

Componenta Corporation's Business Review 1 January–30 September 2022

Componenta Corporation, Stock Exchange Release, 4 November 2022 at 8.00 a.m. EET

Net sales increased and EBITDA improved

The information presented in this business review concerns the development of Componenta Group in January–September 2022 and in the corresponding period in 2021, unless otherwise stated. Componenta has foundries in Pori and Karkkila, Finland, and metal product plants in Jyväskylä, Härmä, Kurikka, Leppävesi and Sastamala, Finland. The Group also includes real estate companies of minor importance in Finland. All Componenta Group's restructuring programmes were completed in 2021.

This is not an interim report in accordance with IAS 34. The company complies with the semi-annual reporting in accordance with the Finnish Securities Markets Act and discloses business reviews for the first three and first nine months of the year, which present key information regarding the company's financial position and development.

The financial information presented in this business review have not been audited.

January–September 2022

- Net sales increased to EUR 79.0 million (EUR 62.0 million).
- EBITDA improved to EUR 4.3 million (EUR 3.6 million).
- Operating result was EUR 0.1 million (EUR -0.8 million).
- Cash flow from operating activities was EUR 2.7 million (EUR 0.5 million).

July–September 2022

- Net sales increased to EUR 24.6 million (EUR 18.5 million).
- EBITDA improved to EUR 0.5 million (EUR 0,3 million).
- Operating result was EUR -0.9 million (EUR -1.1 million).
- Cash flow from operating activities was 0.6 million (EUR -3.9 million).

President and CEO Sami Sivuranta:

"The first three quarters went well in a very challenging operating environment. Our market share, net sales and EBITDA continued to grow, and considering the circumstances, we are satisfied with the result. Our liquidity is also at a good level.

The profitability of the review period was burdened by the very exceptional price development of raw materials, materials and especially the price of electrical energy, which has increased our manufacturing costs significantly. In terms of our main raw materials and electrical energy, the cost development is largely tied to our customer agreements through indices, which are reflected in our sales prices with a delay. The index increases took effect at the beginning of the last quarter of the year. We have also agreed separately with our customers on the compensation of some of the non-indexed cost increases.

Our profitability during the review period was somewhat affected by the quality and productivity challenges of the Karkkila foundry. The exceptionally fast growth of our Karkkila unit's production volumes has set special needs and challenges, both in terms of increasing human resources and rapidly increasing technical process capacity. Our measures to correct these challenges in Karkkila have progressed as planned and the performance indicators have started to develop positively. The situation is expected to develop positively during the fourth quarter as well.

The crisis situation in Eastern Europe has prolonged the general uncertainty of the market, a challenge to the availability of materials and cost development, and has had a strong impact on the price of energy. The effects through the business of our customers and suppliers have been mild. We actively monitor the development of the situation in our own business environment and strive to ensure the availability of raw materials in all situations and conditions. The general availability of raw materials and materials has started to improve, as alternative procurement channels and supply chains have been ramped up.

In our own operations, we have managed to control our supply chain and secure our own production and deliveries to our customers. The situation in the labor market and the availability of labor has also started to ease, and our human resources correspond to the current production situation. Our entire personnel has been commendably flexible in order to maintain our production and delivery reliability throughout the review period.

Our customers' order books, forecasts and expectations have generally remained positive throughout the past year, and our order book is at a very strong level at the end of the review period. Thanks to the current customer outlook and our own sales success, our expectations for the end of the year are very positive.

Our customers have also increasingly actively communicated that, in addition to risk management, the need for responsible suppliers in local markets has grown even more, and the localization of production chains is carried out closer to Europe and its surrounding areas.

We will actively continue our efforts to strengthen our market position and further improve our profitability as part of our growth strategy. In addition, we are focusing on our service capability, close customer relationships, sustainability and highly competent personnel, as well as on expanding our offering. We are investing in close partnerships with our customers, aiming to be their preferred supplier with a sustainable and extensive offering.”

Financial development during the review period

Componenta Group's net sales increased in the review period and was 79.0 million (62.0 million). The increase in net sales was due to realized new sales to existing and new customers, an increase in delivery volumes, and index increases in materials and energy.

EBITDA was 4.3 million (3.6 million) and operating result was 0.1 million (-0.8 million).

During the review period, profitability improved thanks to the increase in sales volumes and own planned development measures. The profitability of the review period was somewhat burdened by the quality and productivity challenges of the Karkkila foundry. The quality and productivity of the Karkkila foundry improved somewhat in the last quarter, and the development measures are still

continuing. In addition, profitability was somewhat affected by the rising prices of materials and electricity. The majority of increases in purchase prices and electricity prices are passed on to sales prices with a delay in accordance with the index terms included in customer agreements. Profitability was also burdened in the first quarter of the financial year by non-recurring advisory costs of EUR 0.3 million from a business acquisition that did not realize. The profitability of the comparison period was also improved by a one-time payment of EUR 0.1 million from the bankruptcy estate of the former subsidiary, Componenta BV, for previously written-off receivables that Componenta had from the bankruptcy estate.

The Group's net financing items were EUR -1.3 million (EUR -0.5 million). In the comparison period, the net financing items included a net income of EUR 0.7 million, which was realized when the parent company's restructuring debts of EUR 6.6 million were paid off by EUR 5.9 million.

At the end of the review period, the group's cash and cash equivalents totalled EUR 6.5 million (EUR 7.6 million). The Group's liquidity remained at a good level. Long-term liabilities totalled EUR 8.7 million (EUR 13.2 million) and short-term liabilities totalled EUR 25.9 million (EUR 21.7 million). The Group's debts included EUR 2.1 million (EUR 3.9 million) external loans from financial institutions. The Group's other debt items mainly consisted of working capital items and lease liabilities. Long-term and short-term liabilities also included EUR 1.0 million (EUR 2.7 million) of payment reliefs granted by the Tax Administration due to the COVID-19 pandemic for obligations that must be paid according to separate payment schedules by 22 August 2023. The annual interest on the payment relief is 2.5%.

At the end of the review period, the Group had a total of EUR 2.0 million (4.0 million) of unused binding revolving credit facilities. Due to the usual seasonal fluctuations in the industry caused by maintenance shutdowns and summer vacations, Componenta used revolving credit facilities in the review period to stabilize liquidity, which is what the financial tool in question is intended for in the Group. In October 2022 Componenta repaid the amount of EUR 1.0 million of the revolving credit facilities that was in use at the end of the review period, after which the Group has unused binding revolving credit facilities totalling EUR 3.0 million.

Componenta has a share subscription facility of USD 8.0 million, with an unused portion of USD 7.5 million. In the review period, Componenta used the above-mentioned share subscription facility of USD 0.5 million when implementing a directed share issue to Global Corporate Finance LLC. The share issue prepared for Componenta's further growing volumes and ensured the availability of key materials as well as the continuation of the implementation of own development measures. In the directed share issue, a total of 194,944 shares were offered to Global Corporate Finance LLC for subscription, which corresponded to approximately 2.0 percent of all Componenta's shares after the completion of the arrangement. The subscription price per share was EUR 2.55 and it corresponded to 94 percent of the average price weighted by the trading volume of the Componenta share on the Nasdaq Helsinki Oy stock exchange list between August 18 and August 24, 2022. The new shares were registered in the trade register maintained by the Finnish Patent and Registration Office on September 8, 2022. As a result of the registration of the new shares, the total number of shares issued by Componenta is 9,712,757. Trading in the new shares started on the Nasdaq Helsinki Oy stock exchange list on September 12, 2022.

The cash flow from operating activities in the review period was EUR 2.7 million (EUR 0.5 million). The change in cash flow is mainly due to seasonal fluctuations in working capital typical of business operations. The cash flow of the comparison period was somewhat burdened by the

timing of material purchases, especially in Karkkila's foundry business due to, among other things, extended production lead times in some manufacturing operations, but the growth of working capital is also affected by slightly higher than usual inventory levels, which have been prepared for the reduced availability of raw materials and rising material price trends. In addition, cash flow in 2022 has been negatively affected by payments of EUR 1.1 million (EUR 1.3 million) made in accordance with the payment schedule for the relief granted by the Tax Administration in 2020–2021 due to the COVID-19 pandemic.

Key Figures	Jan 1–Sep 30, 2022	Jan 1–Sep 30, 2021	Change, %	Jan 1–Dec 31, 2021
Net sales, EUR thousand	79,025	61,994	27.5	87,254
EBITDA, EUR thousand	4,297	3,557	20.8	4,959
Operating result, EUR thousand	142	-784	118.1	13
Operating result, %	0.2	-1.3	114.2	0.0
Result after financial items, EUR thousand	-1,148	-1,249	8.1	-405
Net result, EUR thousand	-1,035	-1,191	13.1	-405
Basic earnings per share, EUR	-0.11	-0.13	15.4	-0.04
Diluted earnings per share, EUR	-0.11	-0.13	15.4	-0.04
Cash flow from operating activities, EUR thousand	2,683	479	460.1	2,837
Interest-bearing net debt, EUR thousand*	6,009	5,171	16.2	6,714
Net gearing, %	26.1	22.6	15.5	28.6
Return on equity, %	-6.0	-6.8	11.8	-1.7
Return on investment, %	0.5	-0.4	225.0	3.2
Equity ratio, %	40.0	39.6	1.0	42.3
Capital expenditure incl. lease liabilities, EUR thousand	1,923	1,056	82.1	1,249
Group's restructuring debt, EUR thousand**	0	3,608	-100.0	0
Number of personnel at the end of the period, incl. leased workers	658	594	10.8	612
Average number of personnel during the period, incl. leased workers	641	587	9.2	592
Order book at the end of the period, EUR thousand	18,741	16,049	16.8	13,954

*) Only interest-bearing part of restructuring debt included in comparison periods

***) All Componenta Group's restructuring programmes have ended prematurely in 2021

Risks and business-related uncertainties

The most significant risks related to Componenta's business operations are risks associated with the operating environment (competitive situation, prices, commodities and the environment), risks related to business operations (customers, suppliers, productivity, production, processes, labour market disruptions, contracts, product liability, personnel and information security) and financing risks (availability, liquidity, currency, interest rate and credit).

The availability of certain raw materials such as recycled steel, pig iron, structural steel, aluminium and energy at competitive prices is essential for the Group's business operations. The market prices for electricity remained at an exceptionally high level during the review period. Due to the COVID-19 pandemic, the recovery of the economy and the situation in Ukraine and Russia, uncertainties related to the availability of raw materials and other materials have increased in Componenta's operational activities. In addition, global challenges with the availability of certain components for customers may lead to production disruptions in our end customers' plants and thereby affect Componenta's sales volumes in the short term. To ensure the availability of raw materials and other materials, Componenta maintains active interaction with its suppliers, continuously updates its needs forecast and optimises its inventory levels to meet longer-term demand, closely monitors the situation of its suppliers and market changes and responds to these changes as necessary.

According to Componenta's estimate, the Group has no significant and immediate risk concentrations related to Russia and Ukraine among its customers or suppliers of goods. Componenta has no operations of its own in Russia or Ukraine. The war in Ukraine has had an impact on the general price development and availability of raw materials such as structural steel and pig iron. The war in Ukraine has had an indirect impact on the supply chains of Componenta's manufacturers of steel materials and wholesalers through the price development and availability of iron ore and coal, for example.

A prolonged war in Ukraine can continue to have a negative impact on the financial market, sales volumes, the availability and price development of raw materials and energy and the availability of foreign labour, which increases uncertainty in terms of forecasts.

The cost risk associated with raw materials is mainly managed with price agreements to adjust product prices in accordance with changes in the general index of raw material prices. An increase in raw material prices may tie more cash than expected to working capital. In terms of commercial risks, future volumes may be weakened by customers switching to cheaper alternatives due to price competition.

Componenta is continuously monitoring the liquidity risk. Componenta's current revolving credit facilities will need to be renewed in November 2023. The Group also finances its operations through factoring arrangements for receivables. Any termination or non-renewal of factoring arrangements or revolving credit facilities can create uncertainties for Componenta's liquidity and going concern. However, these uncertainties can be mitigated, and it is the management's estimate that the future financing of operations does not involve significant uncertainties. This is discussed in more detail under "Accounting principles requiring management judgement".

The Group's liquidity was at a good level at the end of the review period. In addition, at the end of the review period, Componenta had EUR 2.0 million in unused binding revolving credit facilities and USD 7.5 million available regarding a share subscription facility of USD 8.0 million from GCF, an investor based in the United States. All Componenta Group's restructuring programmes were completed in 2021. A more detailed description of uncertainties related to company's ability to continue as a going concern and other business risks is presented in the table section of the Half-year financial report published 22 July 2022.

Resolutions of the Annual General Meeting

On April 8, 2022 Componenta Corporation announced the resolutions of the annual general meeting. The release can be read in its entirety on the company's website.

Guidance for 2022

On October 25, 2022 Componenta raised its net sales guidance for 2022. Componenta expects the net sales of continued operations in 2022 to be EUR 105–110 million. EBITDA is expected to improve from the previous year. In 2021, net sales from continued operations were EUR 87,3 million and EBITDA EUR 5.0 million.

Potential poor availability of raw materials, increases in the prices of raw materials and electrical energy, the general economic situation and competitive climate, and the development of customers' sales volumes may affect business outlooks. Due to the crisis in Ukraine and the COVID-19 pandemic, the development of sales and profitability involves uncertainties and poor predictability. An unfavourable development of the geopolitical situation related to Russia and Ukraine can have a negative impact on the financial market, sales volumes, the availability and price development of raw materials and energy and the availability of foreign labour, which increases uncertainty in terms of forecasts.

Alternative key financial ratios

Componenta publishes certain commonly used key financial ratios that can be derived from the IFRS financial statements. The calculation formulas for these key financial ratios are presented at Componenta's Half-year financial report published on July 22, 2022.

Webcast

President and CEO Sami Sivuranta will present the Business Review for investors, analysts and the media in a webcast on 4 November 2022 at 10 a.m. EET. The webcast will be in Finnish. Please follow the webcast via the company pages at www.componenta.com or via this link: <https://live.esf.fi/componenta-q32022>.

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COMPONENTA CORPORATION

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Componenta Corporation is an international technology company and Finland's leading contract manufacturer in the machine building industry. Sustainability and customer needs are at the core of the company's broad technology portfolio. Componenta Corporation manufactures components for its customers, which are global manufacturers of machinery and equipment. The company's stock is listed on Nasdaq Helsinki. www.componenta.com