

## Componenta Corporation Business Review January – September 2020

### Net sales increased and EBITDA remained on previous year's level during the reporting period, EBITDA improved clearly on Q3

The information presented in this business review concerns the development of Componenta Group in January - September 2020 and in the corresponding period in 2019, unless otherwise stated. All financial figures in this review are for 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.

This is not an interim report as specified in the IAS 34 standard. The company complies with half-year reporting in accordance with 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 2020

- Net sales increased to EUR 52.5 million (EUR 32.3 million).
- EBITDA remained on previous year's level at EUR 1.9 million (EUR 1.9 million).
- Operating result was EUR -2.5 million (EUR 0.1 million).

#### July - September 2020

- Net sales increased to EUR 15.8 million (EUR 10.0 million).
- EBITDA increased to EUR 0.6 million (EUR -0.7 million).
- Operating result was EUR -0.9 million (EUR -1.6 million).

#### President and CEO Sami Sivuranta:

“During the third quarter of the year, market uncertainty continued which was shown as decrease in sales volumes compared to the previous year. However, the company's net sales increased from the comparison period due to consolidation of Componenta Manufacturing Oy to the Group as of 30 August 2019. Our profitability improved because of active adaptation of operations and other planned measures.

The COVID-19 pandemic had a somewhat negative impact on the company's net sales and profitability also during the third quarter, and it is also expected to have a somewhat negative impact on the Group's net sales and profitability during the last quarter of the year.

We have continued the measures to protect the safety and health of our employees, maintain our high delivery capacity and customer service despite these exceptional circumstances, and minimize the impact of the pandemic on Componenta's finances. We have ensured the availability of raw materials for our own production by also using alternative channels. That has kept our delivery capabilities good despite of the restrictions and problems in international procurement channels caused by the pandemic.

To manage costs and alleviate the negative impacts of the pandemic, we have also limited the planned investments, minimized business travel and the use of external advisory services, and adjusted through cooperation negotiations in all our business units and Group administration. All our employees have shown strong commitment to our different adaptation measures and to maintaining and improving our financial performance. In addition to short-term measures, we have continued the planning and implementation of long-term measures compliant with our strategy.

During the reporting period, we have strengthened our sales by recruitment and changes to job descriptions, and by further clarifying the responsibilities and sales ownership of our profit centres.

With these measures, we have gained new business during the reporting period, which in turn will support us in achieving the Group's long-term growth and profitability targets. The new sales volumes will start to show in the Group's net sales and profitability in the near future as the deliveries start. Our achievements in gaining new sales will, for their part, help compensate for the negative impact of the COVID-19 pandemic.

Our liquidity remained on a good level during the reporting period and has slightly improved even after the end of the period. At the end of September 2020, the Group had EUR 4.0 million in undrawn binding credit facilities.

We will continue to focus on strengthening Componenta's position in the market and on improving our profitability, as part of the implementation of our growth strategy.

After the reporting period, we announced changes in the company's major shareholders. On 5 October 2020, an investor group led by Joensuun Kauppa ja Kone Oy and Etra Capital Oy acquired approximately 15% of the company's shares and votes from CapMan managed funds and Leverator Oy.

In conjunction with the change in ownership, we also announced our plan for a rights issue to be implemented by the end of 2020. By arranging a successful rights issue we intend to start negotiations with creditors for paying off in advance the restructuring debt of the parent company. With these actions, we aim to improve our long-term credibility, supporting in particular the decision-making of our customers when we look for new sales and allocation of customer volumes to Componenta."

## **Financial performance during the reporting period**

Sales volumes decreased somewhat during the reporting period. However, Componenta Group's net sales increased to EUR 52.5 million (EUR 32.3 million). The increase in net sales resulted from the consolidation of Componenta Manufacturing Oy to the Group as of 30 August 2019. EBITDA was EUR 1.9 million (EUR 1.9 million). Profitability during the reporting period was burdened mainly by reduced volumes due to the COVID-19 pandemic and changes in product mix. Operating result was EUR -2.5 million (EUR 0.1 million). Depreciation on machinery and equipment was EUR 1.3 million more than in the previous year. Net financial items were EUR -1.1 million (EUR -0.4 million). The increase in depreciation on machinery and equipment and in net financial items resulted mainly from the acquisition of Componenta Manufacturing Oy.

At the end of the reporting period, the Group's cash and cash equivalents were EUR 7.7 million (EUR 6.0 million). After the end of the reporting period, the Group's liquidity has slightly improved. Long-term interest-bearing liabilities and long-term non-interest bearing restructuring debts were EUR 20.9 million in total, and short-term interest-bearing liabilities and short-term non-interest bearing restructuring debts were EUR 4.3 million in total as of 30 September 2020. On 22 April 2020, Componenta signed a new revolving credit facility agreement of EUR 2.0 million, and the Group had EUR 4.0 million in undrawn committed credit facilities at the end of the reporting period. The payment transfers permitted by pension companies and tax authority related to the COVID-19 pandemic have also had an impact on the Group's liquidity. These payment transfers for EUR 4.5 million obligations, as per 30 September 2020, will be due for payment by 7 June 2022, according to separate repayment schedules. Annual interest of 2.5% is paid for these payment transfers.

The net cash flow from operating activities of continued operations for the reporting period was EUR 6.9 million (EUR 4.7 million). The improved net cash flow from operating activities of continued operations is mainly caused by payment transfers permitted by pension companies and tax authority related to the COVID-19 pandemic but also by the favourable development of working capital achieved by Componenta's own actions. At the end of the reporting period, working capital of continued operations (incl. inventory and receivables deducted by accounts payable) was EUR 4.7 million and at the end of year 2019 EUR 6.7 million. The change in working capital of continued operations has been caused by less capital employed in

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inventory and slightly shortened days sales outstanding (DSO), as well as by prolonged days payables outstanding (DPO) thanks to improved payment terms.

In key figures, the changes in return on equity, return on investment, equity ratio and the average number of personnel compared with the corresponding period in 2019 are mainly due to Componenta Manufacturing Oy being consolidated to the Group as of 30 August 2019.

## Key figures

<b>Continued operations, MEUR</b>	<b>Jan-Sep 2020</b>	<b>Jan-Sep 2019</b>	<b>Change%</b>	<b>Jan-Dec 2019</b>
Net sales	52.5	32.3	62.4	50.7
EBITDA	1.9	1.9	0.3	1.6
Operating result	-2.5	0.1	-2 684.3	-1.7
Operating result, %	-4.7	0.3	-1 691.5	-3.3
Result after financial items	-3.6	-0.3	-1 094.2	-2.1
Net result for the period	-3.5	-0.3	-1 020.9	-2.1
Basic earnings per share, EUR	-0.01	-0.00	-737.0	-0.01
Diluted earnings per share, EUR	-0.01	-0.00	-865.0	-0.01
Net interest-bearing debt*	6.6	5.5	20.0	8.7
Return on equity, %	-32.9	-2.2	-1 397.4	-11.7
Return on investment, %	-12.0	0.5	-2 493.8	-6.7
Equity ratio, %	22.4	31.7	-29.5	29.4
Gross investments incl. lease liabilities, MEUR	4.2	1.0	310.9	2.8
Cash flow from operating activities	6.9	4.7	48.5	4.1
Group's restructuring debt	11.7	13.1	-10.8	12.3
Average number of personnel during the period, incl. leased workers	593	466	27.3	508
Number of personnel at the end of the period, incl. leased workers	582	686	-15.2	617
Order book at the end of the reporting period	8.9	10.8	-17.9	9.0

\*) Only interest-bearing restructuring debt included. On 30 September 2020, the company's long-term interest-bearing liabilities and long-term non-interest bearing restructuring debts were EUR 20.9 million in total, and short-term interest-bearing liabilities and short-term non-interest bearing restructuring debts were EUR 4.3 million in total.

## Restructuring programmes

The implementation of restructuring programmes has proceeded as planned. Componenta Corporation and Componenta Castings Oy's repayment programmes commenced in 2019 and will end in 2023.

As protection against the effects of the COVID-19 pandemic and to secure liquidity in circumstances where the predictability of business was extremely poor, Componenta Castings Oy signed a payment plan with its significant creditors for postponing payments that were due on 3 May 2020 and 3 November 2020 according to the repayment schedule. The payments were postponed so that they will be paid to the creditors evenly in conjunction with the remaining (six) instalments during 2021–2023. However, Componenta Castings Oy may pay the unpaid instalments earlier. Componenta Castings Oy will, nevertheless, pay the instalments defined in the repayment schedule to its parent company Componenta Corporation, so that Componenta Corporation can pay its restructuring debt instalments in accordance with the repayment schedule. Componenta Castings Oy's agreement improves the net cash flow from financing activities by EUR 0.3 million during 2020.

In accordance with the restructuring programme, Componenta Corporation paid EUR 0.3 million external restructuring debt on 11 May 2020. Componenta Castings Oy paid EUR 0.3 million of external restructuring debt and EUR 0.4 million of internal restructuring debt on 4 May 2020.

After these payments, the Group's external restructuring debts are EUR 11.7 million (EUR 13.1 million).

## Repayment schedule of external restructuring debts as of 30 September 2020

MEUR	2020	2021	2022	2023	Total
Componenta Corporation	0.3	0.7	0.7	5.4	7.2
Componenta Castings Oy	0.3	1.1	1.0	2.0	4.4
Total	0.6	1.8	1.8	7.4*	11.7

\*) The larger final instalment in Componenta Corporation and Componenta Finland Oy's repayment programme is due to the fact that income from the sale of properties not included in core business operations has been taken into account. This income will be used to pay debt at the end of the programme. The final instalment also includes an additional obligation of EUR 3.2 million arising from the expiry of a loan guarantee of EUR 80 million.

## Repayment schedule of the Group's internal restructuring debts as of 30 September 2020

MEUR	2020	2021	2022	2023	Total
Componenta Corporation	0.0	0.0	0.0	0.0	0.0
Componenta Castings Oy	0.4	0.7	0.7	1.5	3.3
Total	0.4	0.7	0.7	1.5	3.3

After the end of the reporting period, Componenta Castings Oy has paid EUR 0.3 million of external restructuring debt and EUR 0.4 million of internal restructuring debt on 3 November 2020. After these payments, the Group's external restructuring debts are EUR 11.4 million.

## Risks and factors causing uncertainty to business

The most significant risks to Componenta's business in normal circumstances are risks related to the business environment (competition and price risk, commodities risks and environmental risks), risks relating to business operations (customer, supplier, productivity, production and process risks, disruptions 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).

With regard to the COVID-19 pandemic, Componenta is closely monitoring the development of markets and the situation of its customers and will adapt its operations accordingly. The pandemic is estimated to have a somewhat negative impact on net sales and profitability during the last quarter of the year.

Componenta Group has already adjusted its operations by, for example, transferring payments related to taxes and pensions as permitted by the tax authority and pension companies, by temporarily laying off employees and by agreeing upon postponed payments of restructuring debts with significant creditors of Componenta Castings Oy. In June and August 2020, Componenta was also granted a total of approximately EUR 0.2 million as funding for business development in disruptive circumstances, as well as EUR 0.2 million in business cost support from the State Treasury in September 2020. In addition, Componenta signed a new revolving credit facility agreement of EUR 2.0 million on 22 April 2020. Componenta's existing credit facilities require renewal next time at the end of November 2021. The Group finances its operations also by non-binding factoring arrangements of its accounts receivables. Termination of the factoring arrangements or not

renewing the credit facilities could cause significant uncertainty to Componenta's liquidity. However, the Group's liquidity has improved since the end of 2019 which makes it easier to control the situation.

Should the weak economic situation caused by the pandemic continue, it can have a significant effect on Componenta's customers and, in turn, on Componenta in the form of increased credit loss risk. The negative effects of the COVID-19 pandemic, if prolonged, may also cause risk of impairment of company's goodwill, inventories, accounts receivables or fixed assets. Componenta's management has made estimates and assumptions in determining the valuation of accounts receivables<sup>1</sup> as well as the valuation of inventories and fixed assets. The performed assessment did not lead to significant changes in the valuation. Additionally, when preparing this quarterly business review, the management has assessed if there are any indications of impairment in goodwill and assumed that there is no need for impairment of goodwill. These estimates and assumptions involve risks and uncertainty, and therefore it is possible that as conditions change, especially if the COVID-19 situation continues, these forecasts will change which may affect the assets recoverable amount.

Regarding the ability of Componenta to continue as a going concern, the most significant risks and uncertainties are related to Componenta Corporation and Componenta Castings Oy's ability to make payments based on the restructuring programmes. Uncertainties and other business risks related to the company's ability to continue as a going concern have been described in detail in the financial statements published on 17 March 2020 and in the half-year financial report published on 24 July 2020.

## **Changes in Componenta's management during the reporting period**

The Corporate Executive Team of Componenta was reduced from seven to five members, effective 1 March 2020. The change aims at cost efficient administration and clearer responsibilities in the management of Componenta Corporation. In connection with this change, Pasi Mäkinen, previously Director, Material Services, was appointed Componenta's Chief Operating Officer as of 1 March 2020.

On 11 March 2020, Componenta announced that the Board of Directors had appointed M.Sc. (Eng.) Sami Sivuranta, 45, as the new President and CEO of Componenta. Since September 2019, Sivuranta has held the position of Director Business Development at Componenta, and during years 2004 - 2016 he has worked in various managerial positions at Componenta. Sivuranta has also served as Director Business Development at Parma Ltd. during 2016 - 2017 and as Executive Vice President Operations at HKScan Corporation during 2017 - 2019. The appointment took place immediately.

The composition of the Corporate Executive Team as of 31 March 2020 was: President and CEO Sami Sivuranta, General Counsel Mervi Immonen, CFO Marko Karppinen, and COO Pasi Mäkinen.

## **Resolutions of Componenta's Annual General Meeting**

Componenta published the resolutions of its Annual General Meeting on 16 April 2020. This stock exchange release with the resolutions in detail can be found on the company's website.

## **Conversion of stock options 2018A to stock options 2018B and market value of stock options 2018B**

On 10 February 2020, Componenta published a stock exchange release on stock options. This release can be found on the company's website.

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<sup>1</sup> The amount of overdue accounts receivables is on normal level when considering Group's short payment terms. The total amount of accounts receivables is decreased by factoring financing which covers part of the accounts receivables.

## Key events after the reporting period

On 5 October 2020, Componenta announced changes in company's largest owners and its plans to arrange a rights issue and reverse share split. CapMan managed funds and Leverator Oy sold all their shares of Componenta Corporation, 36,685,788 shares in total, to an investor group led by Joensuun Kauppa ja Kone Oy and Etra Capital Oy at the price of EUR 0.04 per share. The shares sold represented approximately 15 % of the company shares and votes.

Componenta Board of Directors issued a notice to Extraordinary General Meeting on 5 October 2020. The Extraordinary General Meeting, held on 29 October 2020, resolved to authorize the Board of Directors to decide on the rights issue and reverse share split. The stock exchange release published on 29 October 2020 with the resolutions of the Extraordinary General Meeting can be found on the company's website.

Based on the authorization of the Extraordinary General Meeting, the Board of Directors will resolve on the planned rights issue in which company shareholders will receive for one (1) share a one subscription right with which they can subscribe for one (1) new share. The subscription price is planned to be EUR 0.04 per share. With the rights issue, the company intends to receive approximately MEUR 9.5 gross proceeds.

The proceeds of the rights issue are meant to be used to strengthen the company's financial position. In addition, the company intends to start negotiations with creditors for paying off in advance the restructuring debt of the parent company early in 2021. The amount of the restructuring debt in question was MEUR 11.7 as of 30 September 2020. Regardless of the planned creditor negotiations, Componenta Corporation will pay its restructuring debt instalment according to the repayment schedule in November 2020.

The Board of Directors plans to carry out the rights issue by the end of year 2020. Joensuun Kauppa ja Kone Oy, Etra Capital Oy, Varma Mutual Pension Insurance Company, Chairman of the Board of Directors of Componenta Corporation Harri Suutari, Gösta Serlachius Art Foundation, Juhani Lemmetti, Suotuuli Oy, and Siementila Suokas Oy have committed to participate in the rights issue at least in proportion to their shareholding in the company which is approximately 29 % of all shares and votes of the company. UB Securities Oy will act as the Lead Manager of the planned rights issue.

Furthermore, based on the proposal of the Board of Directors, the Extraordinary General Meeting resolved on reverse share split. The reverse share split will be carried out after the execution of the above-mentioned rights issue, to the effect that each fifty (50) shares of the company are merged into one (1) share.

The planned reverse split would be implemented so that the company would redeem without compensation from each shareholder the number of shares held multiplied by 49/50, i.e. for each fifty (50) existing shares Componenta would redeem 49 shares. In order to avoid share fractions when implementing the planned reverse share split, Componenta would direct share issue without compensation to shareholders so that prior to the redemption each shareholder would have a number of shares divisible by fifty (50).

The reverse share split is expected to enhance trading conditions for the shares and contribute to the shares' efficient price formation on the stock market. Componenta Corporation's Board of Directors considers that the reverse share split is therefore in the interest of the company and all its shareholders. The Board of Directors also considers that there is a particularly weighty financial reason for the company to implement the reverse share split and the share issue and redemption related to it. The reverse share split does not affect Componenta Corporation's equity. The Board of Directors would pass a resolution on the exact day of implementation of the reverse split after the rights issue has been carried out.

## Guidance for 2020

Componenta expects the net sales of continued operations to be EUR 65 - 80 million in 2020. EBITDA is expected to remain positive. Net sales of continued operations in 2019 was EUR 50.7 million and EBITDA was EUR 1.6 million.

Any increases in raw material prices, the general competitive situation and the development of customers' sales volumes may have an impact on the future outlook. Due to the COVID-19 pandemic, the development of sales and profitability involve significant uncertainties and poor visibility.

## **Alternative performance measures**

Componenta will continue to publish certain publicly available performance measures that can be derived from the IFRS financial statements. The calculation of these key financial figures is presented in Componenta's annual review published on 17 March 2020.

Helsinki, 6 November 2020

COMPONENTA CORPORATION

Sami Sivuranta  
President and CEO

Componenta is an international technology company with operations located in Finland. With its wide technology portfolio, Componenta produces e.g. cast, machined and unmachined components for its clients who are local and global manufacturers of vehicles, machines and equipment.  
The company's share is listed on Nasdaq Helsinki.