

Componenta Corporation Business Review January-September 2018

Adjusted operating result increased from last year for continued operations.

The information presented in this financial statement release relates to the development of continued operations of Componenta Group in January-September 2018 and in the comparison period in 2017, unless otherwise stated. Continued operations in the review period were the foundry operations in Pori and Karkkila, Finland, and the machine shop in Främmestad, Sweden. In alternative performance measures, certain value adjustment items not related to the ordinary business, items related to the sold and discontinued operations and other items with impact on comparability have been adjusted. Net sales in the comparable period include administration service fees charged from Wirsbo sub-group, which was diluted from the Group in 2017 because of the filing for bankruptcy.

This is not an interim report as specified in the IAS 34 standard. The company complies with half-yearly reporting according to the Finnish Securities Markets Act and discloses business reviews for the first three and nine-month periods of the year, in which key information regarding the company's financial situation and development will be presented. The financial information presented in this business review is unaudited.

January – September 2018

- Net sales were on the same level as last year, EUR 91.6 million (EUR 91.3 million). The adjusted net sales were in the reporting period EUR 91.6 million and the comparable adjusted net sales in the comparison period amounted to EUR 91.1 million.
- EBITDA decreased by 87.5% to EUR 3.4 million (EUR 27.3 million). Restructuring debt cuts of EUR 29.8 million had a positive impact on EBITBA in the comparable period. The adjusted EBITDA increased by 18.4% in the reporting period to EUR 4.2 million while the comparable adjusted EBITDA in the comparison period amounted to EUR 3.5 million.
- The operating result decreased by 92.2% to EUR 2.0 million (EUR 25.6 million). Restructuring debt cuts of EUR 29.8 million had a positive impact on EBITBA in the comparable period. The adjusted operating result increased by 46.3% to EUR 2.7 million, while the comparable adjusted operating result in the comparison period amounted to EUR 1.9 million.

July – September 2018

- Net sales decreased by 1.3% to EUR 25.6 million (EUR 25.9 million). The adjusted net sales were in the reporting period EUR 25.9 million and the comparable adjusted net sales in the comparison period amounted to EUR 25.9 million.
- EBITDA decreased by 97.6% to EUR 0.7 million (EUR 29.2 million). Restructuring debt cuts of EUR 29.8 million had a positive impact on EBITBA in the comparable period. The adjusted EBITDA was EUR 0.8 million and remained on the same level as the comparable adjusted EBITDA in the comparison period, which amounted to EUR 0.8 million.
- Operating result decreased by 99.0% to EUR 0.3 million (EUR 28.7 million). Restructuring debt cuts of EUR 29.8 million had a positive impact on EBITBA in the comparable period. The adjusted operating result increased by 13.0% to EUR 0.4 million, while the comparable adjusted operating result in the comparison period amounted to EUR 0.3 million.

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Key figures

MEUR	IFRS 1-9/2018	IFRS 1-9/2017	Change	IFRS 1-12/2017
Net sales, continued operations	91.6	91.3	0.4%	122.4
EBITDA, continued operations	3.4	27.3	-87.5%	29.8
Operating result, continued operations	2.0	25.6	-92.2%	26.3
Operating result, continued operations, %	2.2	28.1	-	21.5
Result after financial items, continued operations	1.8	126.9	-	128.3
Items affecting comparability after financial items, continued operations	-0.8	125.2	-	125.8
Net result, continued operations	1.7	127.5	-98.7%	128.8
Basic earnings per share, EUR	0.01	0.68	-	0.70
Interest bearing net debt, continued operations *	-4.9	-1.3	-276.9%	-3.0
Return on equity, %	11.9	-	-	-
Return on investment, %	12.5	-	-	-
Equity ratio, %	37.2	34.2	8.8%	34.8
Gross investment incl. finance leasing, continued operations	1.0	0.6	70.5%	1.6
Cash flow from operations, continued operations	3.5	-1.0	450%	2.8
Group's restructuring debt	16.2	18.8	-14.4%	19.0
Average number of personnel during review period, incl. leased personnel, continued operations	712	676	5.3%	680
Number of personnel at end of quarter, incl. leased personnel, continued operations	713	694	2.7%	691
Order book, continued operations	23.2	25.1	-7.6%	23.6

*) Only interest-bearing restructuring debts included.

Alternative performance measures

Componenta publishes alternative performance figures to describe its financial development of business and to improve the comparability between reporting periods. Management has evaluated which alternative performance measures gives the best presentation and has decided to report adjusted net sales, adjusted EBITDA and adjusted operating result as alternative performance measures.

Continued operations, MEUR *)	1-9/2018	Comparable adjusted 1-9/2017	Change
Adjusted net sales	91.6	91.1	0.5%
Adjusted EBITDA	4.2	3.5	18.4%
Adjusted operating result	2.7	1.9	46.3%

*) Reconciliation of IFRS figures are presented in the end of this report.

Harri Suutari, CEO:

The demand for Componenta products continued as viable in the first nine months. Profitability increased due to cost-reducing activities. Liquidity increased due to positive operating cash flow and sold real estate companies.

As told in the half-year financial report 2018 we aim to change the operations in Componenta Främmestad AB in order to engage less working capital and additional financial requirements in the operations. The objective of these actions is to decrease invested capital and improve profitability. The possible changes are not expected to have effect on net sales or the result of the current year. Instead in 2019 these changes are expected to decrease net sales but to improve profitability.

By changing the operations in Componenta Främmestad AB and offering subcontracting services without Tier1-position for large volume series we can significantly reduce committed capital and reduce the need for additional financial requirements. The risk in changing the operation model is that these customers may move their large volume products to competitors. The realisation of this risk will not significantly reduce the profitability of the Group after the deduction of corresponding expenses. By releasing the committed capital in these functions Componenta is able to focus on those customers where Componenta has better opportunities to make adequate profit.

Componenta foundries have updated their customer prices to meet the expenses after the reporting period. The price increases for some products have been significant, that they may cause some customer losses. We do not expect these losses to have a negative impact on the Group's result.

The restructuring program is proceeding according to plan for each of the Group companies and liquidity has remained on a good level. There are no restructuring debts left, which fall due in 2018.

Financial development in the reporting period

In the first three quarters of the year, Group net sales increased by 0.4% due to higher sales volumes. A decrease of administrative costs improved the profitability, adjusted EBITDA was EUR 4.2 million (EUR 3.7 million, IFRS: EUR 3.4 million). Accordingly, the adjusted operating result was EUR 2.7 million (EUR 2.1 million, IFRS: EUR 2.0 million). The adjusted operating profit margin was 3.0% (2.3%) and calculated with the IFRS figures the operating result margin was 2.2% (28.1%). Cash flow from operations increased to EUR 3.5 million (EUR -1.0 million). At the end of the period, Componenta's cash and cash equivalents totalled EUR 6.4 million (EUR 2.8 million). The Company had no committed credit facilities at the end of the reporting period. Working capital, which includes inventories, current non-interest-bearing receivables reduced with non-interest-bearing liabilities, increased slightly comparing to the last financial statement, being EUR 11.0 million (31 December 2017: EUR 10.6 million).

Restructuring proceedings

The implementations of restructuring programs have proceeded as planned. Componenta Främmestad AB paid its restructuring debts in March 2018, which would have fell due in July 2018. The payment programs for Componenta Corporation and Componenta Finland Ltd will commence in 2019 and end in 2023. The payment program ends in the Group in 2024. The external restructuring debts, EUR 16.2 million (31 December 2017: EUR 19.0 million), include EUR 1.1 million short-term debts. The external restructuring debts include EUR 0.8 million in interest-bearing debt, of which EUR 0.1 million is short-term.

Repayment schedule for external restructuring debts to be paid

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	-	0.4	0.4	0.4	0.4	0.4	0.4	2.5*
Total	-	2.0	2.0	2.0	2.0	7.6**	0.4	16.2

*) The remaining restructuring debt of Componenta Främmestad AB to the former Turkish company shall be paid back within six years. The repayment is tied to the EBITDA of Componenta Främmestad AB.

**) The last repayment amounts of Componenta Corporation and Componenta Finland Ltd are bigger as it is assumed that the income from sale of real estate properties unrelated to the core business are used for the repayments at the end of the 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.

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

Additionally, Componenta Corporation sold the whole capital stock of its wholly owned real estate companies called Kiinteistöosakeyhtiö Ala-Emali and Kiinteistöosakeyhtiö Ylä-Emali on 29 August 2018. Componenta Corporation and Componenta Finland Ltd both sold the whole capital stock of their jointly owned real estate Company named Karkkilan Koskikiinteistö Ltd on 29 August 2018. The subsidiary of Componenta Finland Ltd, Karkkilan Valimokiinteistö Ltd, sold a parcel of land including buildings on the land in Karkkila on 31 August 2018. The real estate transactions in August were carried out at market price and the total cash flow impact on the Group was EUR 1.0 million. The sales had a total of EUR 0,0 million effect on the result.

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 to protect against 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. Uncertainties and other business risks related to the Company's ability to continue as a going concern have been described in the financial statement published on 30 April 2018.

Regarding the ability of Componenta to continue as a going concern, the main risks and factors causing uncertainty are related to the ability of Componenta Corporation and Componenta Finland to pay the restructuring debts in accordance with the payment programs. A material risk regarding executing the restructuring programs is the adequacy of working capital, because the main customers support Componenta with shorter payment terms in sales and because the group companies are unable to obtain external financing at the moment. The change of operation model in Componenta Främmestad AB aims on structured reduction of invested capital and need of working capital. There is a risk that changing the operation model results in customers moving their large volume products to competitors. The realisation of this risk, however, is not expected to materially decrease the profitability of the Group after deduction of corresponding expenses.

Events after the end of the period

Componenta Corporation and Componenta Finland Ltd have on 6 November 2018 filed applications to the District Court of Helsinki to amend the restructuring programs. In applications some minor amendments to the confirmed restructuring programs are requested due to creditors' notifications of specified receivables or due to change of creditors. In company's opinion the amendments will not have a significant impact on the financial position of the company. The company will announce possible amendments of the programs after receiving decisions from the District Court of Helsinki.

The Board of Directors of Componenta Corporation has resolved on 12 November 2018 to implement two new share-based incentive plans for the Group key employees, a Stock Option Plan and a Restricted Share Plan. The purpose of the stock options is to encourage the key employees to work on a long-term basis to increase the shareholder value. The purpose is also to retain the key employees at the company. The maximum total number of stock options issued is 7,320,500, and they entitle their owners to subscribe for a

maximum total of 7,320,500 new shares in the company or existing shares held by the company. The stock options are issued gratuitously. Of the stock options, 2,430,000 are marked with the symbol 2018A, 2,445,250 are marked with the symbol 2018B and 2,445,250 are marked with the symbol 2018C. The share subscription period, for stock options 2018A, will be 1 December 2021—30 November 2023, for stock options 2018B, 1 December 2022—30 November 2024, and for stock options 2018C, 1 December 2023—30 November 2025. The share subscription price, for stock option 2018A, is 0.17 euros per share, which is the trade volume weighted average quotation of the share on Nasdaq Helsinki Ltd. during 12 October—8 November 2018. The reward from the Restricted Share Plan 2018 will be based on the key employee's valid employment or service and the continuation of work during the vesting period. The Restricted Share Plan is intended for key employees. The rewards to be paid on the basis of the Restricted Share Plan 2018 correspond to the value of a maximum total of 1,999,500 Componenta Corporation shares including also the proportion to be paid in cash. The total dilution of the stock option plan and the restricted share plan is 4.99%, in the maximum, if all shares to be subscribed for and to be paid as reward (including the cash proportion of the restricted share reward) on the basis of the plans are new shares.

Guidance for 2018 intact

Componenta expects continued operations to have net sales of EUR 110 - 130 million in 2018 and adjusted EBITDA excluding items affecting comparability is expected to be EUR 4 - 6 million. Net sales for continued operations in 2017 were 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 expected to have a significant impact on future financial statements.

Upcoming IFRS standards

Componenta will adopt the new IFRS 16 Leases standard as of 1 January 2019 (effective for financial periods beginning on or after 1 January 2019). In adoption of the standard Componenta will apply the modified retrospective method and consequently the comparative financials will not be restated. Based on the preliminary simulation, the adoption of IFRS 16 will have impacts on certain key ratios. The expectation is that net debts will increase and EBITDA will improve. Additionally, impacts are expected in cash flow. Cash flow from financing activities is expected to decrease and cash flow from operations is expected to increase. The amount of Componenta's other leasing commitments outside the balance sheet at the end of the reporting period was EUR 0.6 million.

Reconciliation to IFRS figures

MEUR	1-9/2018	7-9/2018
EBITDA, continued operations	3.4	0.7
Items affecting comparability	0.8	0.1
Adjusted EBITDA, continued operations	4.2	0.8

Items affecting comparability in 2018 of continued operations EBITDA in the three first quarters of the year relate to revaluation of investment properties in Karkkila EUR -0.6 million, restructuring and reorganisation costs EUR -0.3 million, sales profit for shares of a housing company named Asunto-osakeyhtiö Iisalmen Ahjolansato EUR +0.2 million and sales profit of sold real estates and two parcels of land in Pietarsaari EUR +0.1 million. Other items affecting comparability net totalled EUR -0.1 million.

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MEUR	1-9/2018	7-9/2018
Operating result, continued operations	2.0	0.4
Items affecting comparability	0.8	0.1
Adjusted operating result, continued operations	2.7	0.5

Items affecting adjusted operating result are identical to items affecting adjusted EBITDA.

Reconciliation of comparable adjusted net sales, continued operations, MEUR	1-9/2017	7-9/2017
Net sales, IFRS	91.3	25.9
Adjusted net sales	91.3	25.9
Adjustment of administration service fee from the Wirsbo sub-group in 2017	-0.2	0.0
Comparable adjusted net sales	91.1	25.9

Reconciliation of comparable adjusted EBITDA, continued operations, MEUR	1-9/2017	7-9/2017
EBITDA, IFRS	27.3	29.2
Cuts in restructuring debts	-29.8	-29.8
Write-downs of tangible and intangible assets and receivables	3.4	-0.5
Restructuring and reorganisation costs	1.7	0.9
Other items	1.2	1.1
Adjusted EBITDA	3.7	0.8
Adjustment of administration service fee from the Wirsbo sub-group in 2017	-0.2	0.0
Comparable adjusted EBITDA	3.5	0.8

Reconciliation of comparable adjusted operating result, continued operations, MEUR	1-9/2017	7-9/2017
Operating result, IFRS	25.6	28.7
Cuts in restructuring debts	-29.8	-29.8
Write-downs of tangible and intangible assets and receivables	3.4	-0.5
Restructuring and reorganisation costs	1.7	0.9
Other items	1.2	1.1
Adjusted operating result	2.1	0.3
Adjustment of management fee from the Wirsbo sub-group in 2017	-0.2	0.0
Comparable adjusted operating result	1.9	0.3

Helsinki, 13 November 2018

COMPONENTA CORPORATION

Harri Suutari
President and CEO

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 share is listed on Nasdaq Helsinki.