

Componenta Corporation's Business Review 1 January–31 March, 2022: Net sales increased and operations as a whole developed favorably

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January–March 2022

- Net sales increased, amounting to EUR 25.5 million (EUR 20.4 million).
- EBITDA was EUR 1.5 million (EUR 1.5 million).
- Operating result was EUR 0.0 million (EUR 0.0 million).
- Cash flow from operating activities was EUR -0.1 million (EUR 0.9 million).

The information presented in this business review concerns the development of Componenta Group in January–March 2022 and in the corresponding period in 2021, unless otherwise stated. All financial figures in this review are regarding continued operations, unless otherwise stated. Continued operations during the reporting period included foundries in Pori and Karkkila, Finland, and metal product plants in Jyväskylä, Härmä, Kurikka, Leppävesi and Sastamala, Finland. The continued operations also include real estate companies of minor importance in Finland.

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.

Componenta's guidance for 2022 remains unchanged

Componenta expects its net sales from continued operations to be EUR 90–105 million in 2022. EBITDA is expected to improve from the previous year. Net sales from continued operations in 2021 were EUR 87.3 million and EBITDA was EUR 5.0 million.

Potential poor availability of raw materials, increases in the prices of raw materials and energy, the general economic situation and competitive climate, and the development of customers' sales volumes may affect business outlooks. Due to the COVID-19 pandemic, the development of sales and profitability involves uncertainties and poor predictability. According to Componenta's assessment the Group has no significant and immediate risk concentrations related to Russia and Ukraine in customers or suppliers. Componenta has no own operations in Russia or Ukraine. Unfavorable developments in the geopolitical situation in Russia and Ukraine could have an impact on financial markets, sales volumes, the availability and price development of raw materials and energy, and the availability of foreign labour, leading to uncertainty when making future estimates.

Sami Sivuranta, President and CEO:

“The first quarter of the year was mainly in line with our expectations in a challenging operating environment. Despite the positive development of operations and volumes, our profitability remained at last year's level, as our result was burdened by costs of EUR 0.3 million regarding to an acquisition that was not realized. In addition, profitability was somewhat burdened by the exceptional price development of materials. Also profitability was affected by the quality and productivity challenges of our Karkkila foundry. In our Karkkila unit, the recovery in demand and very good success in new sales have led to an exceptionally rapid growth in production volumes. This has generated special needs and challenges, both in terms of increasing resources in the workforce and in terms of rapidly increased technical process capacity. However, our activities to remedy the situation in Karkkila are progressing according to plan.

Our net sales continued to grow due to successful new sales efforts, increasing market shares and the general recovery of the market. Our customers' forecasts and expectations for the current year are generally positive and our order backlog is at a very strong level at the end of the review period. The COVID-19 pandemic did not have a material impact on our operations during the review period.

The long-running uncertainties surrounding the availability of raw materials and supplies and the rise in prices continued in the first quarter of 2022. In our own operations, we managed to control our supply chain and secure our own production and deliveries to our customers.

However, the prolonged crisis in Eastern Europe has further increased the uncertainties regarding the availability of materials and, in the short term, raised material prices to record levels. We reacted to this by raising our selling prices temporarily after the review period to compensate the cost increases in non-indexed materials.

Market prices for electricity have started to fall slightly during the first quarter of the year but in general have remained at an exceptionally high level. In terms of our main raw materials and electricity, cost development is mainly tied to our customer agreements with indices that will be revised in sales prices with a delay.

Componenta has no operations of its own in Russia or Ukraine. The direct impact through the business of our customers and suppliers is so far minor. 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 circumstances.

Our liquidity remained good throughout the review period and has remained at a good level since the end of the review period.

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 in our service capability,

close customer relationships, sustainability and highly competent personnel, as well as in expanding our offering. We are investing in close partnerships with our customers, aiming to be our customers' preferred supplier with an extensive offering and excellent service."

Financial development during the review period

Sales volumes increased in the first quarter of 2022. Componenta Group's net sales increased by 25.2% during the review period and were EUR 25.5 (20.4) million. EBITDA was EUR 1.5 (1.5) million and operating profit EUR 0.0 (0.0) million. Profitability during the review period was somewhat burdened by the quality and productivity challenges in our Karkkila foundry as well as non-recurring advisory costs of EUR 0.3 million from a business acquisition that did not realize. In addition, profitability was somewhat affected by rising material purchase prices. The majority of purchase price increases are passed on to sales prices with a delay in accordance with the index terms included in customer agreements. The profitability of the comparison period was 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 result after financial items was EUR -0.3 million (EUR 0.3 million). The result for the comparison period after financial items was improved by a non-recurring 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 4.3 million (EUR 10.5 million). The Group's liquidity remained at a good level. Liquidity at the end of the comparison period was improved by EUR 9.5 million raised through the rights issue at the end of 2020. These funds were used to repay restructuring debts prematurely in 2021. At the end of the review period, Componenta had unused binding revolving credit facilities of EUR 4.0 million (EUR 4.0 million). In addition, Componenta has a share subscription facility of USD 8 million. At the end of the review period, Componenta had EUR 1.8 million in payment relief for liabilities granted by the tax authorities due to the COVID-19 pandemic, which must be paid in accordance with separate payment schedules by 22 August 2023. The annual interest on the payment relief is 2.5%.

Cash flow from operating activities during the review period was EUR -0.1 million (EUR 0.9 million). At the end of the review period, working capital (incl. inventories and accounts receivables less trade payable) was EUR 8.5 million (EUR 5.8 million). The change in cash flow is mainly due to the seasonal fluctuations in working capital typical for the business, but the increase in working capital is also affected by slightly higher-than-usual inventory levels, which have been prepared for the challenges of the availability of raw materials. In addition, due to the COVID-19 pandemic, cash flow in the first quarter of 2022 was weakened by payments of EUR 0.2 million in accordance with the payment schedules of the payment reliefs granted by the Tax Administration in 2020–2021.

Componenta's equity ratio at the end of the review period was 42.1% (40.4%). The increase in the equity ratio was mainly due to the early repayments of the restructuring debts of Componenta Corporation and Componenta Castings Oy in 2021. At the end of the review period, interest-bearing net debt was EUR 7.3 million (EUR 3.2 million) and net gearing was 31.3% (13.1%). The lower level of interest-bearing net debt and net gearing in the comparison period were due to the EUR 9.5 million of funds raised through the rights issue, which were used to pay restructuring debts prematurely in 2021.

Long-term interest-bearing debt totalled EUR 8.7 million (EUR 10.6 million) and short-term interest-bearing debt totalled EUR 2.8 million (EUR 3.1 million) at the end of the review period. In total interest-bearing debt included EUR 2.4 million (EUR 3.7 million) loans from external financial institutions. Other interest-bearing debt of the Group consisted mainly of lease and hire purchase liabilities.

Key figures	1 Jan–31 Mar, 2022	1 Jan–31 Mar, 2021	Change, %	1 Jan–31 Dec, 2021
Net sales, continued operations, EUR thousand	25,512	20,384	25.2	87,254
EBITDA, continued operations, EUR thousand	1,453	1,510	-3.8	4,959
Operating result, continued operations, EUR thousand	50	41	21.7	13
Operating result, continued operations, %	0.2	0.2	-2.7	0.0
Result after financial items, continued operations, EUR thousand	-336	275	-222.0	-405
Net result, continued operations, EUR thousand	-300	292	-202.6	-405
Net result, including discontinued operations, EUR thousand	-300	292	-202.6	-405
Basic earnings per share, EUR	-0.03	0.03	-197.4	-0.04
Diluted earnings per share, EUR	-0.03	0.03	-198.6	-0.04
Cash flow from operating activities, continued operations, EUR thousand	-85	883	-109.6	2,837
Interest-bearing net debt, EUR thousand*	7,252	3,166	129.0	6,714
Net gearing, %	31.3	13.1	139.5	28.6
Return on equity, %	-5.2	4.9	-205.9	-1.7
Return on investment, %	0.6	7.5	-92.0	3.2
Equity ratio, %	42.1	40.4	4.2	42.3
Capital expenditure incl. leases, continued operations, EUR thousand	163	381	-57.2	1,249
Group's restructuring debt, EUR thousand**	0	4,116	-100.0	0
Number of personnel at the end of the period, incl. leased workers, continued operations	636	586	8.5	612
Average number of personnel during the period, incl. leased workers, continued operations	624	581	7.5	592
Order book at the end of the review period, continued operations, EUR thousand	16,193	11,862	36.5	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 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. Market prices for electricity have started to fall slightly during the first half of the year but in general have remained at an exceptionally high level. Due to the COVID-19 pandemic, the current rapid recovery of the economy and 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, especially semiconductors and other electronic components, 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 requirements and optimizes 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 assessment the Group has no significant and immediate risk concentrations related to Russia and Ukraine in customers or suppliers. Componenta has no own operations in Russia or Ukraine. The war in Ukraine has had an impact on the overall price development and availability of raw materials such as structural steel and pig iron. Indirectly the Ukrainian war has had an impact on the supply chains of Componenta's steel materials manufacturers and wholesalers through the development and availability of iron ore and coal. The continuation of the war in Ukraine may continue to have negative effects on financial markets, sales volumes, the availability and price development of raw materials and energy, and the availability of foreign labour, leading to uncertainty when making future estimates.

Componenta actively monitors liquidity risk. Componenta's current revolving credit facilities will need to be renewed in November 2022. The Group also finances its operations through factoring arrangements for accounts receivable. Any termination or non-renewal of factoring arrangements or revolving credit facilities creates 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" in Componenta's Annual Review published on 16 March 2022.

The Group's liquidity was at a good level at the end of the review period. In addition, Componenta Corporation has available a share subscription facility of USD 8 million from GCF, an investor based in the United States. Componenta Group's all restructuring programmes have ended in 2021.

Resolutions of the Annual General Meeting

Componenta Corporation's Annual General Meeting was held on 8 April 2022 in Vantaa.

The AGM adopted the company's financial statements and consolidated financial statements and discharged the members of the Board of Directors and the President and CEO from liability for the financial period of 1 Jan–31 Dec, 2021. In accordance with the proposal by the Board of Directors, the AGM decided that no dividends will be distributed on the basis of the balance sheet established for the financial year that ended on 31 December 2021.

The Annual General Meeting decided on the number of Board members to be four (4). The Annual General Meeting re-elected the current members of the Board of Directors, Tomas Hedenborg, Anne Leskelä, Harri Suutari and Petteri Walldén. It was decided to keep the Board of Director's fees unchanged. At its inaugural meeting held after the Annual General Meeting, the Board of Directors elected Harri Suutari as Chairman of the Board and Anne Leskelä as Vice Chairman of the Board. PricewaterhouseCoopers Oy was elected as the Auditor, with Ylva Eriksson, Authorized Public Accountant, as the responsible auditor.

The AGM authorised the Board of Directors to decide on share issue in accordance with the proposal by the Board of Directors.

The issuance of shares may be carried out by offering new shares or transferring treasury shares held by the company. The number of shares to be issued or transferred under the authorisation may not exceed 942,263 shares, which corresponds to approximately 9.9% of all the shares in the company. The authorisation is valid until the end of the next Annual General Meeting, but until 30 June 2023 at the latest. The authorisation shall not revoke earlier valid and non-utilised authorisations to decide on share issues.

The release of the decisions of the Annual General Meeting is available in its entirety on the company's website.

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 in Componenta's Annual review published in 16 March 2022.

Webcast

President and CEO Sami Sivuranta will present the Business Review for investors, analysts and the media in a webcast on 6 May 2022 at 10 a.m. EEST. 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-q1-2022>.

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COMPONENTA CORPORATION

Sami Sivuranta
President and CEO

For further information, please contact:

Sami Sivuranta, President and CEO, tel. +358 10 403 2200

Marko Karppinen, CFO, tel. +358 10 403 2101

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