

Componenta Corporation Business Review January – March 2017

Comparable net sales corresponding to current continued business operations increased 9% to EUR 46.3 (42.6) million and comparable adjusted EBITDA increased from the previous year to EUR 1.9 (-1.1) million.

The information presented in this business review relates to the continued operations of Componenta Group in the January – March period in 2017 and in the corresponding period in 2016, unless otherwise stated. The figures are unaudited.

January-March 2017 in brief

- The current continued business operations are the foundry operations in Finland in Pori and Karkkila, and in Sweden the machine shop in Främmestad and the forges in Wirsbo and Arvika.
- Comparable net sales for continued operations increased 9% to EUR 46.3 million. Comparable adjusted net sales in the period for comparison were EUR 42.6 million and adjusted net sales according to IFRS in the period for comparison were EUR 49.6 million. The comparable adjusted figure means the current continued operations in 2017, from which the figures for the divested units Suomivalimo and Pistons have been eliminated as well as the impact of the trade mark and administration service fees charged to the Netherlands and Turkey.
- Adjusted comparable EBITDA for current continued operations increased from the previous year to EUR 1.9 million. Comparable adjusted EBITDA in the period for comparison was EUR -1.1 million and adjusted EBITDA according to IFRS in the period for comparison was EUR -0.1 million.
- The adjusted comparable operating profit for current continued operations increased from the previous year to EUR 1.0 million. The comparable adjusted operating profit in the period for comparison was EUR -2.8 million and the adjusted operating profit according to IFRS in the period for comparison was EUR -2.1 million.
- The administrator of the corporate restructuring proceedings for Componenta Corporation and Componenta Finland Oy filed the draft restructuring programmes with the District Court of Helsinki. In its interim ruling on 4 April 2017, the District Court of Helsinki decided to continue processing the draft restructuring programmes filed by the administrator on 30 March 2017. If the draft restructuring programme is carried out in line with its proposals, the Group's restructuring debt is estimated to be just around EUR 23 million.

Key figures

	Q1/2017	Comparable adjusted Q1/2016 (1)	Change (Q1/2017 from comparable adjusted Q1/2016)	Q1/2016	Change (Q1/2017 from Q1/2016)	2016
Net sales, continued operations, MEUR	46.3	42.6	9%	49.6	-7%	183.6
Adjusted EBITDA, continued operations, MEUR	1.9	-1.1	-	-0.1	-	3.1
Adjusted operating profit, continued operations, MEUR	1.0	-2.8	-	-2.1	-	-5.8
Operating profit, continued operations	9.7	-	-	-2.2	-	-46.0
Adjusted result after financial items, continued operations, MEUR	1.0	-	-	-4.7	-	-17.0
Result after financial items, continued operations, MEUR	9.7	-	-	-4.9	-	-16.5

Items affecting comparability after financial items, continued operations, MEUR	8.7	-	-	-0.1	-	0.5
Net result, MEUR	10.0	-	-	-7.8	-	-215.5
Earnings per share, euro	0.06	-	-	-0.08	-	-1.64
Adjusted return on investment, %	-	-	-	-0.2	-	-0.2
Adjusted return on equity, %		-	-	-165.2	-	n/a
Gross investment in continued operations incl. finance leasing, MEUR	1.1	0.3	216%	0.4	204%	1.3
Cash flow from operations, continued operations, MEUR	0.9	-	-	1.6	-46%	-9.9
Group's restructuring debt, MEUR	154	-	-	-	-	163
Number of personnel at end of quarter, incl. leased personnel, continued operations	877	928	-5%	1,057	-17%	878
Average number of personnel during review period, incl. leased personnel, continued operations	872	927	-6%	1,056	-17%	992
Order book, continued operations, MEUR	31.3	29.9	5%	32.4	-3%	30.8

⁽¹⁾ The comparable adjusted figure means the current continued operations in 2017, from which the figures for the divested units Suomivalimo and Pistons have been eliminated as well as the impact of the trade mark and administration service fees charged to the Netherlands and Turkey. Suomivalimo was sold on 30 June 2016 and Pistons on 17 August 2016. The operations in the Netherlands were declared bankrupt in the third quarter of 2016. Consolidation of the operations in Turkey ended at the end of 2016.

Harri Suutari, President and CEO, Componenta Corporation:

"The positive result after financing costs in the first quarter (EUR 1.0 million, excluding items that affect comparability) ends a period of 14 successive loss-making quarters. Particular factors contributing to this improvement are the reductions in fixed costs and in financing costs. In addition productivity has improved at the plants in Sweden, especially in forging operations. Profitability in the period for comparison was weakened by the production stoppages caused by the tight liquidity situation at that time and by extra transport costs.

Profitability was affected by the temporary cancellation of the refund of Finland's energy tax ⁽²⁾, by the impact at the foundries of the rise in material prices and by the special transport in Sweden relating to delivery problems at the iron foundry in Turkey. A further factor was that because of the corporate restructuring situation the forges in Sweden have had to rely on more expensive material supplies.

The Group has continued its actions to cut fixed costs during the first quarter. Product prices have not been raised, apart from certain individual adjustments to wrongly priced items. But the Group has continued its measures to improve quality, raise productivity and reduce logistics costs. There is still potential in continued operations to improve profitability. The 5% increase from the previous year in the order book for foundry and forging operations also supports the improvement target.

The positive trend shown here creates a basis for continuing the restructuring proceedings and for their success."

⁽²⁾ The law states that refunds of energy tax are not granted to companies undergoing corporate restructuring until the restructuring programme has been approved.

Developments in business operations in the review period

Componenta's continued operations are the foundry operations in Pori and Karkkila, Finland, and in Sweden the machine shop in Främmestad and the forging operations in Wirsbo and Arvika. Consolidation in accordance with IFRS of Turkish subsidiary Componenta Dökümcülük as part of Componenta Group ended on 31 December 2016.

Comparable net sales corresponding to current continued operations in 2017 increased 9% to EUR 46.3 (42.6) million. Demand among heavy truck manufacturers in Sweden in particular remained strong throughout the review period. Adjusted EBITDA corresponding to current continued operations in 2017 was EUR 1.9 (-1.1) million. The order book at the beginning of April for continued operations was EUR 31.3 (32.4) million. The order book in the period for comparison excluding orders for Pistons and Suomivalimo was EUR 29.9 million.

The profitability of continued operations in the review period was improved in particular by the reduction in fixed costs and by efficient planning and implementation of production and logistics that were made possible by the improvement in liquidity compared to the period for comparison. On the other hand, profitability was weakened by the temporary cancellation of the refund of Finland's energy tax, by the impact at the foundries of a rise in material prices, by the special transport relating to delivery problems at the iron foundry in Turkey, and by more expensive material supplies because of the restructuring proceedings in the forge operations.

The adjusted comparable operating profit for continued operations increased from the previous year to EUR 1.0 (-2.8) million. The operating profit for continued operations for the first quarter of 2016 including the operating profit for Suomivalimo and Pistons and the trade mark and administration service fees charged to the Netherlands and Turkey was EUR -2.1 million. The adjusted operating profit was improved not only by the improvement in EBITDA but also by a reduction of EUR 1.2 million in depreciation on machinery and equipment. The operating profit in the period according to IFRS for continued operations, including items that affect comparability, was EUR 9.7 (-2.2) million. Items affecting comparability in the operating profit totalled EUR 8.7 million positive (EUR -0.1 million). Items affecting comparability in the review period, comprise mainly cuts of EUR -9.1 million in the restructuring debts of the Wirsbo sub-group. In addition, impairment of EUR -0.4 million was recorded on non-current production assets.

Net financing costs in the review period declined considerably to EUR -0.1 (-2.6) million. Financing costs declined due to the restructuring proceedings and financing arrangements. No accrued interest costs have been recognized in the review period for non-preferential interest-bearing restructuring debts, since they will be treated as having lowest priority, and after the restructuring proceedings have begun accumulated accrued interest will be cut 100 per cent.

Componenta has reached agreement on financing from its main customers in Finland and Sweden, and this will cover the working capital needs for operations. The Group's liquid assets at the close of the period stood at EUR 4.1 million. In addition, the administrator for Componenta Främmestad AB has control over funds of EUR 1.8 million that are recorded as receivables.

Restructuring proceedings

The administrator of the corporate restructuring proceedings for Componenta Corporation and Componenta Finland Oy filed the draft restructuring programmes with the District Court of Helsinki on 30 March 2017. In its interim ruling on 4 April 2017, the District Court of Helsinki decided to continue processing the draft restructuring programmes.

The restructuring proposal for Componenta Wirsbo AB came into force on 14 January 2017 and for Componenta Arvika AB on 21 January 2017. In accordance with the rulings of the local courts, the companies intend to pay some SEK 40 million of the Group's external restructuring debt in July 2017. To achieve this, Componenta must succeed in arranging external funding for the companies in order to ensure sufficient liquidity. The primary goal is to postpone payment of the restructuring debts until January 2018 and

to arrange refinancing by then. As previously announced, the Group's preferred option is to keep forging operations as part of the Group.

On 6 March 2017 an extension until 1 June 2017 was granted for the restructuring process at Componenta Främmestad AB.

Componenta Corporation is aiming to sell its shares in Componenta Dökümcülük Ticaret ve Sanayi A.S. Componenta's objective is a comprehensive solution, in which the Turkish subsidiary accepts the restructuring programme proposals for Componenta Corporation, Componenta Finland Oy and Componenta Främmestad AB. Another goal is for the Turkish club loan banks that have financed the Turkish subsidiary to release Componenta Corporation and Componenta Främmestad AB from all commitments and liabilities based on the club loan agreement, including releasing them from a EUR 80 million loan guarantee.

The company considers that the restructuring proceedings in Finland and Sweden will make it possible to put operations on a healthy footing and to develop them in the future, but considerable uncertainty still exists concerning operations and their ability to continue as a going concern. In the near future Componenta Group's operational and financial risks relate to the corporate restructuring proceedings currently underway. The ability of the Group to continue as a going concern depends on whether viable restructuring programmes are approved for Group companies in Finland and Sweden, and where restructuring programmes have been approved, that the companies involved are able to make the payments stipulated in the restructuring programmes.

Guidelines unchanged for 2017

Componenta expects continued operations to have net sales of EUR 150 - 170 million in 2017. EBITDA excluding items affecting comparability is expected to be EUR 5 - 10 million. Componenta's comparable net sales in 2016 corresponding to current continued operations in 2017 were some EUR 167 million.

Helsinki, 16 May 2017

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.