Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Componenta Oyj

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.

What we have audited

We have audited the financial statements of Componenta Oyj (business identity code 1635451-6) for the year ended 31 December 2016. 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.

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, according to which Componenta Group's liquidity situation became critical in August 2016 due to the weak turnover and profitability developing more negatively than estimated. The Company could not negotiate the additional financing necessary and due to this situation continuation of the business without restructuring proceedings was impossible. Componenta filed for restructuring of the parent company and its most significant subsidiaries in Finland and Sweden. The status and contents of the restructuring proceedings have been described in the accounting principles of the consolidated financial statements.

The Board of Directors and Management of Componenta Group have assessed the company's ability to continue as going concern taking into consideration the company's liquidity situation and the impact of the restructuring proceedings to the financial situation and cash flows of the Group and Group companies. The Board of Directors and Management have concluded that if the ongoing restructuring proceedings are not successful the Group will not have sufficient working capital required for the next 18 months. It is possible that the restructuring proceedings are unsuccessful and the Group companies will file for bankruptcy. The most significant factors with uncertainty affecting the restructuring proceedings have been described in the accounting principles of the consolidated financial statements. These include the approval of the restructuring programme proposals that have not yet been approved, getting support from creditors for the restructuring programme proposals, and being able to provide external financing to certain group companies to pay their restructuring debt in accordance with approved payment schedules. In addition, the accounting principles of the consolidated financial statements note that the cash flow forecasts and financing include significant management's estimates and assumptions as well as uncertainties.

As described in more detail 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 and obtaining external financing in a manner described in the accounting principles to the consolidated financial statements 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

- Overall group materiality: € 4 100 000, which represents approx. 1 % of group's continued and discontinued operations' net sales (financial year 2016)

- Audit scope: The group audit scope has included the parent company and its subsidiaries in Finland, Turkey and Sweden. In addition to this we performed specified procedures in relation to the subsidiary in UK.

Key audit matters in audit:

- Timing of revenue recognition
- The scope of the consolidated financial statements
- 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	€ 4 100 000
How we determined it	Overall group materiality is determined by using approx. 1 % of the group's FY2016 net sales including net sales of continued and discontinued 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. It is also a generally accepted benchmark when the profit for an accounting period varies greatly between accounting periods. We chose 1 % which is within the range of acceptable quantitative materiality thresholds in auditing standards.

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, Sweden and Turkey and additionally we performed specified procedures in relation to the subsidiary in UK. The Board of Directors and Management of the Componenta Group consider that Componenta Group has lost control over the Turkish subsidiary Componenta Dökümcülük Ticaret ve Sanayi A.S and its British subsidiary during the last quarter of 2016 and for this reason these entities are not consolidated to the group's financial statements for the period ended 31 December of 2016. In addition the Dutch subsidiary Componenta B.V. was filed for bankruptcy in the third quarter and for this reason it is not consolidated to the group's financial statements for the period ended 31 December of 2016.

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 centralised 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
Revenue recognition	
Refer to Accounting principles of the consolidated financial statements and note 1 Operating segments	Our audit procedures included for example the following procedures:

in 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. Group's 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. 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.

- Evaluation of internal control activities over revenue recognition and testing of key controls.
- Analysis of significant sales contracts to verify 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.

The scope of the consolidated financial statements

Refer to Accounting principles of the consolidated financial statements

Restructuring proceedings and reorganization of business operations might affect parent company´s ability to exercise control over subsidiaries. Componenta Group´s Board of Directors and Management have concluded that despite the limitations of the ongoing restructuring proceedings to the company's ability to use power (as discussed in IFRS 10), the parent company retains control in Componenta Finland Oy, Componenta Främmestad Ab, Componenta Wirsbo Ab and Componenta Arvika Ab and consolidation of above mentioned companies in group´s consolidated financial statements is justified from the perspective of true and fair view.

Componenta Group´s Board of Directors and Management consider that the parent company lost control as defined in IFRS 10 in its Turkish sub-group during the last quarter of 2016 and that parent company lost control over its Dutch subsidiary during the third quarter of 2016 due to reasons which are described in the accounting principles for the

Our audit procedures included for example the following procedures:

- We read the draft restructuring programmes and made enquiries to administrators to understand the factual content of the restructuring programmes.
- We went through analyses prepared by management and verified the facts in these analyses and evaluated the conclusions made.

consolidated financial statements. Business operations of above mentioned entities have been classified as discontinued operations in the consolidated financial statements. Determining the scope of the consolidated financial statements includes management judgement as to the effect of the restructuring proceedings and reorganization of business operations to the parent company´s ability to use its power in subsidiaries. For this reason the scope of the consolidated financial statements was considered a key audit matter in the group audit.	
Valuation of assets taking into consideration the corporate restructuring proceedings and reorganising 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 subsidiary in the Netherlands that were filed for bankruptcy and the sub-group in Turkey 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 draft restructuring programmes and made enquiries to administrators to understand the factual content of the restructuring programmes. - We read the analyses of alternative outcomes of restructuring programs 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 and assessed the external valuator´s reports used by the company, specifically those 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*	Our audit procedures included for example the following procedures: - We read the analyses of alternative outcomes of restructuring programs prepared by management

company's financial statements

The Componenta Corporation's Dutch subsidiary Componenta B.V. was filed for bankruptcy and the Swedish subsidiaries Componenta Främmestad AB, Componenta Wirsbo AB and Componenta Arvika AB and the Finnish subsidiary Componenta Finland Oy were filed for corporate restructuring. In October 2016 the company announced the plan to sell its shareholding in the Turkish subsidiary and later came to a conclusion that the company has no control over the sales process and has lost control over the Turkish subsidiary.

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, loss of control over the Turkish sub-group, covenant breaches of loans of Turkish sub-group and effect of guarantees given by the parent company.

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.

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 draft 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 assets.
- We read assessment prepared by management related to estimated outcomes of guarantees given by the company.
- We read and assessed the external valuator´s reports used by the company, specifically those related to valuation of properties.

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 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 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 on 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 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

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our auditor's report thereon. We 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 information included in the report of the Board of Directors, 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 12 April 2017

PricewaterhouseCoopers Oy
Authorised Public Accountants

Samuli Perälä
Authorised Public Accountant (KHT)