

Componenta Corporation Business Review January–March 2021

Net sales increased and EBITDA improved in the reporting period

The information presented in this business review concerns the development of Componenta Group in January–March 2021 and in the corresponding period in 2020, 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–March 2021

- Net sales increased, amounting to EUR 20,4 million (EUR 19,6 million).
- EBITDA grew, reaching 1,5 Me (EUR 0,8 million).
- Operating result was EUR 0,0 million (EUR -0,7 million).
- Cash flow from operating activities amounted to EUR 0,9 million (EUR 2,2 million).

Componenta's guidance for 2021

Componenta expects the net sales of continued operations in 2021 to be EUR 70–80 million. EBITDA is expected to improve from the previous year. In 2020, net sales from continued operations were EUR 70.0 million and EBITDA EUR 3.7 million.

The potential increase in prices for raw materials, the general economic and competitive situation, and the development of customers' sales volumes may affect the business outlook. Due to the COVID-19 pandemic, future sales and profitability developments are associated with uncertainties and poor visibility.

President and CEO Sami Sivuranta:

"The first quarter of the year went as we expected. Our net sales increased and profitability improved thanks to the measures we implemented as planned.

Due to the COVID-19 pandemic, there continue to be uncertainties in the market. However, restrictions have had a positive effect and vaccination coverage is improving. There are therefore clear signs that the economy is starting to recover, which increases demand. The pandemic had no significant effect on Componenta's business in the first quarter. Thanks to our personnel's strong performance, our own production did not suffer from any disruptions, and we were able to keep our deliveries to customers and our service level at a good level.

On 31 March 2021, Componenta paid the debts amounting to EUR 5.9 million to its creditors to end the parent company's restructuring programme prematurely. Consequently, Componenta Corporation's restructuring programme ended on 27 April 2021 when the supervisor's final account was completed.

We believe that the end of the restructuring programme will clearly improve Componenta's position and credibility from the perspective of our customers, suppliers and other stakeholders, and that it will have a significant positive impact on the Group's entire business.

Our liquidity remained at a good level throughout the whole reporting period and continued to do so after the end of the period despite the payment of the restructuring debts.

We will actively carry on with our measures to strengthen our market position and to improve profitability as part of our growth strategy. Our objective is to be the primary supplier with extensive offering for our customers.”

Financial performance during the reporting period

Sales volumes slightly increased in the first quarter of 2021. Componenta Group's net sales increased by 4% in the reporting period and amounted to EUR 20.4 million (EUR 19.6 million). EBITDA was EUR 1.5 million (EUR 0.8 million) and operating result EUR 0.0 million (EUR -0.7 million). Profitability improved due to our planned development measures. The one-time payment of EUR 0.1 million, from the bankruptcy estate of the former subsidiary Componenta BV for receivables that had been previously written down, also contributed to our profitability.

Result after financial items was EUR 0.3 million (EUR -1.0 million) and was improved by a EUR 0.7 million net profit, which was realized when the recognized restructuring debt of the parent company of EUR 6.6 million were paid with EUR 5.9 million.

At the end of the reporting period cash and cash equivalents of the Group totalled EUR 10.5 million (EUR 5.6 million). The Group's liquidity remained at a good level despite the early payment of restructuring debts.

At the end of the reporting period, the Group had undrawn committed credit facilities of EUR 4.0 million (EUR 3.3 million). The payment exemptions related to the COVID-19 pandemic granted by the tax authorities, which must be paid according to separate payment schedules by 15 June 2022, stood at EUR 2.9 million on 31 March 2021. An interest of 2.5% is paid for these debts.

Cash flow from operating activities during the reporting period was EUR 0.9 million (EUR 2.2 million). At the end of the reporting period, working capital (incl. inventory and accounts receivables deducted by accounts payables) was EUR 5.8 million (31 December 2020: EUR 5.2 million). The change in cash flow was mainly due to seasonal fluctuation in working capital, which is typical for this line of business, as well as the payments made during the first quarter of 2021 in accordance with the payment schedule related to the relief granted by the tax authority in 2020 due to the COVID-19 pandemic.

The Group's equity ratio at the end of the reporting period was 40.4% (26.8%). The improved equity ratio is mainly due to the rights issue executed in 2020 and the premature payment of EUR 5.9 million of restructuring debts of the parent company Componenta Corporation on 31 March 2021.

Non-current interest-bearing debts and non-current non-interest-bearing restructuring debts totalled EUR 13.2 million (EUR 20.4 million) and current interest-bearing debts and current non-interest-bearing restructuring debts totalled EUR 3.9 million (EUR 4.4 million). The before mentioned restructuring debts are referred to debts of the subsidiary Componenta Castings Oy. The restructuring programme of Componenta Castings Oy shall continue in accordance with its terms and conditions until 2023.

Key figures

| | 1–3/2021 | 1–3/2020 | Change | 1–12/2020 |
|---|----------|----------|--------|-----------|
| Net sales, continued operations, TEUR | 20,384 | 19,594 | 4.0% | 70,040 |
| EBITDA, continued operations, TEUR | 1,510 | 837 | 80.5% | 3,750 |
| Operating result, continued operations, TEUR | 41 | -692 | | -2,034 |
| Operating result, continued operations, % | 0.2 | -3.5 | | -2.9 |
| Result after financial items, continued operations, TEUR | 275 | -1,043 | | -3,224 |
| Net result, continued operations, TEUR | 292 | -1,029 | | -2,910 |
| Net result, including discontinued operations, TEUR | 292 | -1,029 | | -949 |
| Basic earnings per share*, EUR | 0.03 | -0.22 | | -0.20 |
| Diluted earnings per share*, EUR | 0.03 | -0.22 | | -0.20 |
| Cash flow from operating activities, continued operations, TEUR | 883 | 2,208 | -60.0% | 6,355 |
| Interest-bearing net debt**, TEUR | 3,166 | 7,585 | -58.3% | -2,584 |
| Net gearing, % | 13.1 | 51.0 | | -10.8 |
| Return on equity, % | 4.9 | -26.6 | | -5.8 |
| Return on investment, % | 0.4 | -9.6 | | 0.7 |
| Equity ratio, % | 40.4 | 26.8 | | 37.3 |
| Gross investments incl. lease liabilities, continued operations, TEUR | 381 | 1,000 | -61.9% | 5,134 |
| Group's restructuring debt | 4,116 | 12,268 | -66.5% | 10,694 |
| Number of personnel at the end of the period, incl. leased workers, continued operations | 586 | 601 | -2.5% | 574 |
| Average number of personnel during the period, incl. leased workers, continued operations | 581 | 602 | -3.5% | 589 |
| Order book at the end of the review period, continued operations, TEUR | 11,862 | 9,132 | 29.9% | 9,536 |

*) The comparable figures for 2020 have been adjusted due to reverse share split and rights issue.

***) Only interest-bearing restructuring debt included.

Restructuring programmes

Componenta carried out a rights issue in November–December 2020, by which the Company raised gross funds of approximately EUR 9.5 million. The company intended to enter into negotiations with the company's creditors on the early payment of the restructuring debts. Furthermore, the purpose of the rights issue was to strengthen the financial position of the company.

On 25 February 2021, the Board of Directors of the company decided to pay the restructuring debts amounting to EUR 5.9 million to its creditors and to end the restructuring programme prematurely. The premature termination of the restructuring programme was funded with cash received from the abovementioned rights issue.

On 31 March 2021 Componenta Corporation carried out the aforementioned EUR 5.9 million payments to its creditors, the amount of which has become more precise during the course of March 2021. The company has also reached agreements with creditors of the conversion into new maximum amount debts of approximately

EUR 0,1 million conditional and maximum amount restructuring debts based on guarantee liabilities which were included in the previous mentioned amount.

Following the conversion the company has fulfilled its liability towards these creditors arising from the restructuring programme. As a consequence of the payments and conversion, the company views that the payment obligations of its restructuring programme have been fully fulfilled.

The restructuring programme of Componenta Corporation ended on 27 April 2021 when the restructuring programme supervisor approved the payments of restructuring debt carried out by the company on 31 March 2021 and provided the creditors with a final report on the restructuring programme.

The premature ending of Componenta Corporation's restructuring programme will not affect the restructuring programme of Componenta Castings Oy (formerly Componenta Finland Oy), which shall continue in accordance with its terms and conditions until 2023.

The Group's, and at the same time Componenta Castings Oy's, restructuring debts were on 31 March 2021 EUR 4.1 million (EUR 12.3 million), as Componenta Corporation paid prematurely its restructuring debts on 31 March 2021.

After the reporting period Componenta Castings Oy paid EUR 0.5 million of external restructuring debt and EUR 0.4 million of internal restructuring debt on 3 May 2021. After these payments, the Group's and Componenta Castings Oy's external restructuring debts are EUR 3.6 million.

Repayment schedule for external restructuring debt as of 7 May 2021

| TEUR | 2021 | 2022 | 2023 | Total |
|------------------------|------|-------|--------|-------|
| Componenta Castings Oy | 518 | 1,069 | 2,021 | 3,608 |
| Total | 518 | 1,069 | *2,021 | 3,608 |

*) The larger final instalment in Componenta Castings 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.

Repayment schedule for intra-Group restructuring debt as of 7 May 2021

| TEUR | 2021 | 2022 | 2023 | Total |
|------------------------|------|------|-------|-------|
| Componenta Castings Oy | 363 | 726 | 1,452 | 2,540 |
| Total | 363 | 726 | 1,452 | 2,540 |

Impact of the COVID-19 pandemic

The health and safety of personnel has been important to Componenta during the COVID-19 pandemic. Componenta's proactive measures to ensure the health of its personnel have minimised the effects of the pandemic and the group has succeeded in serving customers, completing deliveries, and keeping all operations running without any major issues.

If the weak economic situation persists due to the pandemic, this may have a significant impact on the financial situation of Componenta's customers, which will increase Componenta's credit loss risks. The negative consequences of the COVID-19 pandemic, if prolonged, could also pose a risk of impairment of the company's goodwill, inventories, trade receivables or fixed assets.

In connection with the COVID-19 pandemic, Componenta closely follows regulatory guidelines on market developments and the operating conditions and business situation of its customers and adjusts its own operations accordingly. Possible illnesses and quarantines of personnel, as well as other restrictions in Finland and other countries, can cause challenges to both Componenta's own business and that of its partners. Of particular importance in managing the negative effects of a pandemic situation is the effectiveness and pace of vaccinations. Componenta is actively pursuing the necessary measures to maintain health and wellbeing and prevent the spread of the pandemic. Uncertainty in the market caused by the COVID-19 pandemic will continue in 2021.

Risks and business uncertainties

The most significant risks in Componenta's business under normal circumstances are risks related to the business environment (competitive and price risk, commodity risks and environmental risks), business risks (customer, supplier, productivity, production, and process risks, labour market disruptions, contractual and product liability risks, personnel, and security risks) and financial risks (risks related to access to finance and liquidity, currency, interest rate and credit risks).

The availability of certain raw materials, such as recycled steel, pig iron, structural steel and aluminium, as well as energy at competitive prices, is essential for the group's business. The cost risk related to raw materials is mainly managed through price agreements, whereupon product prices are adjusted in line with changes in the general index of raw material prices. Rising raw material prices may tie up more money in working capital than estimated.

Componenta's potential risks related to the availability of working capital as well as liquidity may weaken future new business volumes and reduce future orders for new products from customers replacing expiring products. Volumes may also be weakened by possible customer product transfers due to price competition reasons. Componenta's current credit facilities will need to be renewed at the end of November 2021. The group also finances its business through non-binding factoring arrangements for trade receivables. Termination of factoring arrangements or non-renewal of credit facilities could significantly impair Componenta's liquidity. However, the group's liquidity was at a good level at the end of the reporting period, which makes it easier to manage the situation.

Resolutions of the Annual General Meeting

Componenta Corporation's Annual General Meeting was held on 9 April 2021, 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 CEOs from liability for the financial period of 1 Jan – 31 Dec, 2020. 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 2020. The General Meeting resolved that the number of members of the Board of Directors be four (4) and elected Harri Suutari, Anne Leskelä, Petteri Walldén and Tomas Hedenborg to the Board of Directors. It was decided that the Board's remuneration will not be changed. At its organizing meeting held after the AGM, the Board of Directors elected Harri Suutari as Chairman of the Board and Anne Leskelä as Vice Chairman of the Board. The General Meeting chose the audit firm PricewaterhouseCoopers Oy as the company's auditor. Samuli Perälä, Authorised Public Accountant, will act as the responsible auditor.

The AGM authorised the Board of Directors to decide on share issues in accordance with the proposal by the Board of Directors. The issuance of shares may be carried out by offering new shares or by transferring treasury shares held by the company. The number of shares to be issued or transferred under the authorisation may not exceed 940,000 shares, which corresponds to approximately 9.9% of all shares in the company. The new shares may be issued and the treasury shares held by the company may be transferred for consideration or without consideration.

The Board of Directors will decide on all other terms and conditions of the share issues. On the basis of the authorisation the Board of Directors may decide on a share issue in deviation of the pre-emptive subscription right of the shareholders (directed issue) subject to conditions mentioned in the Finnish Limited Liability Companies Act. The Board of Directors may use authorisation for instance as compensation in acquisitions, to develop capital structure, to broaden the ownership base, to acquire assets related the company's business or to finance or carry out other business transactions or other purposes decided by the Board of Directors. The authorisation is valid until the end of the next Annual General Meeting, but no longer than 30 June 2022. The authorisation shall not revoke earlier valid and non-utilized authorisations to decide on share issues.

The stock exchange release with the resolutions of the Annual General Meeting in detail can be found on the company's website.

Events after the reporting period

The Board of Directors of Componenta Corporation decided on 25 February 2021 to end the Componenta Corporation's restructuring programme prematurely and Componenta Corporation carried out EUR 5.9 million payments to its creditors on 31 March 2021.

The restructuring programme of Componenta Corporation has ended upon the approval of the payment of restructuring debt carried out by the company on 31 March 2021 by the supervisor and the provision of the supervisor's final account on the restructuring programme to the creditors on 27 April 2021.

Alternative performance measures

Componenta publishes 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 12 March 2021.

Helsinki, 7 May 2021

COMPONENTA CORPORATION

Board of Directors

Componenta is an international technology company with operations in Finland. With its extensive technology portfolio, Componenta manufactures cast, machined or non-machined components for its customers, who are local and global vehicle, machine and equipment manufacturers. The company's shares are listed on Nasdaq Helsinki.