

## Componenta Corporation Business Review January-March 2019

### Decline in delivery volumes in Sweden weakened the operating result.

This is not an interim report as specified in the IAS 34 standard. The company complies with half-yearly reporting according to 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 – March 2019

- Net sales decreased by 6.8% to EUR 31.0 million (EUR 33.3 million).
- EBITDA decreased by 17.3% to EUR 1.2 million (EUR 1.4 million).
- Operating result was EUR 0.7 million (EUR 0.9 million).

### Harri Suutari, CEO:

In the first quarter, business at Finnish foundries proceeded better than before in terms of its scope and profitability. On the other hand, the volumes and profitability of machining, painting and castings sold as agency products and profitability in Sweden declined. Componenta is implementing a strategy in Sweden whereby it aims to improve profitability and reduce capital employed in business operations. This will be carried out by reducing some of the weakest customer relationships. Manufacturing costs are decreasing more slowly than net sales. For this reason, profitability in Sweden is currently poor, and will continue to be so for the rest of the year.

The Group's liquidity continued to develop very positively. The reduction in working capital in Sweden will continue to support this trend for the rest of the year.

### Financial development in the reporting period

The fall in sales volumes weakened the net sales of Componenta Group by 6.8% during the first quarter. EBITDA was EUR 1.2 million (EUR 1.4 million). Correspondingly, the operating result was EUR 0.7 million (EUR 0.9 million). Profitability was affected by a decline in delivery volumes in Sweden. Cash flow from operations improved to EUR 2.7 million (EUR 1.4 million). At the end of the reporting period, the Group's cash and cash equivalents totalled EUR 7.7 million (EUR 5.8 million). Working capital, which includes inventories and current non-interest-bearing receivables reduced with current non-interest-bearing liabilities, decreased by EUR 1.6 million in comparison to the last financial statements, being EUR 8.3 million (31 December 2018: EUR 9.9 million). The change is a result of a reduction in receivables and an increase in non-interest-bearing liabilities. The increase in liabilities stems from the extension of payment periods.

# COMPONENTA

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## Key figures

MEUR	IFRS 1-3/2019	IFRS 1-3/2018	Change	IFRS 1-12/2018
Net sales	31.0	33.3	-6.8%	120.7
EBITDA	1.2	1.4	-17.3%	3.7
Operating result	0.7	0.9	-22.1%	1.2
Operating result, %	2.4	2.8	-16.5%	1.0
Result after financial items	0.7	0.9	-20.6%	1.2
Net result	0.7	0.7	-1.7%	1.0
Basic earnings per share, e	0.00	0.00	0.0%	0.01
Diluted earnings per share, e	0.00	0.00	0.0%	0.01
Interest-bearing net debt*	-5.5	-4.0	39.5%	-3.4
Return on equity, %	13.6	14.8	-7.5%	5.6
Return on investment, %	13.7	18.4	-26.0%	6.0
Equity ratio, %	37.5	34.2	9.6%	39.3
Gross investment incl. finance	0.2	0.4	-43.2%	1.8
Cash flow from operations	2.7	1.4	100.2%	3.5
Group's restructuring debt	16.0	16.1	-0.6%	16.0
Average number of personnel incl. leased personnel	669	697	-4.0%	703
Number of personnel at end of period	671	694	-3.3%	668
Order book	20.5	23.6	-13.2%	21.7

\*) Only interest-bearing restructuring debts included.

## Restructuring programmes

The implementation of restructuring programmes has proceeded as planned. The payment programmes of Componenta Corporation and Componenta Finland Ltd will commence in 2019 and end in 2023. In accordance with the restructuring programme, on 10 May 2019 Componenta Corporation paid EUR 0.3 million of external restructuring debts and EUR 0.03 million of internal restructuring debts. Similarly, on 3 May 2019 Componenta Finland Ltd paid EUR 0.5 million of external restructuring debts and EUR 0.4 million of internal restructuring debts. The following restructuring debt payment instalments will fall due in November 2019, and they will be of the same size as the instalments paid in May. The payment programme in the Group will end in 2024. On 31 March 2019, the Group's restructuring debts were EUR 16.0 million (31 December 2018: EUR 16.0 million).

## Repayment schedule for external restructuring debts to be paid

MEUR	2019	2020	2021	2022	2023	2024	Total
Componenta Corporation	0.6	0.7	0.7	0.7	5.2	-	7.8
Componenta Finland Ltd	0.9	1.0	0.9	0.9	1.9	-	5.7*
Componenta Främmestad AB	0.4	0.4	0.4	0.4	0.4	0.4	2.5**
Total	1.9	2.1	2.0	2.0	7.5***	0.4	16.0

\*) Componenta Finland Ltd's restructuring debts round to EUR 5.7 million.

\*\*) The remaining Componenta Främmestad AB's debt to Componenta's former Turkish company will be paid back within a period of six years. The repayment is tied to the EBITDA of Componenta Främmestad AB.

\*\*\*) The reason for the larger last instalment of Componenta Corporation and Componenta Finland Ltd is that the income from the sales of properties, which are not part of the core business, have been taken into account in the payment programme. The generated income will be used to repay debts during the end of the payment programme. The last instalment also includes a supplementary payment obligation of EUR 3.2 million incurred by the discharge of EUR 80 million loan guarantee.

## Repayment schedule for internal restructuring debts to be paid

MEUR	2019	2020	2021	2022	2023	Total
Componenta Corporation	0.1	0.1	0.1	0.1	0.2	0.4
Componenta Finland Ltd	0.7	0.7	0.7	0.7	1.5	4.4
Total	0.8	0.8	0.8	0.8	1.6	4.8

Componenta Främmestad AB has paid all its internal restructuring debts.

## Risks and factors causing uncertainty to business

The most significant risks to Componenta's business are risks relating to the business environment (competition risk, situational and price risk, commodities risks and risks relating to the environment), risks relating to business operations (customer, supplier, productivity, production and process risks, upsets 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). Foreign currency loans, deposits and other natural hedging relationships are used to protect against exchange rate fluctuations. Due to the restructuring proceedings, at the moment the Company cannot obtain the credit facilities it would need to conclude hedging derivatives agreements.

Regarding the ability of Componenta to continue as a going concern, the most significant risks and uncertainties concern the ability of Componenta Corporation and Componenta Finland Ltd 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 the financial statements published on 12 April 2019.

## Events after the end of the period

On 16 May 2019, Componenta announced that it had signed an agreement on purchasing the shares and capital loans of Komasa Oy ("Komasa"), a machining operation company, from funds managed by CapMan, Fortaco Oy and certain private persons. Komasa is a manufacturer of machined components, forged blanks, hydraulic pipes and plate cuttings. In 2018, Komasa had net sales of EUR 44.9 million according to Finnish Accounting Standards (FAS) and EBITDA of EUR 2.0 million (FAS). At the end of 2018, the company employed 313 people in Jyväskylä, Härmä, Kurikka, Leppävesi and Sastamala. Key customers of Komasa include major international OEMs of machinery and equipment.

The entire purchase price is paid by issuing 60 million new Componenta Corporation shares, which represents approximately 25.3% of Componenta Corporation shares issued, or 24.3% if all rights and privileges attached to shares after the share issue are considered. Componenta is planning to issue shares for the sellers of Komasa as a form of paying the purchase price. For this purpose, the company will convene an Extraordinary General Meeting in order to authorise the Board of Directors to decide on the share issue. The closing of the transaction depends on the usual terms of business acquisitions, including any possible approvals from authorities and the decision on the share issue by the Extraordinary General Meeting. It is the intention of the parties to conclude the transaction on 1 July 2019 and to consolidate Komasa and Componenta on the date of closing the transaction. Further information about the transaction has been given in a stock exchange release on 16 May 2019.

## Guidance for 2019

Due to the announcement made today of the corporate acquisition, Componenta updates its result guidance for 2019. Componenta expects net sales to be EUR 90–110 million in 2019. EBITDA is expected to remain positive. Net sales in 2018 were EUR 120.7 million and EBITDA EUR 3.7 million.

Previous guidance was as follows: Componenta expects net sales to be EUR 70–90 million in 2019. Adjusted EBITDA without items affecting comparability is expected to remain positive.

The new result guidance is based on the assumption that the acquisition of Komax Oy will take place on 1 July 2019. In addition, possible fluctuations in exchange rates, higher raw material prices and the general competitive climate may affect the business outlook. Changes in new accounting principles are not expected to have a significant impact on the upcoming financial statements.

## **Alternative performance measures**

Componenta has decided to discontinue with the reporting of adjusted net sales, adjusted EBITDA and adjusted operating result presented as 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 financial statement published on 12 April 2019.

## **IFRS 16**

As of 1 January 2019, Componenta adopted the new IFRS 16 "Leases" standard, using the modified retrospective method and consequently the comparative financials have not been restated. As a result of the adoption of the standard, the Group recorded the non-cancellable leases on the balance sheet. The Group took advantage of the relief allowed by the standard, according to which lease agreements concerning current and low-value asset items are not recorded on the balance sheet. With regard to leases valid until further notice, the Group will record on the balance sheet only those leases with a notice period of over 12 months and that do not contain a significant cancellation clause. At the end of the reporting period, EUR 0.3 million was recorded as tangible assets on the consolidated balance sheet. Similarly, non-current and current non-interest-bearing liabilities on the consolidated balance sheet include EUR 0.3 million of leasing liabilities. EUR -0.1 million in write-downs concerning a right-of-use asset has been recorded in the result for the reporting period, as well as EUR 0.1 million of changes in liabilities. EBITDA improved by EUR 0.1 million, because leasing costs were transferred to write-downs and financial items. The impact on operating result and cash flow from operations was insignificant. The standard did not have a material impact on the result.

Helsinki, 16 May 2019

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.