjusted by items affecting comparability: ''Adjusted operating profit'', ''Adjusted EBITDA'' and "Adjusted result after financial items". The other alternative performance measures used by Componenta are EBITDA, adjusted return on investment, adjusted return on equity and adjusted earnings per share. The performance measures adjusted by items affecting comparability are unaudited, as are the items affecting comparability.

Provisions

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

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

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 recognised on the balance sheet in full and deferred tax assets to the extent that it is probable that future taxable profit will be available against which the asset can be utilised. Deferred tax liabilities and assets are calculated from all the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, using the tax rate in force on the balance sheet date. Future changes in tax rates are taken into account when they have become, in practice, certain.

Deferred tax assets for confirmed losses or for losses for the financial period have only been recognised to the extent to which it is probable that future profits will be generated that can be offset with the temporary differences. If a Group company has in the recent past made a loss, a deferred tax asset is only recorded to the extent that the company has sufficient taxable temporary differences or some other convincing proof of its ability to make use of the tax loss. A deferred tax liability is recognised for the retained earnings of subsidiaries only if it can be considered that the tax payment will take place in the foreseeable future. Deferred tax liabilities have been calculated for Finnish companies by using a tax rate of 20.0% and for Swedish companies using a rate of 22.0%.

Deferred tax liabilities and assets are offset on the balance sheet in so far as they have the same recipient of the tax and when they can be allocated to each other. Because of the considerable uncertainty concerning the continuity of operations, no net deferred tax assets have been recognised in Finland and Sweden in the 2017 financial statements.

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 invoices. 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 recognised 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 the moment when a product has been delivered to the customer in accordance with agreed delivery terms. Revenue from the sale of services is recognised 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. In 2017, most of other operating income was related to restructuring debt cuts.

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. On the balance sheet date, Componenta did not have any held-to-maturity investments.

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. These financial assets held for trading are recognised at fair value using market prices on the balance sheet date. Realised and unrealised profit and loss resulting from changes in fair value are recognised in the financial income and expenses for the period in which they are incurred. On the balance sheet date, the Group has no derivative instruments.

Loans and other receivables

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

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

Impairment losses on financial assets

An impairment loss is recognised 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 reorganization 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 balance sheet value 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 amortised 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 that are held for trading. Financial liabilities held for trading are recognised at fair value using the market prices on the balance sheet date. Realised and unrealised profit and loss resulting from changes in fair value are recognised in the financial income and expenses for the period in which they are incurred.

Financial liabilities at amortised cost

Other financial liabilities are initially recognised 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 those held for trading are recognised at amortised cost using the effective interest rate method, so that the costs related to the acquisition or issue of the liability are recognised in the income statement during its contractual term. Substantial transaction costs related to credit facility agreements are capitalised on the balance sheet and recognised in the income statement during the credit facility's expected lifetime. Interest payable on the financial liability is recognised in the income statement on an accrual basis.

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

Convertible capital loan

In May 2016, Componenta issued a convertible capital loan with a nominal value of EUR 40.0 million. The liability is valued at amortised cost on the balance sheet. The equity portion is recorded in other equity reserves less the costs relating to the transaction. The liability portion is valued using market interest rates. By the end of the year, altogether EUR 40,000,000 of the convertible capital loan had been converted into shares and the company had issued 80,000,000 new shares. On 31 December 2017, there was no convertible capital loan remaining. The conversion of shares in the loan into shares is presented in the unrestricted equity reserve.

Hybrid bonds

During 2012 and 2013 Componenta issued two equity loans (hybrid bonds), combined nominal value amounting 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. However, they are ranked higher than other items classified as equity. Equity loans do not have a maturity date but the Group has had the right, not obligation, to redeem the loans four years after their issue, that is, 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 the financial statements until after the Board of Directors' interest payment decision. However, the unpaid 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 Annual General Meeting. As part of the restructuring programme, the remaining hybrid bond, amounting to EUR 2.6 million, was cut in its entirety as lowest-priority debt.

Derivative instruments and hedge accounting

The Group's derivative instruments are recognised on the settlement date at acquisition cost, after which they are recognised at fair value. The fair value of forward rate agreements is the profit or loss that would derive from closing the agreements, 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 market interest rates on 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 recognised either as financial hedging instruments that are excluded from hedge accounting as defined in IAS 39 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 recognised in shareholders' equity in the hedging reserve. Accumulated changes in the fair value of the interest rate derivatives are recognised in financial income and expenses in the income statement for the period when the hedged business operation takes place. Correspondingly, accumulated changes in the fair value of the electricity price forwards are recognised 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 or is sold or the hedging relationship is perceived to be ineffective or it is terminated, the cumulative gain or loss on the hedging instrument remains separately recognised in equity until the forecast transaction occurs. The cumulative gain or loss is recognised immediately in the income statement if the forecast transaction is no longer expected to occur. The ineffective part of the interest rate hedging relationship is recognised in the income statement under financial income or expenses and the ineffective part of the electricity price hedging relationship is recognised as an adjustment to purchases in operating profit.

The effective portions of changes in the fair value of hedging against exchange differences for net investments in foreign operations are recognised in equity as an adjustment item to translation differences. These items will be transferred to financial income and expenses in the income statement on disposal of the net investment or part thereof. The ineffective part of the hedging relationship is recognised in the income statement under financial income or expenses.

Interest income or expenses from interest rate swaps and currency derivatives that have been realised and accumulated during the financial period are recognised in the income statement under financial items, as are changes in the fair value of interest rate and currency derivatives that are related to the Group's risk management but are excluded from hedge accounting as defined in IAS 39. Exchange rate differences arising from currency derivatives designated as hedges of trade receivables and trade payables are recognised in other operating income and exchange rate differences arising from hedging against exchange differences for borrowings, deposits and other monetary items are recognised in financial income and expenses. Realised changes in the value of electricity price forwards are recognised as purchase adjustment items above the operating profit. The fair values of derivative instruments are recognised under current assets and liabilities on the balance sheet.

On the balance sheet date of 31 December 2017, the Group has no open derivative contracts. The Group also does not have the necessary credit facilities on the balance sheet date to sign derivative contracts.

Earnings per share

The basic earnings per share is calculated using the weighted average of shares in issue during the financial year. 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 loan and the calculated interest of the hybrid bond.

Dividend payment

The parent company's distributable funds on 31 December 2017 amounted to EUR 14.2 million (EUR -138.9 million). Pursuant to Chapter 9, Section 58 of the Restructuring of Enterprises Act, Componenta cannot distribute dividend between the approval and the conclusion of the restructuring programme. Pursuant to Chapter 14, Section 2 of the Limited Liability Companies Act, the company cannot distribute the company's unrestricted equity to shareholders during the next three years as the company has reduced the share capital for loss coverage.

Accounting principles requiring judgment by the management and key uncertainties related to the estimates

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

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

Real estate and land revaluation

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

Impairment of fixed assets

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

Inventory measurement

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

Loan guarantee to Componenta Dökümcülük

Componenta Corporation issued a guarantee of no more than EUR 80 million for the Componenta Dökümcülük club loan in 2014. The club loan agreement was signed in 2014 and amended in 2015 and most recently on 28 July 2016. No liability had been recorded for this financial guarantee contract on the consolidated balance sheet, as under Componenta's understanding, the criteria for recording a liability had not been met. Componenta Corporation completed the sale of its shareholding in the Turkish subsidiary, Componenta Dökümcülük, to Döktaş Metal Sanayi ve Ticaret A.Ş. The parties signed the sales contract on 4 August 2017 and the transaction was completed on 27 September 2017. The transaction had no cash flow impact. In connection with the closing of the sale of the shareholding, the Turkish club loan banks discharged Componenta Corporation from all liabilities and obligations based on the club loan agreement, including the discharge from a loan guarantee of EUR 80 million.

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 have been 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. The 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.

Assumptions used in testing goodwill

Componenta tests the carrying amount 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 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. The Group's goodwill was EUR 0.0 million (EUR 0.0 million).

Ability to utilise deferred tax assets

Discretion is required when evaluating the recognition of deferred tax assets and certain deferred tax liabilities on the balance sheet. Deferred tax assets are recognised only if it is considered likely that they are recoverable, which will depend on the existence of sufficient future taxable income. Assumptions of future taxable income are based on the management's estimates of future cash flows. These estimates of future cash flows are, in turn, dependent on the management's estimates, inter alia, of the future volume of sales, operating expenses and financing costs. The company's ability to accumulate taxable income also depends on general economic, financial, competitive and regulatory factors that are not under its own control. Estimates and assumptions involve risks and uncertainties, and thus it is possible that expectations change as circumstances change. This may affect the amount of deferred tax assets and liabilities on the balance sheet and the amount of temporary differences. The net amount of deferred tax assets, which mainly consist of unused tax losses, was EUR 0.0 million (EUR 0.0 million) and the value of deferred tax liabilities was EUR 2.2 million (EUR 3.1 million). In 2017, a EUR 0.3 million write-down was made for deferred tax assets due to a hybrid bond interest write-down. In 2016, due to the significant inherent uncertainties arising from the restructuring proceedings, as well as partially due to operational challenges and lower yield expectations, the Group has recorded in its financial statements in Finland and Sweden an impairment of EUR 5.4 million in the deferred tax assets related to tax losses. See also Notes 11 and 20.

Application of standards

The consolidated financial statements have been prepared using the same accounting principles as in 2016, with the exception of the following amended standards that the Group has applied as of 1 January 2017:

- IAS 7 – Statement of Cash Flows. As a result of the requirements of the amended standard, Note 30 is presented.
- IAS 12 – Income taxes.

The application of these standards did not impact the Group's financial statements for the financial year or any earlier periods.

New and amended standards and interpretations not yet effective in 2017

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

- IFRS 15 – Revenue from Contracts with Customers

  IFRS 15 – Revenue from Contracts with Customers was published in May 2014 and must be applied as of 1 January 2018. The new standard replaces IAS 11 – Construction Contracts, and IAS 18 – Revenue, and related interpretations. Componenta will apply the standard retrospectively in full on the required application date.

IFRS 15 includes a new five-step model for recognising sales revenue from contracts with customers. Revenue is recognised when a customer obtains control of the promised goods or services at the extent to which the company expects to be entitled in relation to the goods or services. Control is passed to the customer when the customer is able to direct the use of and obtain the benefits from the goods or services. IFRS 15 also brings along changes to notes presented with regard to contracts with customers, contractual performance obligations and estimates.

Componenta has evaluated the impact of the application of IFRS 15 and arrived at the conclusion that the new standard will not have a significant impact on Componenta's future financial statements. According to Componenta's evaluation, the application of the standard will not have a significant impact on the reported net sales and operating profit. From the point of view of the balance sheet, the application of the standard will not have an impact on reported figures either. However, the application will have an impact on notes and on how the reported figures are presented. The management's analysis also covered contracts, focusing on the following themes:

- Contracts with customers: Componenta's business model does not include project deliveries or long-term maintenance agreements. The customer contracts analysed for continued operations covered a significant share of the combined net sales of the units in Finland and Sweden. Framework agreements are signed with significant customers. Along with the new standard, framework agreements will be handled in accounting on the basis of orders, discounts agreed in contracts and other significant rights.

- The identification of performance obligations and the allocation of the transaction price: Componenta's method of applying the requirements of earlier standards is compliant with IFRS 15.

- Transfer of control: Control is passed to the customer when the goods are delivered to the customer according to the terms of delivery or when the service has been performed and provided to the customer. For Componenta, the point at which control is passed in line with IFRS 15 corresponds to the previously-identified moment when the significant risks and rewards related to ownership have been transferred to the buyer in line with the previous standard.

- IFRS 9 – Financial Instruments

IFRS 9 – Financial Instruments was published in July 2014 and must be applied as of 1 January 2018. It replaces IAS 39 – Financial Instruments: Recognition and Measurement. Componenta will apply the standard according to the simplified retrospective approach, in which case the overall impact of the IFRS 9 adoption will be shown as an equity adjustment in the opening balance on 1 January 2018.

According to the amended IFRS 9 guidance, there are three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The classification depends on the entity's business model and the characteristics of the contractual cash flows. The incurred impairment loss model used in IAS 39 is replaced by a new expected loss model. IFRS 9 also amends hedge accounting requirements. In addition, IFRS 9 includes more extensive requirements related to notes and the presentation of information.

Componenta has evaluated the impact of the application of the new standard and arrived at the conclusion that the standard will not have a significant impact on future financial statements. According to Componenta's evaluation, the main impact of the application of IFRS 9 will be seen in impairment related to estimated uncertain receivables, resulting from the application of the expected credit loss model. Potential impairment entries are expected to increase somewhat but they are still insignificant. All shares and other long-term investments that are currently classified as available-for-sale investments and measured at acquisition cost will be measured at fair value through other comprehensive income. The amended standard is not expected to have a significant impact on closing events, values or notes of other financial items or hedge accounting.

- IFRS 16 – Leases

IFRS 16 – Leases was published in January 2016. The standard includes principles for the recognition, measurement, presentation and disclosure of leases. As a result of the application of the new standard, nearly all leases will be recognised on the balance sheet because operating leases and finance leases will no longer be separated from each other. According to the new standard, the asset (the right to use the leased asset) and the lease liability are recognised. The only exceptions are short-term leases and leases where the underlying asset has a low value. There will be no significant changes in the lessor accounting procedure.

The standard will mostly affect the accounting procedure for the Group's operating leases. At the end of the financial year, the Group had EUR 0.9 million in non-cancellable lease obligations based on operating leases (Note 36). The estimate is that approximately 22% of these are related to short-term leases or leases with low-value underlying assets, with their related payments recognised in equal instalments as expenses in the income statement.

According to the Group's preliminary evaluation, the standard's entry into force will not have a significant impact on the Group's results and cash flow classification as the Group has no significant non-cancellable lease obligations based on leases.

The standard must be applied in financial periods beginning on or after 1 January 2019. Componenta does not intend to apply the standard early. Currently, the plan is to apply the simplified approach and to not adjust the comparison figures for the year preceding the application.

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

Notes to the consolidated income statement

Figures are in millions of euros unless otherwise stated.

1 Operating segments

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

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

Componenta has carried through remarkable changes in 2017. Following the Group's reorganisations, restructuring process and organisational changes Componenta has one reporting segment at the end of 2017.

Business segment Jan 1–Dec 31, 2017

MEUR	Contract workshop business	Items affecting comparability*)	Eliminations and unallocated items of continued normal operations	**Continued operations total**	Discontinued operations total excl. items affecting comparability	Discontinued operations, items affecting comparability and unallocated items	**Discontinued operations total**	Eliminations	**Group**
External sales	122.2			**122.2**	27.2		**27.2**		**149.5**
Internal sales	0.2			**0.2**				-0.2	**0.0**
Total sales	122.4			**122.4**	27.2		**27.2**	-0.2	**149.5**
Share of the associated companies' result									**0.0**
Segment operating result	2.9	23.4		**26.3**	0.2	36.2	**36.4**	0.0	**62.7**
Unallocated items **)		102.7	-0.2	**102.5**	-0.1	-41.1	**-41.2**	0.1	**61.4**
Net profit			-0.2	**128.8**	0.1	-4.9	**-4.8**	0.1	**124.1**
Segment assets	46.1		6.7	**52.8**	0.0		**0.0**	6.7	**52.8**
Shares in associated companies									
Unallocated assets				**0.0**	0.0		**0.0**	0.0	**0.0**
Total assets	46.1		6.7	**52.8**	0.0		**0.0**	6.7	**52.8**
Segment liabilities	35.4		-1.0	**34.4**	0.0		**0.0**	0.0	**34.4**
Unallocated liabilities					0.0		**0.0**	0.0	**0.0**
Total liabilities	35.4		-1.0	**34.4**	0.0		**0.0**	0.0	**34.4**
Capital expenditure in production facilities	1.0			**1.0**	1.2		**1.2**	0.0	**2.2**
Depreciation and write-downs	-2.0	-1.5		**-3.5**	-17.7	5.4	**-12.3**	0.0	**-15.8**

*) Items affecting comparability in operating result of continued operations in 2017 relate to write-downs of production machinery in Componenta Främmestad AB EUR -1.5 million, write-downs of investment properties in Finland recorded EUR -2.6 million, expenses related to restructuring measures EUR -0.8 million, impairment of intangible assets EUR -0.7 million and write-downs of restructuring debts EUR +30.6 million. Other items affecting comparability as a net totalled EUR -1.1 million. Items affecting comparability in financial items of continued operations in 2017 were positive, due to cuts of the restructuring debt. On grounds of the supplementary payment obligation included in the restructuring programme the company's unsecured creditors are entitled to a proportion corresponding payment to the restructuring debt of EUR 80 million i.e. a supplementary payment of total EUR 3.2 million at the end of the payment programme in November 2023. The restructuring programme still contains approximately EUR 7.3 million other debts that have been taken into account as a conditional and maximum amount, for which th payment approximately EUR 0.3 million have been allocated in accordance with the payment programme. Hence a total of EUR 3.5 million have been recognised as liabilities. The financial items include EUR +105.1 million, due to cuts of restructuring debts.

**) Unallocated items under continued operations include, in addition to items affecting comparability, EUR -0.2 million financial and tax items of normal operations.

Business segment Jan 1–Dec 31, 2016

MEUR	Contract workshop business	Items affecting comparability*)	Eliminations and unallocated items of continued normal operations	**Continued operations total**	Discontinued operations total excl. items affecting comparability	Discontinued operations, items affecting comparability and unallocated items	**Discontinued operations total**	Eliminations	**Group**
External sales	128.1			**128.1**	275.9		**275.9**		**404.1**
Internal sales	10.7			**10.7**	35.3		**35.3**	-46.0	**0.0**
Total sales	138.9			**138.9**	311.2		**311.2**	-46.0	**404.1**
Share of the associated companies' result					0.1		**0.1**		**0.1**
Segment operating result	-2.6	-29.7	0.0	**-32.3**	2.1	-83.1	**-81.1**	0.0	**-113.4**
Unallocated items **)		37.8	-11.5	**26.3**	-17.9	-110.5	**-128.4**	0.0	**-102.1**
Net profit				**-6.1**	-15.8	-193.7	**-209.5**	0.0	**-215.5**
Segment assets	95.6		-2.6	**93.0**	25.3	-1.7	**23.6**	-37.2	**79.4**
Shares in associated companies									
Unallocated assets			4.8	**4.8**					**4.8**
Total assets	95.6		2.2	**97.8**	25.3	-1.7	**23.6**	-37.2	**84.2**
Segment liabilities	71.5		-65.2	**6.3**	21.3		**21.3**	0.2	**27.8**
Unallocated liabilities			186.0	**186.0**					**186.0**
Total liabilities	71.5			**192.3**	21.3		**21.3**	0.2	**213.8**
Capital expenditure in production facilities	0.8			**0.8**	19.1	0.0	**19.1**		**19.9**
Depreciation and write-downs	-7.2	-13.4		**-20.6**	-10.6	-60.1	**-70.6**		**-91.3**

*) Items affecting comparability in operating result of continued operations in 2016 relate to capital loss of divestment in Suomivalimo EUR -6.1 million, the sales profit of Pistons business unit EUR +1.0 million, the write-downs of production machinery and intangible assets in Sweden iron business EUR -17.8 million and inventory write-downs of forging operations in Sweden EUR -1.7 million. Impairments and write-downs of investment and production property in Finland recorded EUR -10.0 million. The expenses related to restructuring measures were EUR -3.3 million and other items affecting comparability as a net totalled EUR -2.3 million. Items affecting comparability in financial items of continued operations in 2016 were positive EUR +40.7 million, since they included a capital gain of EUR +43.3 million as the secured debt was discharged at an amount lower than the balance sheet value. In connection to the restructuring proceedings, EUR -2.2 million of claims related to parent company guarantees were recorded in financial items of continued operations. Other items affecting comparability in financial items were EUR -0.4 million. Items affecting comparability related to deferred tax assets of continued operations included write-downs, mainly in Finland, of EUR -6.9 million that were recorded due to the uncertainty of the going concern principle caused by the restructuring proceedings.

**) Unallocated items under continued operations included, in addition to items affecting comparability, EUR -11.5 million financial and tax items of normal operations.

Geographical areas 2017

MEUR	Turkey	Finland	Sweden	Total
Non-current assets *)	**0.0**	**11.7**	**11.5**	**23.3**
Capital expenditure in production facilities	**0.0**	**1.0**	**1.8**	**2.8**

Geographical areas 2016

MEUR	Turkey	Finland	Sweden	Total
Non-current assets *)	0.0	24.6	15.6	40.3
Capital expenditure in production facilities	18.5	0.5	0.8	19.9

*) Excluding non-current deferred tax assets, financial assets and other receivables.

External net sales by market area, continued operations

MEUR	Jan 1–Dec 31, 2017	Jan 1–Dec 31, 2016
Sweden	**44.1**	44.9
Finland	**25.5**	27.8
Benelux countries	**24.6**	24.6
Germany	**7.3**	8.4
Other European countries	**16.6**	27.2
Other countries	**4.4**	6.0
Continued operations	**122.4**	138.9
Discontinued operations	**27.2**	311.0
Internal items/eliminations	**-0.2**	-45.8
Group Total	**149.5**	404.1

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

2 Business acquisitions and business divestments

There were no business acquisitions in 2016 and in 2017.

Divested business operations in 2017

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

Divestment of Componenta Dökümcülük Ticaret ve Sanayi A.Ş.

MEUR	
The carrying value of the sold net assets	0.0
Sales price of the sold net assets	0.0
Sales profit	0.0
Cash flow impact Jan 1–Dec 31, 2017	0.0

Divested business operations in 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 Group recorded a sales loss of EUR 6.1 million on the transaction. The loss has 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

MEUR	
The carrying value of the sold net assets	10.1
Sales price of the sold net assets	4.1
Sales loss	6.1
Cash flow impact Jan 1–Dec 31, 2016	4.1

Divestment of Pistons

MEUR	
The carrying value of the sold net assets	4.5
Sales price of the sold net assets	5.6
Sales profit	1.0
Paid sales price by Dec 31, 2016	5.4
Unpaid sales price by Dec 31, 2016	0.2
Cash flow impact Jan 1–Dec 31, 2016	5.2

3 Discontinued operations

MEUR	Jan 1–Dec 31, 2017	Jan 1–Dec 31, 2016
Net result of discontinued operations total, IFRS	**–4.8**	–209.5
Net result of discontinued operations total, excluding items affecting comparability	**0.1**	–15.8
Operating result of discontinued operations total, excluding items affecting comparability	**0.2**	2.0

Cash flow of discontinued operations

MEUR	Jan 1–Dec 31, 2017	Jan 1–Dec 31, 2016
Net cash flow from operating activities	**1.3**	10.7
Net cash flow from investing activities	**–1.2**	–8.8
Net cash flow from financing activities	**–0.5**	–7.1
Change in liquid assets	**–0.4**	–5.2

The subsidiary of Componenta Främmestad AB, Componenta Wirsbo AB and the subsidiary of Componenta Wirsbo AB, Componenta Arvika AB, both located in Sweden, were declared bankrupt on 17 July 2017 on their own petition. The companies were classified as discontinued operations in accordance with IFRS 5 standard "Non-current Assets Held for Sale and Discontinued operations". The consolidation of Componenta Wirsbo AB and Componenta Arvika AB in the Group financial statement ended in July 2017. The information in the income statement (including other comprehensive income), cash flow statement and some key financial ratios has been adjusted in the 2016 figures for comparison. In the segment information Componenta Wirsbo AB and Componenta Arvika AB figures have been presented as discontinued operations, and all Componenta Wirsbo AB and Componenta Arvika AB impairment of net assets have also been presented as discontinued operations. Additionally, all impairment of net receivables from Componenta Wirsbo AB and Componenta Arvika AB recorded by the remaining active companies within the corporation have been presented under discontinued operations.

Componenta Wirsbo sub-group's net profit for the period in discontinued operations were totalling EUR -4.8 (EUR -17.7) million. The write-downs of net assets of Componenta Wirsbo sub-group's operations were EUR -0.8 million in 2017. In addition, the parent company recorded losses of EUR -1.7 million related to provided guarantees for external parties, on behalf of Componenta Wirsbo sub-group.

Discontinued operations 2017

Componenta Wirsbo sub-group, discontinued operations

MEUR	Jan 1–Jun 30, 2017	Jan 1–Dec 31, 2016
Net sales	**27.2**	45.3
Operating result excluding items affecting comparability	**0.5**	–3.1
Result after financial items excluding items affecting comparability	**0.5**	–4.6
Net profit excluding items affecting comparability	**0.5**	–4.5
Items affecting comparability under Componenta Wirsbo sub-group Income Statement before the derecognition from Group's statement of financial position	**–4.1**	–13.2
Net profit, IFRS, before the derecognition from Group's statement of financial position	**–3.6**	–17.7
Items affecting comparability, all write-downs of receivables from Componenta Wirsbo sub-group registered by the remaining consolidated companies within the corporation	**–0.8**	–
Items affecting comparability, recorded liabilities by the parent company related to provided guarantees for external parties, on behalf of Componenta Wirsbo sub-group	**–1.7**	–
Items affecting comparability, items moved from consolidated statement of comprehensive income to consolidated income statement	**0.5**	–
Items affecting comparability, derecognition of Componenta Wirsbo sub-group net assets from the Group's statement of financial position	**0.8**	–
Discontinued operations net profit, IFRS	**–4.8**	–17.7

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

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

MEUR	Dec 31, 2017
Derecognition of Componenta B.V's group external assets from the Group's statement of financial position	-12.0
Derecognition of Componenta B.V's group external liabilities from the Group's statement of financial position	12.0
Recorded liabilities by the parent company related to provided guarantees for external parties, on behalf of Componenta Wirsbo sub-group	-1.7
Componenta Wirsbo sub-group bankruptcy and derecognition from Group's statement of financial position, impact to Group shareholders' equity	-1.7

Discontinued operations 2016

The Dutch subsidiary Componenta B.V. filed for bankruptcy on 1 September 2016. As a result of this Componenta no longer had iron business operations in the Netherlands. The Dutch sub-group's operations was 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 was 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 was 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 was also presented as discontinued operations. Additionally, all impairment of net receivables from Componenta B.V. recorded by the remaining active companies within the corporation was presented under discontinued operations.

Componenta BV's net profit for the period, including the write-downs of net assets of Dutch sub-group's operations and all impairment of net receivables from Componenta B.V. registered by the remaining active companies within the corporation were totalling EUR -22.5 million. The write-downs of net assets of Dutch sub-group's operations and all impairment of net receivables from Componenta B.V. registered by the remaining active companies within the corporation, were altogether EUR -21.8 million in 2016. In addition, the parent company recorded liabilities of EUR -7.9 million related to provided guarantees for external parties, on behalf of Componenta B.V. Furthermore EUR -2.9 million restructuring expenses was recorded mainly related to the closure of Furan line and other local restructuring during the first half of the year.

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

Componenta BV, discontinued operations

MEUR	Jan 1–Jun 30, 2016
Net sales	43.8
Operating profit excluding items affecting comparability	-2.8
Result after financial items excluding items affecting comparability	-3.5
Net profit excluding items affecting comparability	-3.5
Items affecting comparability under Componenta BV's Income Statement before the derecognition from Group's statement of financial position	-2.9
Net profit, IFRS, before the derecognition from Group's statement of financial position	-6.4
Items affecting comparability, all write-downs of receivables from Componenta B.V. registered by the remaining consolidated companies within the corporation	-21.8
Items affecting comparability, recorded liabilities by the parent company related to provided guarantees for external parties, on behalf of Componenta B.V	-7.9
Items affecting comparability, derecognition of Componenta BV's net assets from the Group's statement of financial position	13.5
Componenta BV, discontinued operations net profit, IFRS	-22.5

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

MEUR	Dec 31, 2016
Derecognition of Componenta B.V's net assets from the Group's statement of financial position through income statement or through statement of other comprehensive income	14.8
All write-downs of receivables from Componenta B.V. registered by the remaining consolidated companies within the corporation	-21.8
Recorded liabilities by the parent company related to provided guarantees for external parties, on behalf of Componenta B.V.	-7.9
Componenta BV's bankruptcy and derecognition from Group's statement of financial position, impact to Group shareholders' equity	-14.9

MEUR	Dec 31, 2016
Derecognition of Componenta B.V's group external assets from the Group's statement of financial position	-41.6
Derecognition of Componenta B.V's group external liabilities from the Group's statement of financial position	34.5
Recorded liabilities by the parent company related to provided guarantees for external parties, on behalf of Componenta B.V.	-7.9
Componenta BV's bankruptcy and derecognition from Group's statement of financial position, impact to Group shareholders' equity	-14.9

Because of the restructuring proceedings at Componenta Corporation and share pledge given by Componenta Corporation, the company considers that it has lost control over the Turkish sub-group and for this reason consolidation of the sub-group in the Group's financial statements ended 31 December 2016 and its operations have been classified as discontinued operations in Componenta's consolidated financial statements of 31 December 2016. Since the end of 2016 the club loan banks in Turkey have taken a more active role in the process of selling the Componenta Dökümcülük Ticaret ve Sanayi A.Ş. shares owned by Componenta, and in practice the negotiations are being conducted under the leadership of the Turkish club loan banks. In addition, any involvement of Componenta representatives in the management of Componenta Dökümcülük Ticaret ve Sanayi A.Ş. has become increasingly restricted. In the segment information, the figures for the Turkish sub-group are presented as discontinued operations, and so is the impairment on all the net asset items of the Componenta Turkey sub-group, including the Group goodwill for Turkey, in connection with derecognition. Cumulative translation differences relating to the Componenta Turkey sub-group are also recorded in the income statement and presented in income from discontinued operations. In addition, impairment recorded by Group companies with continuing operations on net receivables from the Componenta Turkey sub-group is presented under discontinued operations.

Componenta Turkey sub-group's net profit for the period under discontinued operations, including the write-downs of net assets of Turkish sub-group's operations was in total EUR -169.3 million.

Write-downs of net assets of Turkish sub-group's operations, including the derecognition of consolidation goodwill from Groups statement of financial position, and write-downs of receivables from Componenta Turkey registered by the remaining consolidated companies within the corporation, was in total EUR -97.6 million. The derecognition of the translation differences and cumulative other comprehensive income were totalling EUR -38.6 million. In addition, under Turkey sub-group EUR -25.5 million was recorded as items affecting comparability during the financial year 2016: during third quarter the write-down of goodwill in Turkey Iron business EUR -7.5 million, during third quarter the write-downs of receivables from Componenta B.V EUR -9.6 million, extra taxes the company was ordered to pay during a tax inspection in Turkey EUR -2.5 million, write-downs of trade receivables EUR -3.6 million, impairments of machinery and equipment EUR -1.5 million, and restructuring measures related expenses and other items affecting comparability as a net totalled EUR -0.8 million.

Consolidation of the Turkey sub-group in the Group financial statements ended on 31 December 2016. Derecognition from Componenta Group's statement of financial position has been made by using the 31 December 2016 balance sheet values. The value of Componenta Turkey's shares in consolidated statement of financial position on 31 December 2016 was 1 euro. In the consolidated statement of financial position there were liabilities towards not consolidated Turkey sub-group of some EUR 137 million, of which some EUR 110 million were liabilities under restructuring processes.

Componenta Turkey sub-group, discontinued operations

MEUR	Jan 1-Dec 31, 2016
Net sales	226.1
Operating profit excluding items affecting comparability	8.1
Result after financial items excluding items affecting comparability	-4.7
Net profit excluding items affecting comparability	-7.3
Items affecting comparability under Componenta Turkey's Income Statement before the derecognition from Group's statement of financial position	-25.5
Net profit, IFRS, before the derecognition from Group's statement of financial position	-32.8
Items affecting comparability, write-downs of receivables from Componenta Turkey registered by the remaining consolidated companies within the corporation	-1.5
Items affecting comparability, derecognition of Componenta Turkey's net assets from the Group's statement of financial position	-38.8
Items affecting comparability, derecognition consolidation goodwill, related to Turkey Group from Group's statement of financial position	-20.9
Items affecting comparability, derecognition of Componenta Turkey's net assets from the Group's statement of financial position	-75.2
Componenta Turkey, discontinued operations net profit, IFRS	-169.2

Loss of control over Componenta Turkey and derecognition from Group's statement of financial position, impact to Group shareholders' equity, reconciliations

MEUR	Dec 31, 2016
Derecognition of Componenta Turkey's net assets from the Group's statement of financial position through income statement or through statement of other comprehensive income	-88.9
Derecognition consolidation goodwill, related to Turkey Group from Group's statement of financial position	-20.9
Write-downs of receivables from Componenta Turkey registered by the remaining consolidated companies within the corporation	-1.5
Loss of control over Componenta Turkey and derecognition from Group's statement of financial position, impact to Group shareholders' equity	-111.4

MEUR	Dec 31, 2016
Derecognition of Componenta Turkey sub-group's external assets from the Group's statement of financial position	-199.1
Derecognition of Componenta Turkey sub-group's external liabilities from the Group's statement of financial position	245.8
Derecognition of consolidation goodwill, related to Turkey sub-group from Group's statement of financial position	-20.9
Liabilities towards Componenta Turkey are registered in the Group's statement of financial position by the remaining consolidated companies within the corporation	-137.3
Loss of control over Componenta Turkey and derecognition from Group's statement of financial position, impact to Group shareholders' equity	-111.4

4 Assets classified as held for sale

Non-current assets held for sale

MEUR	Dec 31, 2017	Dec 31, 2016
Investments	1.5	-
Assets classified as held for sale total	1.5	-

Non-current assets held for sale represent investment properties held for sale. Due to the restructuring programme the company should sell the real estate companies that are not part of the company's core business. Some of the real estate companies, EUR 1.5 million, that meet the requirements of IFRS 5 standard, are classified as Non-current assets held for sale. The investment properties are measured at fair value and in fiscal year 2017 an impairment charge of EUR -2.6 (-2.0) million was recognised. The investment properties are provided in note 16.

5 Other operating income

Continued operations

MEUR	Jan 1–Dec 31, 2017	Jan 1–Dec 31, 2016 *)
Rental income	0.4	0.4
Profit from sale of non-current assets	0.0	1.3
Exchange gains and losses of trade receivables and payables, incl. hedges	-0.1	-2.2
Reconstructuring write-downs	29.7	-
Other operating income	1.5	1.9
Other operating income total, continued operations	31.5	1.4
Rental income from investment properties are included in net sales, continued operations	0.6	0.6

*) The comparative figures from 2016 have been adjusted because the Wirsbo sub-group operations have been classified as discontinued operations.

6 Operating expenses

Continued operations MEUR	Jan 1–Dec 31, 2017	Jan 1–Dec 31, 2016 *)
Change in inventory of finished goods and work in progress	-0.2	-0.7
Production for own use	0.0	0.0
Materials, supplies and products	-61.3	-63.7
External services	-7.7	-8.2
Personnel expenses	-29.2	-36.4
Rents	-0.7	-1.6
Maintenance costs of investment properties	-1.9	-2.1
Waste, property and maintenance costs	-4.8	-5.1
Energy	-6.0	-4.8
Sales and marketing	0.0	-0.1
Computer software	-1.3	-1.9
Tools for production	-2.9	-2.8
Freights	-0.4	-2.2
Decrease in fair value of investment properties	-2.6	-7.0
Other operating expenses	-5.0	-15.4
Total operating expenses, continued operations	-124.1	-152.0

*) The comparative figures from 2016 have been adjusted because the Wirsbo sub-group operations has been classified as discontinued operations.

Audit fees	-0.2	-0.4
Other fees **)	-0.2	-0.1
Total fees paid to auditors, continued operations	-0.4	-0.5

**) PricewaterhouseCoopers Oy has provided non-audit services to the entities of Componenta Group in total of 97 thousand euros during the financial year 2017.

7 Personnel expenses

Continued operations MEUR	Jan 1–Dec 31, 2017	Jan 1–Dec 31, 2016*)
Personnel expenses, continued operations		
Salaries and fees	-22.4	-28.2
Pension costs	-3.4	-4.8
Other personnel costs	-3.5	-3.4
Personnel expenses, total	-29.2	-36.4

Average number of personnel by segment, excluding leased personnel

MEUR	Jan 1–Dec 31, 2017	Jan 1–Dec 31, 2016 **)
Contract workshop business, continued operations	567	671
Average number of personnel during the period, excluding leased personnel, discontinued operations	106	2 943
Average number of personnel during the period, excluding leased personnel, Group	673	3 614

*) The comparative figures from 2016 have been adjusted because the Wirsbo sub-group operations has been classified as discontinued operations.
**) During the first quarter of 2017 the operations of Componenta were merged on one segment, Contract workshop business.

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

8 Research and development costs

Continued operations MEUR	Jan 1–Dec 31, 2017	Jan 1–Dec 31, 2016
The following amounts have been recognized in the income statement under research and development costs, continued operations	-0.0	-0.2

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

Continued operations MEUR	Jan 1–Dec 31, 2017	Jan 1–Dec 31, 2016*)
Depreciation and amortization		
Tangible assets, continued operations		
Buildings and structures	-0.6	-1.2
Machinery and equipment **)	-1.0	-4.2
Other tangible assets	-0.1	-0.1
	-1.7	-5.5
Intangible assets, continued operations		
Intangible rights	0.0	-0.5
Computer software	-0.2	-0.2
Other capitalized expenditure	-0.1	-0.5
	-0.3	-1.2
Write-downs on tangible and intangible assets, continued operations ***)	-1.5	-13.4
Write-downs on group goodwill, continued operations ***)	0.0	-0.5
Total depreciation, amortization and write-downs	-3.5	-20.6

*) The comparative figures from 2016 have been adjusted because the Wirsbo sub-group operations has been classified as discontinued operations.

**) The units-of-production depreciation method is used for production machinery and equipment. Continued operations planned depreciation based on normal utilized capacity was EUR -1.2 (-3.6) million and capacity utilization correction was EUR 0.4 (0.6) million.

***) In 2017 there were write-downs in tangible assets EUR -1.5 million for Swedish business operations. In 2016 the write-downs in Sweden of production machinery included in tangible assets were EUR -10.5 million. The weighted average cost of capital used in the impairment tests was 8.1% (10.6 %). The decrease in discount rate is mainly an outcome of the decreased expenses regarding the funding costs. It is assumed, in the impairment test, that the net working capital ties less capital in trade receivables due to changes in payment terms. Write-downs of properties in Finland, mainly foundry properties, were EUR 0.0 (-3.0) million. The write-downs recorded in 2016 resulted of decrease of returns under income approach derived mainly from the restructuring proceedings.

10 Financial income and expenses

Continued operations MEUR	Jan 1–Dec 31, 2017	Jan 1–Dec 31, 2016 *)
Interest income from loans and other receivables	0.0	0.3
Exchange rate gains from financial assets and liabilities recognized at amortized cost	0.1	3.9
Realized exchange rate gains from currency derivatives	0.0	0.1
Other financial income **)	110.2	44.4
Change in fair value of financial assets and liabilities held for trading	0.0	0.0
Effective interest expenses for financial liabilities recognized at amortized cost ***)	-5.1	-12.4
Exchange rate losses from financial assets and liabilities recognized at amortized cost	-0.1	-1.4
Other charges on financial liabilities valued at amortized cost	0.0	0.0
Interest expenses and commissions for supplier factoring	0.0	-0.2
Interest expenses and commissions for sold trade receivables	0.0	-0.5
Interest expenses for interest rate swaps	0.0	0.0
Realized exchange rate losses from currency derivatives	0.0	-0.4
Other financial expenses **)	-3.0	-0.8
Financial income and expenses, total, continued operations	102.1	33.1

*) The comparative figures from 2016 on income statement have been adjusted because the Wirsbo sub-group operations has been classified as discontinued operations.

**) 2016 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, in Other financial income. The District Court of Helsinki confirmed the restructuring programmes for Componenta Corporation and its subsidiary Componenta Finland Ltd on 23 August 2017. The unsecured debts of Componenta Corporation were cut by approximately 94% and the debts with lowest priority were cut in their entirety in the restructuring proceedings. The impact on the result from the debt cuts of Componenta Corporation and Componenta Finland Ltd has been recorded in the third quarter of the year. The payment programme of the restructuring programme will commence in May 2019 and end in November 2023.

***) Effective interest expenses of the continued operations in 2016 includes accrued interest expenses to the Turkey sub-group totally EUR 8.7 million. Turkey sub-group has been classified as discontinued operations in the financial statements of 2016. 2017 interest expenses come mainly from the accrued interest cost of restructuring debts until the debt cut at August 23rd 2017.

In addition to the foreign exchange rate differences presented in financial items, foreign exchange rate differences are also recorded in the consolidated operating profit. Other operating income in note 4 includes a total of EUR -0.1 (-2.2) million in exchange rate gains and losses arising from foreign currency denominated sales and purchases.

11 Income taxes

MEUR	Jan 1–Dec 31, 2017	Jan 1–Dec 31, 2016 *)
Income taxes, continued operations		
Income taxes for financial period	0.0	0.0
Change in deferred taxes (see note 20)	0.5	-6.9
Continued operations total	0.5	-6.9
Income taxes, discontinued operations		
Income taxes for financial period	0.0	1.0
Change in deferred taxes	0.2	6.3
Income taxes total, discontinued operations	0.2	7.3
Income taxes, Group total	0.7	0.4

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

MEUR	Jan 1–Dec 31, 2017	Jan 1–Dec 31, 2016 *)
Profit before tax, continued operations	128.3	0.8
Income tax using Finnish tax rate	-23.2	-0.2
Difference between Finnish tax rate and rates in other countries	-0.3	0.3
Tax exempt income **)	28.6	8.9
Non-deductible expenses	-1.4	-0.1
Adjustments to the taxable income for previous years	0.0	0.0
Tax losses from which no deferred tax assets have been recorded	-2.9	-8.6
Re-assessment of deferred taxes ***)	-0.3	-7.3
Taxes total	0.5	-6.9

*) The comparative figures from 2016 have been adjusted because the Wirsbo sub-group operations has been classified as discontinued operations.

**) The tax exempt incomes in 2017 are mainly related to the debt cuts of long-term interest bearing loans. The tax exempt incomes in 2016 are mainly related to discharge of secured bank loans and a secured bond. 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, net EUR 44.4 million in stand alone financial statements, to tax exempt other financial income.

***) In 2017 the revaluation of deferred tax of continued operations includes mainly the net of tax from write-downs of hybrid bonds. In 2016 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 2016 by country were recorded as follows: Finland EUR 5.4 million and Sweden EUR 0.4 million. The company has no deferred tax assets relating to tax losses in its balance sheet at end of 2016. In 2016 other net deferred tax assets write-downs, in addition to assets related to losses, in 2016 were EUR 1.8 million. The write-downs are based on the considerable uncertainty regarding the going concern.

12 Earnings per share

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

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 effect.

	2017	2016
Basic and diluted earnings per share		
Numerator: Result for the period attributable to the shareholders of the parent company, 1,000 EUR *)	124,064	-206,845
Denominator: Weighted average number of outstanding shares during the financial year, 1,000 shares	176,985	126,054
Basic earnings per share, EUR	0.70	-1.64
Earnings per share with dilution, EUR	0.70	-1.64

*) Unpaid interest on the 2012 and 2013 hybrid bonds are not recorded until after the decision of the Board of Directors, in accordance with IFRS. Unpaid interest on hybrid bond totalled EUR 0.0 million (0.4 million) after deferred taxes and it has been taken into account as a factor reducing the result for the period attributable to equity holders of the parent company when calculating the earnings per share. The unpaid and accrued interests of hybrid bonds of the financial period 2017 and previous financial periods were EUR 1.8 million calculated until the approval of restructuring programs and were written-down after the confirmation of restructuring program. The write-down of the interest created a financial income of same amount. The result for the period attributable to the equity holders of the parent company presented in the consolidated income statement was EUR 124.1 million (-206.4 million).

Notes to the consolidated statement of financial position

13 Tangible assets

MEUR	2017	2016
Land and water areas		
Acquisition cost Jan 1	1.2	36.7
Additions	0.0	0.0
Disposals	-0.3	-35.1
Re-classifications	0.0	-0.3
Revaluation on land and water areas *)	0.0	0.0
Translation differences	0.0	0.0
Book value Dec 31	0.9	1.2

MEUR	2017	2016
Buildings and constructions		
Acquisition cost Jan 1	35.9	102.8
Additions	0.1	0.4
Disposals	-3.5	-75.9
Re-classifications	-1.0	9.6
Revaluation on buildings *)	0.0	-0.8
Translation differences	-0.2	-0.3
Acquisition cost Dec 31	31.3	35.9
Accumulated depreciation Jan 1	-23.9	-56.3
Accumulated depreciation on decreases and re-classifications	2.3	41.1
Translation differences	0.1	0.2
Depreciation and write-downs during the period **)	-0.6	-8.8
Accumulated depreciation Dec 31	-22.1	-23.9
Book value Dec 31	9.2	12.0

MEUR	2017	2016
Buildings and constructions, finance leasing		
Acquisition cost Jan 1	0.0	0.2
Re-classifications	0.0	-0.2
Acquisition cost Dec 31	0.0	0.0
Accumulated depreciation Jan 1	0.0	-0.1
Accumulated depreciation on re-classifications	0.0	0.1
Depreciation during the period	0.0	0.0
Accumulated depreciation Dec 31	0.0	0.0
Book value Dec 31	0.0	0.0

MEUR	2017	2016
Machinery and equipment		
Acquisition cost Jan 1	153.7	368.9
Additions	0.7	3.7
Disposals	-57.2	-235.9
Re-classifications	-1.5	19.6
Companies acquired	0.0	0.0
Translation differences	-0.6	-2.6
Acquisition cost Dec 31	95.1	153.7
Accumulated depreciation Jan 1	-138.0	-275.3
Accumulated depreciation on decreases and re-classifications	52.5	162.7
Translation differences	0.5	1.8
Depreciation and write-downs during the period ***)	-1.7	-27.2
Accumulated depreciation Dec 31	-86.7	-138.0
Book value Dec 31	8.4	15.8

MEUR	2017	2016
Machinery and equipment, finance leasing		
Acquisition cost Jan 1	14.6	31.9
Additions	0.6	6.5
Disposals	-0.4	-19.4
Re-classifications	0.0	-4.0
Translation differences	-0.3	-0.4
Acquisition cost Dec 31	14.5	14.6
Accumulated depreciation Jan 1	-12.7	-11.4
Accumulated depreciation on decreases	0.4	4.2
Translation differences	0.2	0.2
Depreciation during the period	-0.8	-5.7
Accumulated depreciation Dec 31	-12.9	-12.7
Book value Dec 31	1.6	1.9

MEUR	2017	2016
Other tangible assets		
Acquisition cost Jan 1	5.7	16.5
Additions	0.0	0.4
Disposals	-5.1	-11.5
Re-classifications	0.0	0.6
Translation differences	0.0	-0.3
Acquisition cost Dec 31	0.6	5.7
Accumulated depreciation Jan 1	-1.1	-8.6
Accumulated depreciation on decreases	1.0	8.6
Translation differences	0.0	0.0
Depreciation during the period	-0.1	-1.1
Accumulated depreciation Dec 31	-0.2	-1.1
Book value Dec 31	0.4	4.6

MEUR	2017	2016
Advance payments and fixed assets under construction		
Acquisition cost Jan 1	0.4	29.0
Additions	0.3	8.9
Disposals	-0.2	-12.3
Re-classifications	0.0	-25.2
Translation differences	0.0	-0.1
Book value Dec 31	0.5	0.4
TOTAL TANGIBLE ASSETS	21.0	35.8

*) The accounting principles for the consolidated financial statements contain further information about the treatment of changes in the value of land and buildings. According to the accounting principles for the consolidated financial statements, changes in the value of land and buildings are measured at three year intervals. The previous revaluation process throughout the Group was carried out in 2015. The valuation is mainly based on the income approach. The difference in book value and fair value of buildings and land EUR 0.0 (-16.3) million is booked through other comprehensive income items under discontinued operations, for the part that it has in previous years been booked at revaluation reserve. The Group buildings and land revaluation reserve under equity stood, after deferred taxes, at EUR 0,0 (0.0) million. The current treatment of revaluation in the accounting principles was introduced in 2012. The reliability of the valuation of property is classified as Level 3, in other words there is no active market for these mainly industrial properties and the price cannot be deduced from verifiable market data. The valuation is based on the income approach and determining the fair value involves considerable discretion.

**) Write-downs on buildings and structures recorded in the income statement of continued operations related to foundry property in Finland were EUR 0.0 (-3.0) million. According to the accounting principles for the consolidated financial statements, changes in the value of land and buildings are measured at three year intervals. The previous revaluation process throughout the Group was carried out in 2015. The valuation is mainly based on the income approach.

***) Write-downs, under continued operations, on machinery and equipment included in tangible assets in Swedish business operations were EUR -1.5 (-10.5) million.

Minimum lease payments and present values of the payments by maturity classes relating to finance lease agreements are presented in note 29. Finance lease agreements mainly comprise production equipment leases, with average maturity of 3-5 years. Lease payments are tied to short-term market interest rates. The agreements do not include restrictions on dividend payments, additional borrowing nor on entering into new lease agreements.

14 Goodwill

Me	2017	2016
Acquisition cost Jan 1	0.0	29.2
Goodwill disposal	-	-0.5
Goodwill write down	-	-7.5
Derecognition of goodwill from the statement of financial position related to discontinued operations	-	-21.0
Translation difference	-	-0.1
Book value Dec 31	-	0.0

Allocation of goodwill and impairment testing

Componenta did not have any book value on goodwill on 31 December, 2017. Goodwill is allocated to cash generating units. Most of the goodwill in 2016 was allocated to the Orhangazi foundry, and the goodwill related to this stood at EUR 20.1 million at the end of September 2016. The goodwill allocated the Turkish sub-group at the end of September 2016 stood in its totality at EUR 20.9 million. On 31 December 2016 the Turkish sub-group was classified as discontinued operations and therefore also the related goodwill was derecognised from the Group's statement of financial position through income statement. Therefore as at 31 December 2016 the Group did not have any consolidation goodwill on its statement of financial position. The income statement entry related to derecognition was presented under the result of discontinued operations.

Due to above mentioned, no goodwill impairment test is carried out on 31 December, 2017.

The goodwill impairment tests are carried out at year end but in 2016 Orhangazi foundry impairment test was carried out on September 30, 2016 and as a result of the test an impairment of EUR 7.5 million was recorded. 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 would have indicated that the carrying amount of Orhangazi foundry goodwill may not have been recoverable.

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

The discount rate used was the weighted average cost of capital before tax defined by the company. Company had also used external expert when defining the used discount rate. The factors in this were 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 had used a pre tax weighted average cost of capital 9.3% in its calculations related to Orhangazi foundry.

Based on the assessment carried out on September 30, 2016 EUR 7,5 million goodwill write down had been recorded for the period January - September 2016. The goodwill write down had been allocated to Orhangazi iron foundry. Pistons business unit producing pistons was sold in August 2016 and the sales of the business caused write down of goodwill in group balance sheet EUR 0,5 million.

Sensitivity analysis (30 September 2016):
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) +/- 10%
- by changing the weighted average cost of capital +/- 10%

Decreasing the capital cost by 5.6% 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 have increased by 10% to level 10.2%, other parameters remaining the same, the write down would have been approximately EUR 17.9 million. If profitability (EBITDA) would have been decreased by 10% and other parameters would remain the same, that would have lead to approximately EUR 24.4. million write down of the goodwill.

It was 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.

15 Intangible assets

MEUR	2017	2016
Capitalized development costs		
Acquisition cost Jan 1	1.3	2.8
Additions	0.0	0.0
Disposals	0.0	-1.5
Re-classifications	0.0	0.0
Translation differences	0.0	-0.1
Acquisition cost Dec 31	1.3	1.3
Accumulated amortization Jan 1	-1.0	-1.3
Accumulated amortization on decreases and re-classifications	-0.3	1.4
Translation differences	0.0	0.0
Amortization during the period	0.0	-1.1
Accumulated amortization Dec 31	-1.3	-1.0
Book value Dec 31	0.0	0.3

MEUR	2017	2016
Computer software		
Acquisition cost Jan 1	4.9	8.4
Additions	0.0	0.0
Disposals	0.0	-3.4
Re-classifications	0.0	-0.1
Translation differences	0.0	-0.1
Acquisition cost Dec 31	4.9	4.9
Accumulated amortization Jan 1	-4.5	-6.3
Accumulated amortization on decreases and re-classifications	-0.2	3.4
Translation differences	0.0	0.0
Amortization during the period	-0.2	-1.6
Accumulated amortization Dec 31	-4.9	-4.5
Book value Dec 31	0.0	0.4

MEUR	2017	2016
Intangible rights		
Acquisition cost Jan 1	1.6	7.8
Additions	0.0	0.0
Disposals	0.0	-6.3
Re-classifications	0.0	0.1
Translation differences	0.0	-0.1
Acquisition cost Dec 31	1.6	1.6
Accumulated amortization Jan 1	-1.6	-4.9
Accumulated amortization on decreases and re-classifications	0.0	6.2
Translation differences	0.0	0.0
Amortization during the period	0.0	-3.0
Accumulated amortization Dec 31	-1.6	-1.6
Book value Dec 31	0.0	0.0

MEUR	2017	2016
Other capitalized expenditure		
Acquisition cost Jan 1	10.7	10.9
Additions	0.0	0.0
Disposals	0.0	-0.2
Re-classifications	0.0	0.0
Translation differences	0.0	0.0
Acquisition cost Dec 31	10.7	10.7
Accumulated amortization Jan 1	-10.4	-10.4
Accumulated amortization on decreases and re-classifications	0.0	0.2
Translation differences	0.0	0.0
Amortization during the period	-0.1	-0.2
Accumulated amortization Dec 31	-10.5	-10.4
Book value Dec 31	0.1	0.3

MEUR	2017	2016
Advance payments for intangible assets		
Acquisition cost Jan 1	0.0	0.0
Additions	0.1	0.0
Disposals	0.0	0.0
Re-classifications	0.0	0.0
Book value Dec 31	0.1	0.0
TOTAL INTANGIBLE ASSETS	0.2	0.9

16 Investment properties

MEUR	2017	2016
Book value Jan 1	3.6	8.1
Additions	0.0	–
Disposals	0.0	-0.2
Transfers	1.0	3.0
Classified as held for sale	-1.5	0.0
Profit/loss from the fair valuation	0.0	-2.0
Write-downs	-2.6	-5.3
Book value Dec 31	0.5	3.6

The real estate companies within the group hold land areas and buildings, which the group do not have in own use and from which the group recognise rental income. Therefore these real estate companies are classified as investment properties according to IAS 40 – Investment Property. The group applies the fair value model for measuring the investment properties. The fair value reflects the market conditions at the end of the reporting period with no transaction costs incurred. In the fair value hierarchy the valuation of land areas and buildings are categorised within level 3.

According to the restructuring programme confirmed on 23 August 2017, the group should sell all its investment properties during the restructuring programme. While executing the restructuring programme purchase offers have been received, which have given indications of the market value of the properties. The fair values in 2017 are based on these indications. Based on the purchase offers some of the investment properties, some EUR 1.5 million, are classified as held for sale according to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. Based on the purchase offers impairment losses of EUR -2.6 (-5.3) million have been recognised.

In 2016 the fair values of investment properties were based on assessment books prepared by an independent and professionally qualified evaluator and last updated at the end of 2016. The evaluation was prepared for Finnish properties by Kiinteistötaito Peltola & Co Oy. In the 2016 valuations, due to restructuring proceedings Componenta Corporation and Componenta Finland Ltd, it was assumed that the Group will have to sell investment properties and that the Group's own resources will not in future be sufficient to develop investment properties. Changes in valuation for those properties, in whose income values long-term ownership or sufficient property development in previous years were taken into consideration in valuations, where classified as write-downs. The reliability of the valuation of property was classified as level 3. The fair values, at the time of the transfer, of properties transferred to investment properties in 2016 were EUR 3.0 million and the value of sold properties was EUR 0.2 million.

17 Shares in associated companies

MEUR	2017	2016
Book value Jan 1	0,0	1,2
Disposals	–	0,0
Share of results of associated companies	–	0,1
Additions	–	0,0
Translation differences	–	0,0
Derecognition of the shares from the statement of financial position related to discontinued operations	–	-1,3
Book value Dec 31	–	0,0

On 31 December 2017 the Group had no associated companies.

18 Financial assets

MEUR	2017	2016
Available-for-sale financial assets		
Acquisition cost Jan 1	0.0	0.9
Additions	–	–
Disposals	–	-0.2
Impairment losses	–	-0.7
Book value Dec 31	–	0.0

Available-for-sale financial assets consist of non-listed shares. As the fair value of these shares is difficult to determine reliably, they are recognized at acquisition cost less any impairment losses. During fiscal year 2017 the recorded impairment losses were EUR 0.0 (-0.7) million. The impairment losses of EUR 0.7 million during fiscal year 2016 related mainly to the impairment of Majakka Voima Oy's shares, through which the Group holds a stake in the Fennovoima Hanhikivi nuclear power plant project. This holding is related to the company's business and would require the Group to make further investments, which it is no longer able to do because of restructuring procedures. Due to these financial constraints, the Group is no longer able to continue in the Fennovoima Hanhikivi nuclear power plant project. Because of these circumstances the existing investment has become worthless to Group. In the fair value hierarchy the valuation of other financial assets are categorised within level 3, additional information recognised in note 23. The gains from the sale of available-for-sale financial assets in 2017 were EUR 0,0 (0.1) million.

19 Non-current receivables

MEUR	Dec 31, 2017	Dec 31, 2016
From associates		
Loan receivables	–	0.0
Total	–	0.0
Other non-current receivables		
Loan receivables	0.1	0.1
Other receivables	0.2	0.2
Total	0.4	0.3
Total non-current receivables	0.4	0.3

20 Deferred tax assets and liabilities

Changes in deferred taxes during the financial year 2017

MEUR	Jan 1, 2017	Recognized in income statement	Recognized in equity	Translation differences	Dec 31, 2017
Deferred tax assets					
Intercompany margin in inventory	0.0	0.0			0.0
Provisions and pension provisions	0.0	0.0			0.0
Other differences	0.6	0.3			0.9
Total	0.6	0.3			0.9
Offset with deferred tax liabilities	–0.6	–0.3			–0.9
Total	0.0	0.0			0.0

In 2017 deferred tax assets were recorded EUR 0.3 million, due to write-downs of interests of Hybrid bonds. In 2016 the Group recorded write-down of EUR 5,4 million for the deferred tax assets related to tax losses in Finland and EUR 0.4 million in Sweden. The Group did not record any deferred tax assets related to tax losses on its balance sheet at the end of the financial year 2017. In 2016 other tax asset write-downs during the financial year were related to uncertainty of the going concern assumption. The deferred tax assets related to discontinued operations have been derecognized from Group statement of financial position, either through income statement or through other comprehensive income.

MEUR	Jan 1, 2017	Recognized in income statement	Recognized in equity	Translation differences	Dec 31, 2017
Deferred tax liabilities					
Valuing tangible assets at fair value when merging businesses	0.0				0.0
Accelerated depreciation	0.0	0.0			0.0
Fair valuation of investment properties	0.0				0.0
Revaluation of buildings and land areas	0.0				0.0
Finance leases	1.1	–0.5			0.7
Other differences	1.9	–0.4			1.5
Total	3.1	–0.9			2.2
Offset with deferred tax assets	–0.6	–0.3			–0.9
Total	2.4	–1.2			1.3

Deferred income tax assets and liabilities are netted on the balance sheet primarily on a country-by-country basis when the country in question allows the balancing of taxable profits and losses between Group companies or when there is only one subsidiary in the country in question. The deferred tax liabilities related to discontinued operations have been derecognized from Group statement of financial position, either through income statement or through other comprehensive income.

Changes in deferred taxes during the financial year 2016

MEUR	Jan 1, 2016	Recognized in income statement	Recognized in equity	Translation differences	Dec 31, 2016
Deferred tax assets					
Intercompany margin in inventory	0.1	-0.1		0.0	0.0
Provisions and pension provisions	3.5	-3.5	0.0		0.0
Tax losses carried forward	5.8	-5.8		0.0	0.0
Fair valuation of investment properties	0.3	-0.3			0.0
Revaluation of buildings and land areas	1.9	-1.9		0.0	0.0
Other differences	5.7	-5.0	-0.1	0.0	0.6
Total	17.3	-16.5	-0.1	0.0	0.6
Offset with deferred tax liabilities	-11.8				-0.6
Total	5.5				0.0

MEUR	Jan 1, 2016	Recognized in income statement	Recognized in equity	Translation differences	Dec 31, 2016
Deferred tax liabilities					
Valuing tangible assets at fair value when merging businesses	2.8	-2.8		0.0	0.0
Accelerated depreciation	8.8	-8.8		0.0	0.0
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	-3.5	0.0	0.0
Finance leases	1.5	-0.3		0.0	1.1
Other differences	6.0	-4.0	0.0	0.0	1.9
Total	22.6	-15.9	-3.6	-0.1	3.1
Offset with deferred tax assets	-11.8				-0.6
Total	10.8				2.4

21 Inventories

MEUR	Dec 31, 2017	Dec 31, 2016
Raw Materials and Consumables	1.4	4.4
Work in Progress	1.9	2.8
Finished products and goods	7.4	7.3
Other inventories	2.9	2.9
Advance Payments	0.7	0.2
Total Inventories	14.3	17.7

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

During reporting period 2017 in continued operations, in Finnish units EUR 0.0 (-0.1) million, in Swedish units EUR 0.0 (-1.7) million, a total expense of EUR 0.0 (-1.9) million was recognized to reduce the book value of inventories to their net realizable value.

22 Trade and other short-term receivables

MEUR	Dec 31, 2017	Dec 31, 2016
Trade receivables	7.5	14.6
Loan receivables *)	0.1	3.5
Derivative receivables	0.0	-
Tax receivables, income taxes	0.0	-
Prepayments and accrued income	1.0	2.1
VAT receivables	0.3	0.3
Other receivables	0.3	0.8
Total trade and other short-term receivables	9.3	21.4

*) Loan receivables includes EUR 0.0 (3.1) million cash balance in a bank account which is managed by the law firm responsible for the administration of Swedish restructuring processes.

Prepayments and accrued income include mainly prepaid accrued expenses.

Trade receivables by currency

%	Dec 31, 2017	Dec 31, 2016
EUR	82.4	76.0
SEK	17.6	24.0
Total	100.0	100.0

23 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 2017

MEUR	LEVEL 1	LEVEL 2	LEVEL 3
Foreign exchange rate derivatives (OTC)	-	-	-
Interest rate derivatives (OTC)	-	-	-
Commodity derivatives	-	-	-
Available-for-sale investments	-	-	0.0

Fair values by classification of valuation method 2016

MEUR	LEVEL 1	LEVEL 2	LEVEL 3
Foreign exchange rate derivatives (OTC)	-	-	-
Interest rate derivatives (OTC)	-	-	-
Commodity derivatives	-	-	-
Available-for-sale investments	-	-	0.0

24 Cash and cash equivalents

MEUR	Dec 31, 2017	Dec 31, 2016
Cash and cash equivalents included in the statement of financial position		
Cash at bank and in hand	5.5	4.4
Cash and cash equivalents included in the cash flow statement		
Cash at bank and in hand	5.5	4.4

At the end of the reporting period, the Swedish subsidiary had a balance of EUR 0.0 (3.1) million in a bank account which is managed by the law firm responsible for the administration of restructuring programme. This balance is not included in Cash and cash equivalents as it is reported under loan receivables under short-term receivables in note 22.

25 Share capital, share premium reserve and other reserves

	Number of shares, (1,000)	Share capital, MEUR	Share premium reserve, MEUR	Cash flow hedges, MEUR	Unrestricted equity reserve, MEUR	Buildings and land revaluation reserve, MEUR	Other reserves, MEUR
Jan 1, 2017	176,137	21.9	15.0	-0.1	191.1	0.0	5.6
Issue of the convertible capital loan and conversions to shares	1,132				0.6		
Transfers to retained earnings		-20.9	-15.0		-191.2		-0.8
Hybrid bond and other adjustments							-2.0
Capital loan							27.0
Other comprehensive income				0.1			-0.2
Dec 31, 2017	177,269	1.0	0.0	0.0	0.4	0.0	29.5

	Number of shares, (1,000)	Share capital, MEUR	Share premium reserve, MEUR	Cash flow hedges, MEUR	Unrestricted equity reserve, MEUR	Buildings and land revaluation reserve, MEUR	Other reserves, MEUR
Jan 1, 2016	97,269	21.9	15.0	-0.4	152.3	15.8	4.4
Issue of the convertible capital loan and conversions to shares	78,868				38.8		0.6
Transfers to retained earnings	-	-	-	-	-	-0.6	0.6
Other comprehensive income	-	-	-	0.3	-	-15.2	0.0
Dec 31, 2016	176,137	21.9	15.0	-0.1	191.1	0.0	5.6

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

In 2017 the General Annual Meeting resolved to reduce the Company's share premium reserve by EUR -15.1 million for loss coverage. This amount was recognised in retained earnings primarily for covering losses from reporting periods before 2016 and secondary for covering losses from reporting period 2016. The share premium reserve contains the amount paid for shares in a share issue that exceeds the nominal value of the share if the decision concerning the issue of convertible capital notes on which the subscriptions are based was made before the 2006 change in the Finnish Company Act. The amount exceeding the nominal value when converting convertible capital notes issued after the new Company Act came into force (1 September 2006) is recognized in the unrestricted equity reserve. Cash flow hedges include the valuations of commodity derivatives. The fair value changes in effective portion of hedging instruments in hedging reserve, before taxes, was EUR 0.1 (-0.4) million, the amount released to income statement from the hedging reserve, before taxes, was EUR 0.0 (-0.8) million and the change of deferred taxes in hedging reserve was EUR 0.0 (-0.1) million.

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

The building and land area revaluation reserve presents the impact on shareholders' equity of the revaluation of these assets. The change resulting from revaluation presented in comprehensive income, excluding non-controlling interest, after deferred tax in 2017 was EUR 0.0 (-15.2) million. The impact of the derecognition of the discontinued operations to the buildings and revaluation reserve was EUR 0.0 million.

Other reserves include the conversion option component of the convertible capital notes EUR 2.5 (2.7) million, share-based payments EUR 0.0 (0.3) million according to IFRS 2 standard. Legal reserve EUR 0.0 (0.0) million is also included in other reserves. In 2017 the General Annual Meeting resolved to reduce the Company's legal reserve by EUR 5 thousand for loss coverage. This amount was recognised in retained earnings primarily for covering losses from reporting periods before 2016 and secondary for covering losses from reporting period 2016. In 2016 the company's shareholders' equity included two equity bonds (hybrid bonds), which improved the company's equity ratio and were presented in shareholders' equity under other reserves. At the end of December 2016 the remaining hybrid bond, EUR 2,6 million was cut by 100% in accordance with the restructuring programme after being classified as a lowest priority loan. At the end of reporting period 2017 other reserves, included shareholders' equity, included non-interest bearing capital loan in total EUR 27.0 million.

The cumulative translation differences EUR -0.9 (0.6) 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. In 2016 the majority of the derecognised cumulative translation differences were related to Turkish lira changes and smaller portion to the exchange rate changes between GBP and EUR. 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. Turkish subsidiary, including its subsidiary located in the UK, was classified as discontinued operations on 31 December 2016 and therefore negative cumulative translation differences of EUR -36.3 million, including the non-controlling interest EUR -39.7 million, were derecognised from the equity. The remaining cumulative translation differences are mainly related to the changes in Swedish crown.

Pursuant to Chapter 9 Section 58 of the Restructuring of Enterprises Act (25.1.1993/47) it is forbidden to pay dividend between confirmation and end of the restructuring programme. Also, pursuant to Chapter 14 Section 2 of the Limited Liability Company Act (624/2006), the company may not distribute the unrestricted equity to the shareholders during three years, since the company has redused the share capital for loss coverage.

26 Share-based payment

Share-based incentive scheme

The General Meeting of Componenta Corporation resolved on 5 May 2017, on the proposal of the Board of Directors, to terminate the previous resolution on the Extraordinary General Meeting of Componenta Corporation held on 15 April 2016, to issue stock options for a maximum total of 10,000,000 new shares in the Company as part of the incentive and commitment program for key employees. During the year 2017 no new share-based incentive schemes were established.

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. The Board of Directors has not for time being granted any stock options. No new share-based incentive schemes were established in 2016.

27 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

The Group has no other benefit plans on 31 December 2017, that would generate commitments.

Other employee benefits' in 2016 mainly included commitments required under Turkish employment legislation. The Turkish operations were classified as discontinued operations on 31 December 2016 and that is why the accrued liabilities were derecognized from the statement of financial position.

Under Turkish employment legislation, the Group was required to pay termination benefits to each employee who had completed one year of service and whose employment was terminated without due cause, was called up for military service, died or who retired 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 4,297.21 for each year of service as of 31 December 2016.The liability was not funded.

The non-current provision recorded under other benefit plans in note 28 included also previously described liability under Turkish employment legislation. The related provision were 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 31 December 2016; Annual discount rate 10.0%, annual salary increase expectation 6.0% and turnover rate to estimate the probability of retirement 95.2%.

The pension scheme in Turkey described above was treated as a defined benefit scheme and its actuarial gains and losses were 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	2017	2016
Opening liability Jan 1	–	9.9
Current service cost	–	0.7
Interest cost	–	1.0
Severance paid	–	-2.7
Actuarial gains (-), losses (+)	–	1.7
Translation gains and losses	–	-1.5
Derecognition from the statement of financial position, discontinued operations	–	-9.1
Closing liability Dec 31	–	0.0

The Group has no liabilities as of 31 December 2017. Turkish operations were classified as discontinued operations and therefore the liabilities of EUR 9.1 million as of 31 December 2016 were derecognised from the statement of financial position through income statement.

28 Provisions

Non-current MEUR	Reorganisation provisions	Environmental provisions	Other provisions	Total
Jan 1, 2017	–	–	–	–
Translation differences	–	–	–	–
Additions to provisions	–	–	–	–
Utilized during the period	–	–	–	–
Derecognition from the statement of financial position, discontinued operations	–	–	–	–
Dec 31, 2017	–	–	–	–
Jan 1, 2016	10.3	0.0	0.0	10.4
Translation differences	-1.5	–	–	-1.5
Additions to provisions	3.4	0.0	0.0	3.4
Utilized during the period	-2.7	0.0	0.0	-2.7
Derecognition from the statement of financial position, discontinued operations	-9.5	–	–	-9.5
Dec 31, 2016	–	–	–	–

Current MEUR	Reorganisation provisions	Environmental provisions	Other provisions	Total
Jan 1, 2017	0.7	0.0	0.1	0.8
Translation differences	–	–	–	0.0
Additions to provisions	–	–	–	0.0
Utilized during the period	-0.6	0.0	0.0	-0.6
Derecognition from the statement of financial position, discontinued operations	-0.1	–	–	-0.1
Dec 31, 2017	0.0	0.0	0.1	0.1
Jan 1, 2016	4.2	0.1	2.7	7.0
Translation differences	0.0	–	–	0.0
Additions to provisions	0.0	–	–	0.0
Utilized during the period	-2.6	-0.1	-0.8	-3.5
Derecognition from the statement of financial position, discontinued operations	-1.0	–	-1.8	-2.8
Dec 31, 2016	0.7	0.0	0.1	0.8

Other benefit plans, are mainly consisting of the plans under Turkish employment legislation EUR 0.0 (0.0) million, more information under note 27.

MEUR	Dec 31, 2017	Dec 31, 2016
Change in provisions recognised as operating expenses in income statement under continued operations, increase of expense (-), decrease of expense (+) or in net result of the discontinued operations	**-0.8**	15.7

29 Interest-bearing liabilities

MEUR	Dec 31, 2017	Dec 31, 2016
Non-current interest-bearing financial liabilities		
Loans from financial institutions *)	–	–
Finance lease liabilities	0.6	0.4
Pension loans	–	0.4
Convertible capital loan – liability portion	–	0.4
Bonds	–	0.3
Other loans *) **)	0.8	55.1
Total	1.4	56.6
Current interest-bearing financial liabilities		
Loans from financial institutions *)	–	0.8
Finance lease liabilities	0.5	0.5
Pension loans	0.1	0.4
Bonds	–	–
Other loans *) **)	0.6	36.2
Total	1.1	37.9
Total interest-bearing liabilities	2.5	94.5

*) Under interest-bearing liabilities of the Group's balance sheet in 2016 it has been presented liabilities to not consolidated Componenta Döcumculuk and to its subsidiary Componenta UK (in the table Turkish sub-group) totally EUR 91.2 million. In the financial statements 2017 these liabilities are restructuring debt under Componenta Corporation's restructuring programme. The District Court of Helsinki confirmed the restructuring programmes for Componenta Corporation and its subsidiary Componenta Finland Ltd in August 2017, and the unsecured debts of Componenta Corporation were cut by approximately 94%. Componenta Corporation completed the sale of shareholding in the Turkish company, Componenta Dökümcülük Ticaret ve Sanayi A.Ş., to Döktaş Metal Sanayi ve Ticaret A.Ş. The parties signed the sale and purchase agreement on 4 August 2017 and the transaction was completed on 27 September 2017.

**) Other loans in 2017 are interest bearing secured restructuring liabilities.

Currency breakdown of interest-bearing financial liabilities

%		Dec 31, 2017	Dec 31, 2016
Non-current	EUR	58.7	99.3
	SEK	41.3	0.7
Total		100.0	100.0
Current	EUR	7.5	53.9
	SEK	92.5	3.5
	GBP	–	42.6
Total		100.0	100.0

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

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

%	2017 Nominal interest rates	2017 Effective interest rates	2016 Nominal interest rates	2016 Effective interest rates
Loans from financial institutions	–	–	4.6 – 6.6	4.6 – 6.6
Finance lease liabilities	2.2 – 2.3	3.1 – 6.0	2.1 – 2.2	3.4 – 6.0
Pension loans	5.0 – 5.0	5.1 – 5.1	4.8 – 16.0	4.8 – 16.0
Convertible capital loan	–	–	2.0 – 2.0	18.3 – 18.3
Bonds	–	–	2.0 – 2.0	5.8 – 5.8
Other loans *)	2.5 – 2.5	2.9 – 2.9	–	–

*) Other loans are interest bearing secured restructuring liabilities.

Repayment schedule for interest-bearing financial liabilities 2017

MEUR	2018	2019	2020	2021	2022	2023+
Loans from financial institutions	–	–	–	–	–	–
Finance lease liabilities	0.5	0.2	0.4	–	–	–
Pension loans	0.1	–				
Convertible capital loan	–	–	–	–	–	–
Bonds	–	–	–	–	–	–
Other loans *)	0.6	0.1	0.1	0.1	0.1	0.3
Total	1.1	0.3	0.5	0.1	0.1	0.3

*) Other loans in 2017 are interest-bearing restructuring liabilities under guarantee.

Repayment schedule for interest-bearing financial liabilities 2016

MEUR	2017	2018	2019	2020	2021	2022+
Loans from financial institutions	0.8	–	–	–	–	–
Finance lease liabilities	0.5	0.2	0.1	0.1	–	–
Pension loans	0.4	0.4	–	–	–	–
Convertible capital loan	–	–	–	0.4	–	–
Bonds	–	–	0.3	–	–	–
Other loans, to others and to Turkish sub-group	36.2	15.1	–	–	40.0	–
Total	37.9	15.7	0.4	0.5	40.0	–

Maturity of finance lease liabilities

MEUR	Dec 31, 2017	Dec 31, 2016
Minimum lease payments fall due as follows:		
Not later than one year	0.5	0.5
Later than one year but not later than five years	0.6	0.4
Later than five years	–	–
Minimum lease payments total	1.1	1.0
Future financial expenses		
Financial expenses	0.0	0.0
Minimum lease payments and financial expenses total	1.0	0.9
Present value of minimum lease payments:		
Not later than one year	0.5	0.5
Later than one year but not later than five years	0.6	0.4
Later than five years	–	–
Total	1.0	0.9

Present value of minimum lease payments equals minimum lease payments deducted by present value of future financial expenses.

Capital notes

Convertible Capital Notes 2016

The remaining part of the loan with a nominal value of EUR 0.6 million has been converted into shares during 2017. Originally EUR 40.0 million convertible loan has been fully converted into shares and the company has issued 80,000,000 new shares.

Bonds

Unsecured Bond 2013

The unsecured bond 2013 is part of the unsecured restructuring debt and it has been cut by approximately 94%. The previous terms of the loan have been cancelled due to the restructuring.

30 Reconciliation of financial liabilities to cash flow statement

MEUR	Long-term interest-bearing liabilities	Short-term interest-bearing liabilities	Total
Jan 1, 2017	56.6	37.9	94.5
Drawdowns	0.1		0.1
Repayments		-0.1	-0.1
Change in liabilities which does not include cash flow:			
Change in restructuring liabilities	-55.0	-35.9	-90.9
Other changes	-0.4	-0.8	-1.2
Dec 31, 2017 *)	1.4	1.1	2.5

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

31 Current non-interest bearing liabilities

MEUR	Dec 31, 2017	Dec 31, 2016
Trade payables to others	**4.1**	49.0
Accrued expenses and deferred income	**7.6**	20.6
Advance payments received	**0.1**	5.7
Other current liabilities	**3.5**	13.9
Current non-interest bearing liabilities total	**15.3**	89.1

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, with-holding taxes and custom payments.

In 2017 Current non-interest bearing liabilities includes restructuring debt to external parties EUR 2.3 million. Advance payments received includes customer pre-payments financing for Componenta Finland Ltd EUR 0.1 million.

In 2016 Current non-interest bearing liabilities includes liabilities under restructuring process to external parties totally EUR 49.4 million of which EUR 7.9 million has been recorded on the balance sheet based on guarantees given to third parties as security for liabilities of Componenta B.V. which was declared bankrupt and EUR 2.2 million based on guarantees given to third parties as security for liabilities of Group companies. In addition, current non-interest bearing liabilities includes liabili-ties to not consolidated Turkish sub-group totally EUR 19.5 million which all are under restructuring process. Advance payments received included customer pre-payments financing for Componenta Finland Ltd EUR 2.8 million and EUR 2.6 million for Componenta Främmestad AB. Other current liabilities included customer pre-payments financing for Componenta Wirsbo AB EUR 0.2 million and EUR 0.5 million for Componenta Arvika AB.

Trade payables by currency

%	Dec 31, 2017	Dec 31, 2016
EUR	**61.6**	71.6
SEK	**38.4**	28.3
DKK	**-**	0.1
USD	**-**	0.0
NOK	**-**	0.0

Total restructuring debt in Group's balance sheet

MEUR	Dec 31, 2017	Dec 31, 2016
Non-current interest bearing liabilities	**0.8**	56.6
Current interest bearing liabilities	**0.6**	37.9
Non-current non-interest bearing liabilities	**15.3**	-
Current non-interest bearing liabilities	**2.3**	68.9
Group's total restructuring debt	**19.0**	163.4

Summary of Groups's restructuring debt per each company

MEUR	Dec 31, 2017	Dec 31, 2016
Componenta Corporation	**7.8**	108.7
Componenta Finland Ltd	**5.8**	20.5
Componenta Främmestad AB	**5.4**	20.0
Componenta Wirsbo sub-group	**-**	14.2
Total	**19.0**	163.4

Repayment schedule for external restucturing debts

MEUR	2018	2019	2020	2021	2022	2023	2024	Total
Componenta Corporation	-	0,7	0,7	0,7	0,7	5,2	-	7,8
Componenta Finland Ltd	-	1,0	1,0	1,0	1,0	2,0	-	5,8
Componenta Främmestad AB	2,9*)	0,4	0,4	0,4	0,4	0,4	0,4	5,4
Total	**2,9**	**2,0**	**2,0**	**2,0**	**2,0**	**7,5**)**	**0,4**	**19,0**

*) Componenta Främmestad AB has paid restructuring debts which fall due July 2018 in March 2018.

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

32 Carrying values and fair values of financial assets and liabilities by category

Financial assets

MEUR	2017 Carrying value	2017 Fair value	2016 Carrying value	2016 Fair value
Items recognized at amortized cost				
Loans and other receivables				
Cash and cash equivalents	5.5	5.5	4.4	4.4
Loan receivables	0.0	0.0	0.3	0.3
Trade receivables	7.5	7.5	14.6	14.6
Available-for-sale financial assets				
Shares and holdings	0.0	0.0	0.0	0.0

Financial liabilities

MEUR	2017 Carrying value	2017 Fair value	2016 Carrying value	2016 Fair value
Items recognized at amortized cost				
Other financial liabilities				
Loans from financial institutions	–	–	0.8	0.8
Finance leases	1.0	1.0	0.9	0.9
Pension loans	0.1	0.1	0.8	0.8
Capital notes	–	–	0.4	0.4
Bonds	–	–	0.3	0.3
Trade payables and advances received	4.2	4.2	54.6	54.6

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.

There were no financial liabilities recognized at fair value through profit and loss nor items included in hedge accounting in 2016 and 2017.

33 Capital management

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

The Board of Directors and Corporate Executive Team regularly monitor the capital structure of the Group. The Group monitors in particular the compliance of the restructuring programme and no separate target is set on the equity ratio. The equity ratio was 34.8% positive in reporting period 2017 and -165.3% negative in reporting period 2016 due to negative shareholders' equity. The net gearing ratio was -16.2% at the end of reporting period 2017. It was not aplicable to calculate the net gearing ratio of reporting period 2016 due to negative equity.

The key indicators for capital structure

%	Dec 31, 2017	Dec 31, 2016
Net gearing	-16.2	n/a
Equity ratio	34.8	-165.3

34 Financial risk management

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

Financing and liquidity risks

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

The company believes that the restructuring process in Finland and Sweden will make it possible to restore operations to profitable level and develop them in the future. There still remain significant uncertainty over the continuity of business operations such as Componenta Corporation and Componenta Finland Ltd are able to make the payments stipulated in the approved restructuring programmes. At the time of financial statements 2017 Componenta Främmestad AB was to pay the restructuring debts of around EUR 2.3 million to creditors outside the Componenta Group and salary guarantee of EUR 0.6 million to Swedish government by July 2018. Componenta Främmestad AB has paid all the short term restructuring liabilities after the financial year. Componenta Främmestad AB still has a long term restructuring liability EUR 2.5 million to Componenta Dökümcülük Ticaret ve Sanayi A.Ş. The debt will be paid off in 6 years time, and the repayment is tied to EBITDA of Componenta Främmestad AB.

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

The maturing dates for long-term loans are presented in the notes to the consolidated balance sheet, Note 29. At the end of the reporting period 31 December 2017, Componenta's cash and cash equivalents totalled EUR 5.5 (4.4) million. At the end of the reporting period 31 December 2017, the Swedish subsidiary had a balance of EUR 0.0 (3.1) million in a bank account which is managed by the law firm responsible for the administration of Swedish restructuring process. This balance is not included to Cash and cash equivalents as it is reported under loan receivables under short-term receivables in note 22.

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

MEUR	2018	2019	2020	2021	2022	2023+
Loans from financial institutions	–	–	–	–	–	–
Finance leases	-0.5	-0.2	-0.4	–	–	–
Pension loans	-0.1	–	–	–	–	–
Convertible capital loan	–	–	–	–	–	–
Bonds	–	–	–	–	–	–
Trade payables and other debt	-4.1	–	–	–	–	–
Interest expenses on loans *)	0.0	0.0	0.0	0.0	0.0	0.0
Other loans *)	-0.6	-0.1	-0.1	-0.1	-0.1	-0.3
Total	-5.3	-0.3	-0.5	-0.1	-0.1	-0.3

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

**) Other loans in 2017 are interest bearing restructuring liabilities under guarantee.

The figures have not been discounted to correspond to their present values. The figures are valid only on the closing date and the amount of interest on floating rate contracts may vary from actual cash flows. The repayment table for financial liabilities is not meant to portray the Group's expected total cash flow and it does not include non-interest bearing restructuring liabilities which have been represented in note 31.

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

Me	2017	2018	2019	2020	2021	2022+
Loans from financial institutions *)	-0.8	–	–	–	–	–
Finance leases	-0.5	-0.2	-0.1	-0.1	–	–
Pension loans	-0.4	-0.4	–	–	–	–
Convertible capital loan	–	–	–	-0.6	–	–
Bonds	–	–	-0.3	–	–	–
Trade payables and other debt	-49.0	–	–	–	–	–
Interest expenses on loans *)	-1.4	0.0	-0.1	0.0	-20.1	–
Other loans, to others and to Turkish sub-group *)	-36.2	-15.1	–	–	-40.0	–
Total	-88.2	-15.7	-0.5	-0.7	-60.1	–

*) At the time of financial statements 2016 it was assumed in the repayment schedule of interest bearing liabilities the original repayment plans related to capital and interest to Componenta Dökümcülük Ticaret ve Sanayi A.Ş. and its subsidiary Componenta UK (Turkish sub-group in the table) without the possible effects from the restructuring process.

Foreign exchange risk

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

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

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

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

The table below shows the sensitivity for price changes of the Group's open currency exposures in the balance sheet, including the currency derivatives used for hedging (note 35) in both transaction and translation position. Impact of change in currency rate + / – shows in the first case the effect on the income statement or the shareholder's equity as currency depreciates 10% against euro and in the second case as currency appreciates 10% against euro.

Dec 31, 2017	Closing rate Dec 31, 2017	Open transaction exposure MEUR	Open translation exposure MEUR	Estimate on potential currency rate change %	Impact of change in currency rate + / – To income statement	To equity
EUR/USD	1.1993	–	–	10		
EUR/GBP	0.88723	–	–	10		
EUR/TRY	4.5155	–	–	10		
EUR/SEK	9.8438	-2.0	16.3	10	0.2 / -0.2	-1.5 / 1.8
EUR/RUB	69.3920	–	0.0	10		-0.0 / 0.0
EUR/DKK	7.4449	–	–	10		
EUR/NOK	9.8403	–	–	10		

Dec 31, 2016	Closing rate Dec 31, 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	1.0541	0.0	–	10	0.0 / -0.0	
EUR/GBP	0.85618	-16.2	–	10	1.5 / -1.8	
EUR/TRY	3.7099	–	–	10		
EUR/SEK	9.5525	0.3	3.5	10	-0.0 / 0.0	-0.3 / 0.4
EUR/RUB	64.3000	–	0.1	10		-0.0 / 0.0
EUR/DKK	7.4344	0.0	–	10	0.0 / -0.0	
EUR/NOK	9.0863	0.0	–	10	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 and finance leases. The interest rate risk arises as changes in market interest rates and in interest rate margins affect financial expenses and income. The interest rate risk is managed by spreading the loan portfolio between fixed and floating interest rate loans and investments. In addition, interest rate derivatives can be used.

The Group does not have any interest rate swaps in cash flow hedge accounting or interest rate derivatives classified as held for trading on the reporting date.

Income statement – financial expenses

	Dec 31, 2017 for 2018		Dec 31, 2016 for 2017	
MEUR	**Forecast change in financial expenses**	**Sensitivity interest rate curve +100bp**	**Forecast change in financial expenses**	**Sensitivity interest rate curve +100bp**
Interest-bearing financial liabilities	0.0	0.0	0.0	-0.1

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

Group's commodity risk arises mainly from the price risk of the electricity and raw materials. In electricity purchase the external consultant acts according to Componenta's instructions which follow Componenta's purchase and risk policy. The needed electricity has been purchased at market price in 2017 so the changes in the market price have affected straight Group's result. From the beginning of the year 2018 a considerable share of the electricity price will be fixed for the next 12 months forward. For the Group's business operations it is imperative that it can source certain raw materials, such as recycled steel and iron blocks at competitive prices. The cost risk associated with raw materials is primarily managed using pricing agreements, with which the prices of products are adjusted according to the prices of their raw materials. Group also has the availability risk of the raw materials as it has been in cash sale since the beginning of the restructuring process because Group has lost credit insurance limits.

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. The importance of the collection and credit controlling activities has been emphasized after the Group lost the limits of sold trade receivables when the restructuring programs were filed. On the other hand, shortening of the customer's payments terms has decreased the credit risk of trade receivables. Componenta is investigating the possibility to sell trade receivables again during 2018.

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 changes made to payment terms in Finland and Sweden in order to improve the sufficiency of working capital affects to the amount of overdue trade receivables in the Group.

Credit losses during the reporting period totalled EUR -0.5 (-1.7) million. Componenta Främmestad AB recorded credit losses related to disputes of sold trade receivables. The Group's credit loss risk was EUR 7.5 (17.3) million. The credit risk includes all current receivables excluding tax and interest receivables.

Outstanding trade receivables fall due as follows

MEUR	Dec 31, 2017	Dec 31, 2016
Not due	2.2	3.8
Overdue		
less than 1 month	3.2	4.6
1 - 3 months	0.6	2.9
3 - 6 months	0.3	2.9
more than 6 months	1.1	0.5
Total	7.5	14.6

35 Non-Current non-interest bearing liabilities

Me	Dec 31, 2017	Dec 31, 2016
Non-Current derivative liabilities	–	–
Non-Current capital loans	–	27.0

Capital loan of EUR 27 million is a non-interest bearing capital loan given by Componenta Döküm-cülük Ticaret ve Sanayi A.Ş. to Componenta Främmestad AB. The capital loan can be repaid before the owners can be paid any dividend, and the capital can be repaid only if the distributable assets of Componenta Främmestad AB are sufficient as laid down in the local company act.

Derivative instruments

The Group did not have any derivative instruments at the end of the reporting period of 2017 nor 2016.

36 Other leases

Group as lessee

Minimum lease payment schedule for other non-cancellable leases

MEUR	Dec 31, 2017	Dec 31, 2016
Not later than one year	0.2	0.7
Later than one year but not later than five years	0.0	2.1
Later than five years	–	0.6
Minimum lease payments total	0.2	3.4

The amount of non-cancellable leases have decreased in 2017, because of the bankruptcy of Wirsbo sub-group. Additionally the rental amounts of continued operations have been specified for 2016 and 2017. Other non-cancellable leases mainly comprise real estate, production equipment and car leases. The leases mature on average in 3-5 years.

The 2017 income statement includes lease payments of EUR -0.3 (-0.0) million for other non-cancellable leases.

Group as lessor

The minimum lease receivable schedule for other non-cancellable leases:

MEUR	Dec 31, 2017	Dec 31, 2016
Not later than one year	0.2	0.2
Later than one year but not later than five years	0.7	0.8
Minimum lease payments total	0.9	0.9

Some of the production and office space that is currently not needed by the Group is leased to external parties. The rental agreements are from one to three years in length and normally contain an option to extend the lease period after the lease expires. Some of the properties are classified, in accordance with IAS 40 standard Investment property and are disclosed in note 16.

37 Contingent liabilities

MEUR	Dec 31, 2017	Dec 31, 2016
Real-estate mortgages		
For own debts *)	**7.8**	7.8
Business mortgages		
For own debts **)	**50.0**	53.3
Pledges		
For own debts ***)	**4.0**	4.0
Other commitments ****)	**1.0**	80.9

*) Figure 2017 includes real-estate mortgages given as security for customer pre-payments program and for pension loans.

**) Figure 2017 includes a business mortgage of EUR 50 million given as security for customer pre-payments program.

***) Figure 2017 includes a share pledge of EUR 4 million given as security for customer pre-payments program.

****) Figure 2016 includes a parent company guarantee of EUR 80 million given as security for the external loans of Componenta Dökümcülük Ticaret ve Sanayi A.Ş. In connection with the sale of the Turkish company the Group was discharged from this liability in September 2017.

The Group Management is not aware of any lawsuits or claims against the Group at the end of reporting period 2017.

Secured liabilities

MEUR	Dec 31, 2017	Dec 31, 2016
Liabilities secured with real estate or business mortgages		
Loans from financial institutions	**-**	0.0
Pension loans	**0.7**	0.8
Customer pre-payments	**0.1**	2.8
Total	**0.8**	3.6
Liabilities secured with pledges and business mortgages		
Loans from financial institutions	**-**	0.8
Total	**-**	0.8

38 Related party disclosures

Group companies (control) Dec 31, 2017

Company	Domicile	Group share of holding, %	Parent company share of holding, %
Componenta Finland Oy	Karkkila, Finland	100.0	100
Componenta Främmestad AB	Essunga, Sweden	100.0	-
Componenta Karkkilan Palvelut Oy	Karkkila, Finland	100.0	100
Componenta Russia, LLC	Moscow, Russia	100.0	1.0
Karkkilan Koskikiinteistö Oy	Karkkila, Finland	81.0	66.9
Karkkilan Valimokiinteistö Oy	Karkkila, Finland	100.0	-
Kiinteistö Oy Ala-Emali	Karkkila, Finland	98.2	98.2
Kiinteistö Oy Pietarsaaren Tehtaankatu 13	Pietarsaari, Finland	100.0	-
Kiinteistö Oy Ylä-Emali	Karkkila, Finland	100.0	100
Oy Högfors-Ruukki Ab	Karkkila, Finland	100.0	100
Pietarsaaren Vanha Valimo Oy	Pietarsaari, Finland	100.0	-
Uudenmaan Rakennustiimi Oy	Karkkila, Finland	100.0	100

Transactions with related parties

MEUR	Jan 1-Dec 31, 2017	Jan 1-Dec 31, 2016
Sale of goods and services to associated companies	**0.0**	0.1
Purchase of goods and services from associated companies	**0.0**	-0.2

The continued operations did not have any associated companies. 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)

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

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

Jan 1–Dec 31, 2016, EUR	Salaries, fees & fringe benefits	Voluntary pension benefits	Total
Board of Directors	225,000	–	225,000
President and CEO Harri Suutari	463,600	35,700	499,300
Deputy CEO	34,073	992	35,065
Other members of CET	1,351,956	34,236	1,386,192
Total	2,074,629	70,928	2,145,557

Remuneration of the Board of Directors and executive management

Remuneration and fees, 1,000 EUR	Jan 1–Dec 31, 2017	Jan 1–Dec 31, 2016
President and CEO Harri Suutari	311	499
Deputy CEO	–	35
Members of Board of Directors		
Petteri Walldén	50	–
Matti Ruotsala	–	60
Riitta Palomäki	–	35
Tommi Salunen	25	35
Olavi Huhtala	–	35
Olli Isotalo	25	30
Perttu Louhiluoto	–	30
Anne Leskelä	25	–
Total, Board of Directors	125	225

Other related party disclosures

Componenta Corporation's President and CEO Harri Suutari and respective 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.

Loan receivables from related parties at the end of the reporting period was totalling EUR 0.0 (0.1) million.

39 Condensed Parent Company stand-alone IFRS financial information

These parent company condensed stand-alone financial information have been presented in accordance with IAS 27 standard in order to present the Company's shareholders with useful information considering the commencement of the restructuring proceedings for both the parent and its operating subsidiary.

Condensed income statement – Parent Company

MEUR	Jan 1–Dec 31, 2017	Jan 1–Dec 31, 2016
Sales	4.5	18.6
Other operating income	3.9	0.5
Operating expenses	-4.1	-32.0
Depreciations and write-downs	-0.4	-2.7
Operating result	3.9	-15.6
Impairment charges on subsidiary shares and capital loan receivables	-0.9	-220.1
Other financial income and expenses, net	113.6	-0.6
Finance costs (net)	112.7	-220.8
Result before income taxes	116.6	-236.3
Income taxes (change in deferred taxes)	0.0	-1.1
Result for the financial year	116.6	-237.4

Condensed statement of financial position (IFRS) – Parent Company

Assets

MEUR	Dec 31, 2017	Dec 31, 2016
Non-current assets		
Tangible non-current assets	0.2	0.5
Intangible non-current assets	0.1	0.2
Investments in group companies	13.3	14.2
Non-current receivables	8.0	8.9
Total non-current assets	21.6	23.9
Current assets		
Trade receivables	0,6	0,8
Other current receivables	1,0	1,7
Cash and cash equivalents	1,5	0,3
Total current assets	3,1	2,8
Total assets	24.7	26.7

Equity and liabilities

MEUR	Dec 31, 2017	Dec 31, 2016
Equity attributable to owners of the parent		
Share capital	1.0	21.9
Share premium	0.0	15.1
Other reserves	0.4	200.2
Retained deficit	13.8	-335.0
Total equity	15.2	-97.7
Liabilities		
Non-current interest bearing debts	0.0	66.5
Non-current interest free debts	8.2	0.0
Current interest bearing debts	0.0	36.2
Trade payables	0.2	3.5
Other payables	1.1	18.3
Total liabilities	9.5	124.4
Total equity and liabilities	24.7	26.7

Selected notes

Going concern

This financial statement have been prepared on a going concern basis.

Restructuring proceedings and the valuation of the payables

The district court of Helsinki, Finland, took its decision regarding the commencement of the restructuring process in respect of the Componenta Corporation on 30 September 2016 and confirmed the restructuring programme on 23 August 2017. In accordance with the restructuring programme the unsecured debts of Componenta Corporation were cut by approximately 94% due to the exclusion of Turkey's loan guarantee liability and the debts with lowest priority were cut in their entirety. The payment programme will commence in May 2019 and end in November 2023.

Valuation principles for investments in subsidiaries and receivables from subsidiaries

The subsidiary of Componenta Corporation, Componenta Finland Ltd and its wholly-owned Swedish subsidiaries Componenta Främmestad AB, Componenta Wirsbo AB and Componenta Arvika AB, filed for corporate restructuring in accordance with local restructuring proceedings. Componenta Wirsbo AB and Componenta Arvika AB were declared bankrupt in July 2017, because the six-month restructuring debt payment periods imposed on the companies proved to be too short. Considerable uncertainty related to the cash generating ability of these subsidiaries and to their ability to pay their debts and, in accordance with the above mentioned uncertainty a reduction of value was applied allready in the reporting period 2016 to investments in these companies and to receivables from them. The balance sheet value of the investments on 31 December 2016 was 0 and receivables were valued at the estimated recoverable amount taken in the consideration the local restructuring proceedings. In 2017, total impairments of the subsidiary shares and capital loan receivables were MEUR -0.9 (-220.1).

40 Events after end of period

Kiinteistö Oy Pietarsaarenkatu 13, a wholly-owned subsidiary of Oy Högfors-Ruukki Ab, which is a subsidiary of Componenta Corporation, sold a parcel of land on 23 February 2018. Pietarsaaren Vanha Valimo Ltd, a wholly-owned subsidiary of Componenta Finland Ltd, sold a parcel of land on 23 February 2018. According to the restructuring programmes the investment properties owned by the group entities should be sold during the restructuring programme. Both parcels were sold at market value. Oy Högfors-Ruukki Ab, a wholly-owned subsidiary of Componenta Corporation, sold its wholly-owned subsidiary Kiinteistö Oy Pietarsaarenkatu 13 on 5 April 2018 at market value. The total cashflow impact of all sales on the Group were EUR 0.5 million.

Componenta Främmestad AB has paid all its short-term restructuring debts, EUR 2.9 million. In addition, Componenta Främmestad AB must pay an external restructuring debt of EUR 2.5 million to the former Turkish sub-group within the next six years if the company's result makes payment possible.

Parent company financial statements

(according to Finnish Accounting Standards)

Parent company income statement

KEUR	Note	Jan 1–Dec 31, 2017	Jan 1–Dec 31, 2016
NET SALES	1	**4,533.3**	18,565.2
Other operating income	2	**3,904.1**	523.7
Operating expenses	3, 4, 6	**–4,074.3**	–30,959.1
Depreciation, amortization and write-down of non-current assets	5	**–421.1**	–2,694.9
OPERATING RESULT		**3,942.0**	–14,565.2
Financial income and expenses in total	8	**112,653.8**	–221,931.5
RESULT AFTER FINANCIAL ITEMS		**116,595.8**	–236,496.7
Appropriations		**–**	–
RESULT AFTER APPROPRIATIONS		**116,595.8**	–236,496.7
Income taxes		**–**	–
RESULT FOR THE FINANCIAL PERIOD		**116,595.8**	–236,496.7

Parent company balance sheet

TEUR	Note	Dec 31, 2017	Dec 31, 2016
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9	173.3	510.4
Tangible assets	10	58.2	225.3
Investments	11	13,345.9	14,229.0
Non-current assets, total		13,577.4	14,964.8
CURRENT ASSETS			
Non-current receivables	12	7,973.1	8,916.2
Current receivables	12	1,651.7	2,510.5
Cash and bank accounts		1,499.1	288.8
Current assets, total		11,123.9	11,715.5
TOTAL ASSETS		24,701.4	26,680.2

TEUR	Note	Dec 31, 2017	Dec 31, 2016
LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY	13		
Share capital		1,000.0	21,891.4
Share premium reserve		–	15,114.5
Unrestricted equity reserve		366.0	197,477.0
Reserve fund		–	5.0
Retained earnings		–102,731.4	–99,922.5
Result for the financial period		116,595.8	–236,496.7
Shareholders' equity		15,230.5	–101,931.4
LIABILITIES	14		
Non-current liabilities		8,230.0	69,540.0
Current liabilities		1,240.9	59,071.6
Liabilities		9,470.9	128,611.6
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		24,701.4	26,680.2

Parent company cash flow statement

TEUR	Jan 1–Dec 31, 2017	Jan 1–Dec 31, 2016
CASH FLOW FROM OPERATIONS		
Result after financial items	116,596	-236,497
Depreciations according to plan	421	1,142
Write-downs of non-current assets	0	1,553
Other income and expenses, non-cash items	-2,729	11,816
Selling profit of non-current assets	47	886
Financial income and expenses	-112,654	221,931
Cash flow before changes in working capital	1,645	831
Changes in working capital		
Current non-interest bearing receivables increase (-)/decrease (+)	859	-6,043
Inventories, increase (-)/decrease (+)	0	945
Current non-interest bearing liabilities increase (+)/decrease (-)	-1,605	-4,343
Cash flow from operating activities before financial items and taxes	899	-8,610
Interest and payments paid from other financial expenses of operations	-29	-9,374
Interest received from operations	285	3,088
Paid income taxes	-	-
Cash flow before extraordinary items	1,155	-14,896
CASH FLOW FROM OPERATING ACTIVITIES (A)	1,155	-14,896

TEUR	Jan 1–Dec 31, 2017	Jan 1–Dec 31, 2016
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure in tangible and intangible assets	-	-148
Proceeds from current and non-current assets	-	5,371
Loans receivables, decrease (+) / increase (-)	55	-6,613
Proceeds from sale of investments	-	131
CASH FLOW FROM INVESTING ACTIVITIES (B)	55	-1,259
CASH FLOW FROM FINANCING ACTIVITIES		
Draw-downs (+) and repayments (-) of current loans	-	-3,671
Draw-downs (+) and repayments (-) of non-current loans	-	19,577
CASH FLOW FROM FINANCING ACTIVITIES (C)	-	15,906
CHANGE IN LIQUID ASSETS (A + B +C) increase (+)/decrease (-)	1,210	-249
Cash and bank accounts at the beginning of the period	289	538
Cash and bank accounts at period end	1,499	289
Change during the period	1,210	-249

Componenta Corporation

Accounting principles for the financial statements

The 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 financial statements.

Corporate restructuring proceedings and going concern assumption

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

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

The financial statements for financial year 2017 have been prepared on the going concern basis. When assessing the ability to continue as a going concern, Componenta Corporation's management has assessed that the restructuring programmes in Finland and Sweden enables the improvement and development of the business in the future. However there still are significant uncertainties for the companies' ability to continue as a going concern.

Componenta Corporation offers brand and administrative services to its Finnish and Swedish subsidiaries, to which the restructuring programmes offers a possibility to cure the capital structure and business and enables a profitable business in the future. The company invests ongoing in high efficiency in order to improve profitability.

When assessing the ability to continue as a going concern, Componenta Corporation's management has taken into account the uncertainties and risks related to the confirmed restructuring programmes, available funding sources and the cash flow estimates for the next 12 months of the companies under restructuring proceedings. It is important that the subsidiaries' restructuring programmes are successful, in order for Componenta Corporation to continue as a going concern. It is possible that the restructuring programmes are unsuccessful and the Company will have to file for bankruptcy.

The operating business of Componenta Corporation was profitable in 2017 and the result of the period was positive. This was however due to the effect of cutting the restructuring debt. In 2016 the result for the period was significantly negative, which was mainly due to write-downs on the value of subsidiary shares and of receivables from subsidiaries. On 31 December 2017 the company had cash funds and equivalents of EUR 1.5 million (EUR 0.3 million) and other current assets of EUR 9.6 million (EUR 11.4 million). Current liabilities were EUR 1.2 million (EUR 59.0 million) and long-term liabilities EUR 8.2 million (EUR 69.5 million).

Valuation principles for investments in subsidiaries and receivables from subsidiaries

The Finnish subsidiary Componenta Finland Ltd and its wholly-owned Swedish subsidiaries, Componenta Främmestad AB, Componenta Wirsbo AB and Componenta Arvika AB filed for corporate restructuring in accordance with local restructuring proceedings in 2016. Componenta Wirsbo AB and Componenta Arvika AB filed for bankruptcy at the local district courts in July, 2017. The companies failed to obtain financing for the payment of their restructuring debts. 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 31 December 2017 is EUR 13.3 million.

Restructuring proceedings and the debts of Componenta Corporation

The District Court of Helsinki confirmed the restructuring programme for Componenta Corporation on 23 August 2017. The unsecured debts of Componenta Corporation were cut by approximately 94% and the debts with the lowest priority were cut in their entirety in the restructuring proceedings. The effect on result was recognised in the third quarter. The payment programme will commence in May 2019 and end in November 2023.

Foreign currency transactions

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

Derivatives

The fair value of forward rate agreements is the profit or loss calculated at market prices on the closing date that would result from terminating the agreements. The fair value of interest rate options is estimated using commonly used option pricing models.

The fair value of interest rate swaps is calculated by estimating and discounting future cash flows at market interest rates on the closing date. Forward foreign exchange contracts and foreign exchange swaps are valued at quoted forward exchange rates on the closing date and are divided into the fair value of the exchange rate difference and the fair value of the interest rate difference.

Positive and negative fair values for exchange rate differences for foreign exchange derivatives are recognized on the closing date in the income statement.

Fair values of foreign exchange derivatives presented in the notes also include the fair values of interest rate differences.

Due to the missing limits the company had no open derivative contracts at the end of the reporting period.

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 reporting period.

Non-current assets and depreciation

Non-current assets are recorded in the balance sheet at their historical cost less planned depreciation. 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. Deferred tax assets have not been recorded for losses.

Notes to the income statement

1 Net sales by market area

TEUR	Jan 1–Dec 31, 2017	Jan 1–Dec 31, 2016
Finland	2,731.4	6,125.9
Other Nordic countries	1,683.9	2,136.2
Central Europe	0.0	0.0
Other countries	19.6	2,804.8
Net sales total	98.4	7,498.3
Total	4,533.3	18,565.2

2 Other operating income

TEUR	Jan 1–Dec 31, 2017	Jan 1–Dec 31, 2016
Rental income	384.3	393.3
Sales gains of fixed assets	0.0	99.7
Other operating income	3,519.7	30.7
Other operating income total	3,904.1	523.7

3 Materials and services

TEUR	Jan 1–Dec 31, 2017	Jan 1–Dec 31, 2016
Materials and services		
Purchase of goods during the period	–	-716.6
Change in inventory	–	-87.0
External services	–	-47.7
Total	–	-851.2

4 Personnel expenses

TEUR	Jan 1–Dec 31, 2017	Jan 1–Dec 31, 2016
Personnel expenses		
Salaries and fees	-1,566.7	-5,650.8
Pension costs	-255.2	-1,109.0
Other personnel costs	-45.6	-244.3
Total	-1,867.5	-7,004.1
Salaries and other remuneration of the Corporate Executive Team	-1,046.5	-2,057.5
Fringe benefits of the Corporate Executive Team	-3.1	-17.2

Additional pension agreements, see note 38 on the consolidated financial statements.

Average number of personnel	22	88

5 Depreciations and write-downs

TEUR	Jan 1–Dec 31, 2017	Jan 1–Dec 31, 2016
Intangible assets		
Development expenditure	0.0	-8.0
Intangible rights	0.0	-5.0
Goodwill	0.0	-469.4
Other long-term expenditure	-337.1	-458.5
Tangible assets		
Machinery and equipment	-14.1	-200.8
Other tangible assets	-70.0	0.0
Write-downs on non-current assets	0.0	-1,553.3
Total depreciation and write-downs	-421.1	-2,694.9

6 Other operating expenses

TEUR	Jan 1–Dec 31, 2017	Jan 1–Dec 31, 2016
Other operating expenses		
Rents	**-488.7**	-1,283.9
Other operating expenses *)	**-1,718.1**	-21,715.1
Other operating expenses total	**-2,206.8**	-22,999.0

*) Other operating expenses in 2016 include significant write downs of group receivables.

Change in inventory of finished goods and work in progress	**-**	-104.8

7 Audit fees

TEUR	Jan 1–Dec 31, 2017	Jan 1–Dec 31, 2016
Audit fees	**-113.6**	-158.6
Other fees	**-90.6**	-57.0
Total fees paid to auditors	**-204.2**	-215.6

8 Financial income and expenses

TEUR	Jan 1–Dec 31, 2017	Jan 1–Dec 31, 2016
Interest and other finance income		
Group companies	**11,273.0**	5,000.6
Others	**113,854.6**	45,034.1
Total	**125,127.6**	50,034.7
Interest and other finance expenses		
Group companies	**-7.7**	-7,337.8
Others	**-10,639.9**	-19,207.2
Total	**-10,647.6**	-26,545.0
Write-downs on investments of non-current assets *)	**-930.2**	-220,753.6
Write downs of current asset investments **)	**-896.0**	-24,667.6
Financial income and expenses, total	**112,653.8**	-221,931.5
Financial income and expenses include exchange gains/losses (net)		
Group companies	**-6.3**	2,444.8
Others	**-1.0**	-709.0
Total	**-7.3**	1,735.8

*) Includes significant write-downs of group company shares and convertible loans.
**) Includes significant write-downs of loans granted to group companies.

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

Notes to the balance sheet

Non-current assets

9 Intangible assets

TEUR	2017	2016
Development expenditure		
Acquisition cost Jan 1	–	83.1
Additions	–	–
Transferred with business acquisition	–	-83.1
Acquisition cost Dec 31	–	–
Accumulated planned amortization Jan 1	–	-26.6
Accumulated amortization on business acquisition	–	34.6
Amortization during the period	–	-8.0
Accumulated amortization Dec 31	–	–
Book value Dec 31	–	–
Intangible rights		
Acquisition cost Jan 1	22.7	96.6
Transferred with business acquisition	–	-73.9
Acquisition cost Dec 31	22.7	22.7
Accumulated planned amortization Jan 1	-22.7	-79.7
Accumulated depreciation of divested business	–	62.0
Amortization during the period	–	-5.0
Accumulated amortization Dec 31	-22.7	-22.7
Book value Dec 31	–	–

TEUR	2017	2016
Goodwill		
Acquisition cost Jan 1	25,031.0	25,031.0
Acquisition cost Dec 31	25,031.0	25,031.0
Accumulated planned amortization Jan 1	-10,730.2	-10,260.8
Amortization during the period	0.0	-469.4
Accumulated amortization Dec 31	-10,730.2	-10,730.2
Accumulated write-downs Jan 1	-14,300.9	-9,138.0
Write-downs during the period	0.0	-5,162.9
Accumulated write-downs Dec 31	-14,300.9	-14,300.9
Book value Dec 31	0.0	0.0
Other long-term expenditure		
Acquisition cost Jan 1	5,009.7	5,433.0
Additions	0.0	0.0
Transferred with business acquisition	0.0	-640.0
Re-classifications	0.0	216.7
Acquisition cost Dec 31	5,009.7	5,009.7
Accumulated planned amortization Jan 1	-4,499.3	-4,403.2
Accumulated depreciation of divested business	0.0	362.3
Amortization during the period	-337.1	-458.5
Accumulated amortization Dec 31	-4,836.4	-4,499.3
Book value Dec 31	173.3	510.4
Advance payments and assets under construction		
Acquisition cost Jan 1	0.0	37.8
Additions	–	0.0
Disposals	–	-18.7
Re-classifications	–	-19.1
Acquisition cost Dec 31	–	0.0
TOTAL INTANGIBLE ASSETS	173.3	510.4

10 Tangible assets

TEUR	2017	2016
Machinery and equipment		
Acquisition cost Jan 1	1,002.3	3,304.9
Additions	0.0	0.0
Disposals	-0.4	-0.5
Transferred with business acquisition	0.0	-2,302.1
Acquisition cost Dec 31	1,001.9	1,002.3
Accumulated planned depreciation Jan 1	-945.6	-2,624.8
Depreciation during the period	-14.1	-200.8
Accumulated depreciation on business acquisition	0.0	1,879.9
Accumulated depreciation Dec 31	-959.7	-945.6
Book value Dec 31	42.2	56.7
Other tangible assets		
Acquisition cost Jan 1	168.7	168.7
Disposals	-82.7	0.0
Acquisition cost Dec 31	86.0	168.7
Accumulated planned depreciation Jan 1	0.0	0.0
Depreciation during the period	-70.0	0.0
Accumulated depreciation Dec 31	-70.0	0.0
Book value Dec 31	16.0	168.7
TOTAL TANGIBLE ASSETS	58.2	225.3

11 Investments

TEUR	2017	2016
Shares in group companies		
Acquisition cost Jan 1	338,187.3	338,187.3
Additions	–	0.0
Disposals	–	0.0
Acquisition cost Dec 31	338,187.3	338,187.3
Accumulated write-downs Jan 1	-323,962.6	-137,769.8
Write-downs during the period	-930.2	-186,192.8
Accumulated write-downs Dec 31	-324,892.7	-323,962.6
Book value Dec 31	13,294.6	14,224.8
Shares in associated companies		
Acquisition cost Jan 1	0.0	221.1
Disposals	–	-221.1
Acquisition cost Dec 31	–	0.0
Accumulated write-downs Jan 1	–	0.0
Write-downs during the period	–	0.0
Accumulated write-downs Dec 31	–	–
Book value Dec 31	–	0.0

TEUR	2017	2016
Other shares		
Acquisition cost Jan 1	671.0	680.7
Additions	–	0.0
Disposals	–	-9.7
Acquisition cost Dec 31	671.0	671.0
Accumulated write-downs Jan 1	-666.7	0.0
Write-downs during the period	–	-666.7
Accumulated write-downs Dec 31	-666.7	-666.7
Book value Dec 31	4.2	4.2
Capital note investments in group companies		
Acquisition cost Jan 1	0.0	19,268.3
Additions	47.1	14,655.0
Write-downs during the period	–	-33,923.3
Acquisition cost Dec 31	47.1	0.0
Other investments		
Acquisition cost Jan 1	0.0	26.4
Disposals	–	-26.4
Acquisition cost Dec 31	–	0.0
INVESTMENTS TOTAL	13,345.9	14,229.0

CURRENT ASSETS

12 Receivables

TEUR	Dec 31, 2017	Dec 31, 2016
Non-current receivables		
Loan receivables from group companies	7,973.1	8,916.2
Total non-current receivables	7,973.1	8,916.2
Non-current receivables total	7,973.1	8,916.2
Current receivables		
Receivables from group companies		
Trade receivables	635.7	747.9
Loan receivables	243.3	0.0
Other receivables *)	359.2	27.2
Deferred assets	161.2	1,307.1
Total	1,399.4	2,082.1

*) The receivables from National Emergency Supply Agency is included in other receivables in 2017 and in deferred assets in 2016.

TEUR	Dec 31, 2017	Dec 31, 2016
Receivables from third parties		
Trade receivables	30.8	34.3
Loan receivables	12.1	92.2
Other receivables	89.9	131.5
Prepayments and accrued income	119.4	170.4
Total	252.3	428.3
Total current receivables	1,651.7	2,510.5

TEUR	Dec 31, 2017	Dec 31, 2016
Deferred assets		
Interest receivables	153.9	460.7
Amortized arrangement fees of the loan agreements	0.0	22.4
Rents	106.4	94.8
National Emergency Supply Agency related receivable from Componenta Finland Ltd	2.1	23.3
Insurance payments	0.0	840.0
Others	18.3	36.2
Total	280.6	1,477.4

13 Shareholders' equity

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

2016, TEUR	Share capital	Share premium reserve	Reserve fund	Unrestricted equity reserve	Retained earnings	Result for the financial period	Total
Shareholders' equity Jan 1	21,891.4	15,114.5	5.0	158,043.0	46,040.3	-145,962.8	95,131.3
Additions and share issue				39,434.0			39,434.0
Reclassifications					-145,962.8	145,962.8	0.0
Result for the financial period						-236,496.7	-236,496.7
Shareholders' equity Dec 31	21,891.4	15,114.5	5.0	197,477.0	-99,922.5	-236,496.7	-101,931.4

TEUR	Dec 31, 2017	Dec 31, 2016
Calculation of distributable equity		
Retained earnings	**-102,731.4**	-99,922.5
Unrestricted equity reserve	**366.0**	197,477.0
Result for the financial period	**116,595.8**	-236,496.7
Total	**14,230.5**	-138,942.2

Persuant to Chapter 9 Section 58 of the Restructuring of Enterprises Act (25.1.1993/47) it is forbidden to pay dividend between confirmation and end of the restructuring programme. The restructuring programme is expected to continue until 2023. Also, pursuant to Chapter 14 Section 2 of the Limited Liability Company Act (624/2006), the company may not distribute the unrestricted equity to the shareholders during three years, since the company has reduced the share capital for loss settlement.

14 Liabilities

TEUR	Dec 31, 2017	Dec 31, 2016
Interest bearing liabilities	**0.0**	105,693.2
Non-interest bearing liabilities	**9,470.9**	22,918.4
Total	**9,470.9**	128,611.6
Non-current interest bearing liabilities		
Hybrid loans	**0.0**	2,586.0
Bonds	**0.0**	343.0
Convertible bonds	**0.0**	566.0
Liabilities to group companies	**449.2**	65,968.7
Other non-current interest bearing liabilities	**0.0**	76.3
Other non-current interest free liabilities	**7,780.8**	0.0
Non-current interest bearing liabilities total	**8,230.0**	69,540.0
Non-current liabilities fall due as follows		
Not later than one year	**0.0**	0.0
Later than one year but not later than five years	**3,016.8**	69,540.0
Later than five years	**5,213.2**	0.0
Total	**8,230.0**	69,540.0
Current interest bearing liabilities		
Other current interest bearing liabilities from group companies	**0.0**	36,153.1
Current interest bearing liabilities total	**0.0**	36,153.1
Current non-interest bearing liabilities		
Advance payments received	**0.0**	237.5
Total	**0.0**	237.5

TEUR	Dec 31, 2017	Dec 31, 2016
Liabilities to group companies		
Trade payables	**17.7**	414.2
Accrued expenses and deferred income	**0.0**	3,434.0
Total	**17.7**	3,848.2
Liabilities to third parties		
Trade payables	**187.8**	3,075.6
Other current liabilities	**108.9**	12,679.6
Accruals	**926.5**	3,077.5
Total	**1,223.2**	18,832.7
Current non-interest bearing liabilities total	**1,240.9**	22,918.4
Current liabilities total	**1,240.9**	59,071.6
Accruals		
Interests	**0.0**	4,919.8
Annual salaries with social security	**143.6**	303.7
Exchange rate losses	**294.6**	0.0
Pensions	**79.5**	271.6
Parent company's liability towards National Emergency Supply Agency	**349.5**	840.0
Others	**59.2**	176.5
Total	**926.5**	6,511.5
TOTAL LIABILITIES	**9,470.9**	128,611.6

15 Restructuring debt included in the balance sheet

TEUR	Dec 31, 2017	Dec 31, 2016
Non-current interest bearing liabilities		
Liabilities to group companies	–	65,968.7
Liabilities to third parties	–	3,571.3
Total	–	69,540.0
Non-current non-interest bearing liabilities		
Loans to group companies	439.3	–
Loans to third parties	7,590.3	–
Trade payables to group companies	9.9	–
Trade payables to third parties	190.6	–
Total	8,230.0	–
Current interest bearing liabilities		
Liabilities to group companies	–	36,153.1
Total	–	36,153.1
Current non-interest bearing liabilities		
Trade payables to group companies	–	304.7
Trade payables to third parties	–	2,679.8
Accrued expenses to group companies	–	3,434.0
Accrued expenses to third parties	–	1,235.7
Other liabilities to third parties	–	12,607.2
Total	–	20,261.4
Restructuring debt total	8,230.0	125,954.5

16 Secured liabilities, contingent liabilities and other commitments

TEUR	Dec 31, 2017	Dec 31, 2016
Guarantees		
On behalf of group companies	18.0	80,082.7
Total	18.0	80,082.7
Other commitments		
Future payments of the lease liabilities		
Not later than one year	69.7	64.7
Later than one year	17.4	13.7
Total	87.1	78.3
Other commitments on behalf of group companies	533.6	475.5
Other commitments	359.4	368.4

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

Deferred tax assets and liabilities not recorded in the statement of the financial position

Unutilized tax losses for which the company has not recorded any deferred tax assets totalled EUR 84,606,769.42 (EUR 91,753,134.51). The related deferred tax receivables of these losses are EUR 16,921,353.88 (EUR 18,350,626.90).

Signatures for the financial statement and board of directors' report

Helsinki, April 12, 2018

Petteri Walldén
Chairman of the Board

Tommi Salunen
Vice Chairman of the Board

Olli Isotalo
Member of the Board

Anne Leskelä
Member of the Board

Harri Suutari
CEO

The auditor's note

Our auditors' report has been issued today.

Helsinki, April 30, 2018

PricewaterhouseCoopers Oy
Authorised Public Accountants

Samuli Perälä
Authorised Public Accountant

Auditor's Report

(Translation of the Finnish Original)

To the Annual General Meeting of Componenta Corporation

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU

- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited

We have audited the financial statements of Componenta Corporation (business identity code 1635451-6) for the year ended 31 December 2017. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies

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

Basis for Opinion

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

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

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Material uncertainties related to going concern

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

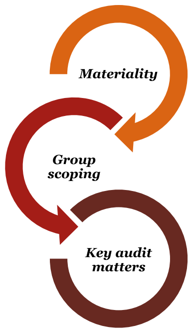
The Board of Directors and Management of Componenta Group have assessed the company's ability to continue as a going concern taking into consideration the company's liquidity situation and the impact of the restructuring proceedings to the financial position and cash flows of the group and group companies.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

The Board of Directors and Management consider that the company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future considering the corporate restructuring programmes. As such, the Board of Directors and Management believe that going concern basis of presentation in the financial statements is appropriate. In our opinion, the success of the restructuring programmes as well as the outcome of the cash flow forecasts are such uncertainties that may cast significant doubt on the Componenta Group's and its subsidiaries' ability to continue as a going concern.

Our opinion is not qualified in respect of this matter.

Our Audit Approach

Overview



Materiality	• We have applied and overall group materiality of EUR 1,200,000
Group scoping	• The group audit scope has included the parent company and its subsidiaries in Finland and Sweden.
Key audit matters	• Timing of revenue recognition • Valuation of assets taking into consideration the corporate restructuring proceedings and reorganisation of the business operations • The effect of the corporate restructuring proceedings and reorganising of the business operations to the parent company's financial statements.

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

Materiality

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

financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	1 200 000 euros (previous year 4 100 000 euros)
How we determined it	Overall group materiality is determined as a percentage of the group's FY2017 net sales of continued operations.
Rationale for the materiality benchmark applied	We chose net sales as the benchmark because, in our view, it is the appropriate benchmark, which the users of the financial statements use to evaluate the performance of the group.

How we tailored our group audit scope

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

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

Key Audit Matters

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

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.
In addition to matter described in paragraph above "Material uncertainties related to going concern" we have concluded that the matters listed below are key audit matters.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Timing of revenue recognition **Refer to Accounting principles of the consolidated financial statements**	
Componenta Group's net sales comprises revenue from the sale of products, services, raw materials, goods and energy, adjusted by indirect taxes and sales adjustments which primarily comprise annually calculated bulk discounts and product returns. Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. 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 recognised when the service is rendered to the customer. The risk for revenue being recognised in an incorrect period presents a key audit matter due to the financial significance and nature of net sales in the financial statements.	Our audit procedures included for example the following procedures: – Evaluation of internal control activities over revenue recognition and testing of key controls. – Analysis of significant sales contracts to test correct IFRS accounting treatment. – Testing timeliness of revenue recognition by comparing individual sales transactions to delivery documents and by checking significant credit notes issued after year-end. – Analysis of revenue transactions using computer-aided audit and data analysis techniques. – Testing of accounts receivables by requesting confirmations from the company's customers and by reconciling cash payments received after the year end against the accounts receivable balances at the year end.

Key audit matter in the audit of the parent company	How our audit addressed the key audit matter
Valuation of assets taking into consideration the corporate restructuring proceedings and reorganisation of the business operations **Refer to accounting principles of the consolidated financial statements** The Componenta Group has filed for corporate restructuring for its parent company Componenta Corporation and its substantial subsidiaries in Finland and Sweden. The subsidiaries Componenta Wirsbo AB and Componenta Arvika AB that were filed for bankruptcy have been classified as discontinued operations in the consolidated financial statements as described in more detail in the accounting principles of the consolidated financial statements. The uncertainties described above cast significant doubt on the group's ability to continue as a going concern. The Board of Directors and Management have used significant judgment in assessing the effect of above mentioned matters in valuation of assets. For this reason the valuation of assets taking into consideration the corporate restructuring proceedings and reorganising of the business operations was considered a key audit matter in the group audit.	Our audit procedures included for example the following procedures: – We read the restructuring programmes and made enquiries to administrators to understand the factual content of the restructuring programmes. – We inquired the management and examined the matters discussed by the board of directors related to reorganization of the business operations. – We read relevant contracts and documents to verify facts and circumstances stated in management´s analysis. – We assessed cash flow analysis prepared by management and reviewed by the board of directors used as a basis of valuation of assets. – We assessed the management´s estimates related to valuation of properties.

Key audit matter in the audit of the parent company	How our audit addressed the key audit matter
The effect of the corporate restructuring proceedings and reorganising of the business operations to the parent company's financial statements **Refer to the accounting principles of the consolidated financial statements and the parent company's financial statements** The Componenta Corporation's Swedish subsidiaries Componenta Arvika AB and Componenta Wirsbo AB were filed for bankruptcy and the Swedish subsidiariy Componenta Främmestad AB and the Finnish subsidiary Componenta Finland Oy were filed for corporate restructuring. The assets on Componenta Corporation's balance sheet consist mostly of subsidiary shares and loan receivables from subsidiaries. Management have used significant judgment in assessing the valuation of subsidiary shares and loan receivables. As described in more detail in the accounting principles of the parent company's financial statements the Management when making the assessment have considered among other things the effect of the parent company's and subsidiaries' restructuring proceedings and their ability to continue as a going concern. The Management have used significant judgment and estimations of future development in assessing the effect of above mentioned matters in Componenta Corporations financial statements. For this reason these were considered key audit matters in the audit of the parent company.	Our audit procedures included for example the following procedures: – We read the analyses of alternative outcomes of restructuring programmes and reorganisations of business prepared by management and approved by the board of directors. – We read relevant contracts and documents to verify facts and circumstances stated in management´s analysis. – We read the restructuring programmes and made enquiries to the Componenta Corporations administrator to understand the factual content of the restructuring programmes. – We assessed cash flow analysis prepared by management used as a basis of valuation of certain assets. – We assessed the management´s estimates related to valuation of properties.
There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.	

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment

We were first appointed as auditors by the annual general meeting on 28 February 2011. Our appointment represents a total period of uninterrupted engagement of 7 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

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

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

In our opinion

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

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

Helsinki 30 April 2018

PricewaterhouseCoopers Oy
Authorised Public Accountants

Samuli Perälä
Authorised Public Accountant (KHT)

Shares and shareholders

Largest registered shareholders on 31 December 2017

	Shareholder	Shares	%
1	Etra Capital Oy	20,000,000	11.28
2	Keskinäinen työeläkevakuutusyhtiö Varma	10,406,279	5.87
3	Keskinäinen työeläkevakuutusyhtiö Elo	8,901,288	5.02
4	Riikantorppa Oy	6,800,000	3.84
5	Suomen kulttuurirahasto	3,129,223	1.77
6	Lapin yliopisto	2,873,000	1.62
7	Suutari Harri Yrjö Kalevi	2,499,000	1.41
8	Nordea Bank Ab (Publ), Suomen sivuliike	2,271,969	1.28
9	Saini Ranjit	1,701,522	0.96
10	Gösta Serlachiuksen Taidesäätiö	1,693,834	0.96
Nominee-registered shares		3,149,531	1.78
Other shareholders		113,843,578	64.22
Total		177,269,224	100.00

Breakdown of share ownership on 31 December 2017

Number of shares	Shareholders	%	Shares	%
1 – 100	631	8.21	36,875	0.02
101 – 500	1,150	14.96	359,758	0.20
501 – 1000	963	12.53	817,963	0.46
1 001 – 5 000	2,286	29.75	6,517,254	3.68
5 001 – 10 000	1,002	13.04	8,103,259	4.57
10 001 – 50 000	1,241	16.15	30,844,631	17.40
50 001 – 100 000	213	2.77	15,629,856	8.82
100 001 – 500 000	167	2.17	36,888,336	20.81
500 001 – 999 999 999 999	32	0.42	78,071,292	44.04
Total = total issued	7,685	100.00	177,269,224	100.00

Shareholders by sector on 31 December 2017

	%
Finnish Companies	22.35
Financial institutions and insurance companies	2.26
General government bodies	12.51
Households	59.51
Non-profit institutions	3.09
Nominee-registered shares and other foreign shareholders	0.28
	100.00

Group financial development

Group development is not part of the official financial statements.

Group development, Jan 1–Dec 31

	2013	2014	2015***)	2016****)	2017****)
Net sales, MEUR	510.5	495.2	210.1	138.9	**122.4**
Operating result, MEUR	14.9	2.2	-18.5	-32.3	**26.3**
Operating result margin, %	2.9	0.4	-8.8	-23.3	**21.5**
Financial income and expenses, MEUR	-24.5	-30.9	-16.6	33.1	**102.0**
Result after financial items, MEUR	-9.6	-28.7	-35.1	0.8	**128.3**
Result for the financial period, MEUR	-15.5	-28.6	-62.2	-6.1	**128.8**
Result for the financial period, Discontinued operations, MEUR			-20.4	-209.5	**-4.8**
Order book at period end	87.3*)	88.9**)	31.4	20.4	**23.6**
Change in net sales, %	-6.3	-3.0	-57.6	-33.9	**-11.8**
Share of export and foreign activities in net sales, % *****)	91.6	91.7	91.3	80.0	**79.2**

*) Order book on 6 January 2014
**) Order book on 8 January 2015
***) The figures for 2015 are 2016 continued operations figures and were published in 2016 financial statement and include Wirsbo sub-group. The figures for 2013 - 2014 include whole group.
****) The figures for 2016 & 2017 include only current continued operations.
*****) The figures for 2016 & 2017 include only current continued operations. The figures for 2013-2015 include whole group.

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

MEUR	2013	2014	2015*)	2016**)	2017**)
Net sales	510.5	495.2	210.1	138.9	**122.4**
Operating result	18.2	15.1	0.4	-2.6	**2.9**
Financial income and expenses	-24.4	-27.3	-16.6	-9.8	**-0.4**
Profit/loss after financial items	-6.2	-12.2	-16.2	-12.3	**2.5**

*) The figures for 2015 are 2016 continued operations figures and were published in 2016 financial statement and include Wirsbo sub-group. The figures for 2013 - 2014 include whole group.
**) The figures for 2016 & 2017 include only current continued operations.

Key ratios

Key ratios, December 31

	2013	2014	2015	2016	2017
Statement of financial position total, MEUR	452	469	402	84	**53**
Net interest bearing debt, MEUR	230	216	237	90	**-3**
Invested capital, MEUR	325	339	262	-35	**21**
Return on investment, %	4.9	0.8	-7.2	n/a	**n/a**
Return on equity, %	-18.6	-29.1	-92.6	n/a	**n/a**
Equity ratio, %	18.9	23.7	4.6	-165.3	**34.8**
Net gearing, %	269.6	194.4	1,273.0	n/a	**-16.2**
Investments in non-current assets, MEUR	18.9	22.6	31.5	19.9	**2.8**
Number of personnel at period end *)	4,154	3,981	3,979	664	**691**
Average number of personnel *)	4,153	4,111	3,982	763	**680**

*) Personnel figures in 2016-2017 include only current continued operations. The figures for 2013-2015 include whole group.

Per share data

	2017	2016
Earnings per share (EPS), EUR	**0.70**	-1.64
Earnings per share, with dilution (EPS), EUR	**0.70**	-1.64
Cash flow per share, EUR	**0.02**	0.00
Equity per share, EUR	**0.10**	-0.74
Dividend per share, EUR	**0.00**	0.00
Payout ratio, %	**0.00**	0.00
Effective dividend yield, %	**0.00**	0.00
P/E multiple	**0.21**	neg.
Share price at year end, EUR	**0.14**	0.18
Average trading price, EUR	**0.20**	0.17
Lowest trading price, EUR	**0.11**	0.10
Highest trading price, EUR	**0.38**	0.71
Market capitalization at year end, MEUR	**25.5**	31.7
Trading volume, 1,000 shares	**364,326**	208,889
Trading volume, %	**205.9**	165.7
Weighted average of the number of shares, 1,000 shares	**176,985**	126,054
Number of shares at year end, 1,000 shares	**177,269**	176,134

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

Alternative performance measures

Componenta reports adjusted net sales, adjusted EBITDA and adjusted operating result as alternative performance measures. The aim of the adjusted performance measures is to improve the comparability between the reporting periods due to the special conditions related to restructuring. The adjusted net sales figure excludes the Componenta Wirsbo sub-group's figures due to its classification as a discontinued operation during the review period. The adjusted EBITDA and operating result exclude cuts to restructuring debts and costs related to the implementation of the restructuring programme. The alternative performance measures and reconciliation calculations for comparable performance measures are presented below.

Continued operations	Jan 1–Dec 31, 2017 IFRS	Jan 1–Dec 31, 2016 Comparable adjusted *)	Change-%
Net sales, MEUR	122,4	122,0	0 %
Adjusted EBITDA, MEIR	4,8	0,8	472 %
Adjusted operating result, MEUR	2,9	-6,1	-

*) The items eliminated from the comparable adjusted net sales of 2016 include the effects of Componenta Wirsbo AB and Componenta Arvika AB, which were classified as discontinued operations in July 2017, as well as the net sales of Suomivalimo and Pistons before the date of their divestment, and the impact of the trademark and administration service fees charged to the subsidiaries in the Netherlands and Turkey.

MEUR	Jan 1–Dec 31, 2017
EBITDA, continued operations, MEUR	29.8
Items affecting comparability, MEUR	-25.0
Adjusted EBITDA, continued operations, MEUR	4.8

The comparable items include cuts to restructuring debt in the amount of EUR 30.6 million. The other items were changes in the value of investment properties at EUR -2.6 million, legal services and other external services related to restructuring proceedings at EUR -1.4 million, the temporary cancellation of the energy tax refund at EUR -0.4 million, an additional charge related to the restructuring of the unemployment insurance fund at EUR -0.4 million and other items affecting comparability at EUR -0.8 million.

MEUR	Jan 1–Dec 31, 2017
Operating result, continued operations, MEUR	26.3
Items affecting comparability, MEUR	-23.4
Adjusted operating result, continued operations, MEUR	2.9

In addition to items affecting EBITDA, the comparable items also include impairment of Componenta Främmestad AB's production equipment in the amount of EUR -1.5 million and impairment of Componenta Finland Ltd's production equipment in the amount of EUR -0.1 million.

Reconciliation of comparative net sales of review period, continued operations	Jan 1–Dec 31, 2016
Net sales, continued operations total, IFRS	138.9
Suomivalimo & Pistons net sales	-8.1
Trademark license fees and management fees from Turkey & Netherlands	-8.8
Comparative net sales of review period continued operations	122,0

Reconciliation of adjusted comparative EBITDA of review period, continued operations	Jan 1–Dec 31, 2016
Adjusted EBITDA, continued operations	4.6
Suomivalimo & Pistons EBITDA, before sale	0.1
Trademark license fees and management fees from Turkey & Netherlands and production license fees from Turkey	-3.9
Comparative EBITDA of review period continued operations	0.8

Reconciliation of comparative adjusted operating result of review period, continued operations	Jan 1–Dec 31, 2016
Adjusted operating result, continued operations, total	-2.6
Suomivalimo & Pistons operating result, before sale	0.4
Trademark license fees and management fees from Turkey & Netherlands and production license fees from Turkey	-3.9
Comparative adjusted adjusted operating result of review period continued operations	-6.1

Calculation of key financial ratios

Return on equity, % (ROE) *) =
Profit (Group) after financial items – income taxes x 100
Shareholders' equity without preferred capital notes + non-controlling interest (quarterly average)

Return on investment, % (ROI) *) =
Profit (Group) after financial items + interest and other financial expenses x 100
Shareholders' equity + interest bearing liabilities (quarterly average)

*) Adjusted return on equity and adjusted return on investment are computed similarly as above mentioned, except that the income statement items included in the numerator are excluding items affecting comparability.

Equity ratio, % =
Shareholders' equity, preferred capital notes excluded + non-controlling interest x 100
Balance sheet total - advances received

Earnings per share, EUR (EPS) =
Profit after financial items – income taxes +/- non-controlling interest - deferred and paid interest on hybrid loan
Average number of shares during the financial period

Earnings per share with dilution, EUR = As above, the number of shares has been increased with the possible warrants outstanding. When calculating the dilution effect of warrants, the number of shares has been adjusted with the number of own shares which the company could have acquired, if it would have used the funds generated from the warrants to buy back of own shares at market price (= average trading price). After tax interest expense of the possible convertible loan has been added to the profit of the period. Number of shares that can be subscribed by the loan has been added to the number of total shares.

Cash flow per share, EUR (CEPS) =
Net cash flow from operating activities
Average number of shares during the financial period

Average trading price, EUR =
Trading volume
Number of shares traded during the financial period

Equity per share, EUR =
Shareholders' equity, preferred capital notes excluded
Number of shares at period end

Dividend per share, EUR =
Dividend
Number of shares at period end

Payout ratio, % =
Dividend x 100
Earnings (as in Earnings per share)

Effective dividend yield, % =
Dividend per share x 100
Market share price at period end

Market capitalization, MEUR = Number of shares x market share price at period end

P/E multiple =
Market share price at period end
Earnings per share

Net interest bearing debt, MEUR = Interest bearing liabilities + preferred capital notes - cash and bank accounts

Net gearing, % =
Net interest bearing liabilities x 100
Shareholders' equity, preferred capital notes excluded + non-controlling interest

EBITDA, EUR = Operating profit + Depreciation, amortization and write-downs +/- Share of the associated companies' result

Information for shareholders

Annual General Meeting

The Annual General Meeting of Shareholders of Componenta Corporation will be held at 9 am on 24 May 2018 in the Technopolis Aviapolis' Akropolis auditorium at Teknobulevardi 3-5, 01530 Vantaa. Notice of the annual general meeting has been published in a separate stock exchange release.

Right to participate

Shareholders who are registered on the record date for the Annual General Meeting, 14 May 2018, 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 10 am on 21 May 2018, by email to ir.componenta@componenta.com, by telephone between 9 am to 4 pm to +358 10 403 2202, or in writing to Componenta Corporation/ Pia Juntunen, Teknobulevardi 3-5, FI-01530 Vantaa, Finland. Letters or messages with notice of attendance must arrive before the close of the period for giving notice.

Dividend and dividend policy

The Board of Directors proposes to the AGM that no dividend be paid for the fiscal year 1 January – 31 December 2017.

Financial information in 2018

Business Review for January – March 2018 on Friday 18 May 2018

Half-Year Financial Report for January – June 2018 on Thursday 16 August 2018

Business Review for January – September 2018 on Thursday 15 November 2018

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

Componenta's 2017 Annual Review has been created as an interactive pdf and is available on Componenta's website at www.componenta.com. Previous annual reports, sustainability reports and interim reports are also available on the company's website. A printed version of a publication can be ordered by email from ir.componenta@componenta.com.

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.

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