

Componenta Corporation's Business Review 1 January–31 March, 2024: Net sales and EBITDA decreased

Componenta Corporation, Stock Exchange Release, 7 May 2024 at 8.00 a.m. EEST

January–March 2024

- Net sales were EUR 23.6 million (EUR 30.7 million)
- EBITDA was EUR -0.2 million (EUR 2.8 million)
- Operating result was EUR -1.5 million (EUR 1.4 million)
- Cash flow from operating activities was EUR -0.8 million (EUR 0.7 million)

The information presented in this business review concerns the development of Componenta Group in January–March 2024 and in the corresponding period in 2023, unless otherwise stated.

This is not an interim report in accordance with IAS 34. The company complies with the semiannual 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 2024

Componenta expects the Group's net sales and EBITDA to improve from the previous year. The Group's net sales in 2023 were EUR 101.8 million, and its EBITDA was EUR 5.3 million. It is expected that the emphasis of the improvement in annualized net sales and EBITDA will be clearly taking place on the second half of the year.

The development of customers' sales volumes, poor availability of raw materials, increases in the prices of raw materials and electricity, and the general economic and labour situation and competitive climate may affect business outlooks. In addition, the development of sales and profitability involves uncertainties because of geopolitical situation. An unfavourable development of the geopolitical situation may also have a negative impact on the financial market, sales volumes, the availability and price development of raw materials and electricity, and the availability of foreign labour, all of which increase forecasting uncertainty.

Sami Sivuranta, President and CEO:

“In the first quarter of the year, volume and order book growth were well below expectations as a result of continued low demand. High interest rates and the development of inflation in the market environment have affected the demand for main customers' end products, which also had a negative impact on Componenta's volumes and order book in the first quarter. Net sales were also affected by the lower level of price indices as a result of lower costs, which is why net sales and EBITDA decreased from 2023. In addition to the low utilisation rate, the volume products that were ramped up for serial production in the Karkkila and Pori foundries had a negative impact on production efficiency and quality levels, which contributed to weaker profitability. Profitability was

also burdened by the impact of the strikes earlier in the year. However, liquidity remained at a good level during the first quarter.

We have adjusted our operations to meet the temporarily lower volume and order book levels. However, we expect volumes in the second half of the year to be better than in the first half. The ongoing ramp-up of serial products will have a positive impact on the result as deliveries return to their normal level.

We were able to maintain good service capability across the Group despite the challenging operating environment. The general availability of raw materials and other materials is currently at a good level. We are actively monitoring market developments and ensuring that our own supply chains continue to work effectively. There are currently no signs of significant near-term risks to the availability of electricity. However, there is still significant variation in electricity prices on a daily basis.

While there are differences in order books between customers and sectors, the outlook for 2024 as a whole remains generally positive. With the start of serial production of new volume product lines from the second quarter onwards, and thanks to Componenta's growing market shares, we expect our total production volumes to develop favourably during 2024.

We have updated our strategy for 2024–2026. In this strategy period, we will continue to seek growth in net sales and profitability through systematically implemented measures. By the end of the strategy period, we aim to achieve annual net sales of EUR 150 million through organic growth and EUR 200 million in total, including M&A, and to improve our profitability from the current level. Sustainability has become a focus area in the strategy, emphasised in internal measures and customers' expectations and requirements. We are currently preparing for regulatory changes that will be implemented in the near future, as well as preparing our long-term sustainability targets and the related measures. As a contract manufacturer, we will continue to actively pursue measures to strengthen market position, and we are working to be the preferred sustainable total supplier to our customers, with a wide offering.”

Financial development during the review period

Sales volumes decreased in the first quarter of 2024. Componenta Group's net sales decreased by 23.3% during the review period and were EUR 23.6 million (EUR 30.7 million). EBITDA was EUR -0.2 million (EUR 2.8 million) and operating profit EUR -1.5 million (EUR 1.4 million). Lower sales volumes in the review period caused about half of the decline in EBITDA compared to last year. The temporary efficiency and quality, which was improved from last year, but still momentarily weaker than normal, caused by the ramped-up volume products of new serial production, as well as the strikes at the beginning of the year and the index development of electricity and main raw materials caused the second half of the EBITDA to weaken.

The result after financial items was EUR -2.3 million (EUR 0.9 million). Due to the working capital loan of 4 million euros in total withdrawn in December 2022 and March 2023 and the revolving credit facility in use during the review period, financing costs were EUR -0.1 million higher than during the comparison period. Market interest rates remained at a high level during the review period.

At the end of the review period, the Group's cash and cash equivalents totalled EUR 4.3 million (EUR 9.7 million). The Group's liquidity remained at a good level throughout the whole review period. Componenta had unused binding revolving credit facilities of EUR 3.0 million (EUR 4.0 million) at the end of the review period. In addition, Componenta had a share subscription facility with the unused portion of USD 7.5 million. Componenta paid off the EUR 1.0 million portion of the revolving credit facility that was in use at the end of the review period in April 2024, after which the amount of unused binding credit facilities were again EUR 4.0 million. In addition, Componenta agreed and withdrew a new working capital loan of EUR 2.0 million after the end of the review period.

Cash flow from operating activities during the review period was EUR -0.8 million (EUR 0.7 million). The change in cash flow is mainly due to weaker EBITDA than in the comparison period. At the end of the review period, working capital (incl. inventories and accounts receivables less trade payable) was EUR 7.5 million (EUR 6.2 million). The change was mainly due to the fact that decreasing volumes and the timing of material deliveries caused trade payables to be lower than in the end of the comparison period.

Componenta's equity ratio at the end of the review period was 42.8% (40.2%). The increase in the equity ratio was mainly due to the lower amount of non-interest-bearing liabilities and the positive result for 2023. At the end of the review period, interest-bearing net debt was EUR 10.5 million (EUR 5.4 million) and net gearing was 41.9% (21.7%). Change in interest-bearing net debt and in net gearing was due to lower cash position than in the comparison period.

Long-term interest-bearing debt totalled EUR 11.7 million (EUR 11.7 million) and short-term interest-bearing debt totalled EUR 3.1 million (EUR 3.4 million) at the end of the review period. In total interest-bearing debt included EUR 4.2 million (EUR 5.0 million) loans from external financial institutions. Other interest-bearing debt of the Group consisted mainly of working capital items and lease and hire purchase liabilities.

| Key figures | Jan 1–Mar 31, 2024 | Jan 1–Mar 31, 2023 | Change, % | Jan 1–Mar 31, 2023 |
|---|-----------------------|-----------------------|--------------|-----------------------|
| Net sales, EUR thousand | 23,566 | 30,726 | -23.3 | 101,809 |
| EBITDA, EUR thousand | -152 | 2,800 | -105.4 | 5,278 |
| Operating result, EUR thousand | -1,710 | 1,372* | -224.6 | 3,762** |
| Operating result, % | -7.3 | 4.5* | -262.4 | 3.7** |
| Result after financial items, EUR thousand | -2,258 | 883 | -355.7 | 1,568 |
| Net result, EUR thousand | -2,268 | 899 | -352.3 | 1,547 |
| Basic earnings per share, EUR | -0.21 | 0.09 | -332.9 | 0.16 |
| Diluted earnings per share, EUR | -0.21 | 0.09 | -332.9 | 0.16 |
| Cash flow from operating activities, EUR thousand | -769 | 719 | -207.0 | 1,126 |
| Interest-bearing net debt, EUR thousand | 10,478 | 5,426 | 93.1 | 9,097 |
| Net gearing, % | 41.9 | 21.7 | 93.4 | 35.6 |
| Return on equity, % | -8.3 | 3.6 | -327.7 | 6.2 |
| Return on investment, % | -3.8 | 3.5 | -207.7 | 9.8 |
| Equity ratio, % | 42.8 | 40.2 | 6.4 | 45.0 |

| | | | | |
|---|--------|--------|-------|--------|
| Capital expenditure incl. lease liabilities, EUR thousand | 485 | 934 | -48.1 | 4,066 |
| Number of personnel at the end of the period, incl. leased workers | 623 | 642 | -3.0 | 615 |
| Average number of personnel during the period, incl. leased workers | 621 | 644 | -3.5 | 631 |
| Order book at the end of the period, EUR thousand | 15,768 | 16,579 | -4.9 | 14,532 |

* The comparative period 2023 has been adjusted due to a change in the principle of preparing real estate valuations. More information about the change in the accounting principle and its effects on previous years' figures can be found in the section "Valuation of properties and land areas" in the accounting principles for the consolidated financial statements published 15th March 2024.

** The operating result for 2023 includes a non-recurring income of EUR 4.2 million from the reversal of the impairment loss related to the foundry business's production machinery and equipment. More information on the reversal of the impairment loss can be found in the note "Tangible assets" in the consolidated financial statements published 15th March 2024.

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, as well as the uninterrupted supply of energy, is essential for the Group's business operations. The average market prices of electricity remained at a fairly high level during the review period, and daily and hourly price fluctuations were very high. Because of the geopolitical situation, the availability of raw materials and other materials continues to involve uncertainties 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 actively engages in discussions 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 or Ukraine among its customers or suppliers of goods. Componenta has no operations of its own in Russia or Ukraine. The Russian attack has had an impact on the general price development and availability of raw materials such as structural steel and pig iron, and on the development of energy prices. The war 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 and unfavourable developments in the geopolitical situation may 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 forecasting uncertainty.

The cost risk associated with raw materials is mainly managed through index-based price agreements, based on which the sales prices of products are updated in response to changes in the prices of raw materials for the next quarter. An increase in raw material prices may employ more working capital than expected. In terms of commercial risks, future volumes may be weakened by customers switching to cheaper alternatives due to price competition.

Componenta's business operations depend on the reliability of production plants, supply and delivery chains and the related processes and systems. Componenta also closely monitors the labour market situation. The quality, accuracy and availability of information are extremely important, as information technology plays a significant role in the operations of Componenta and its suppliers and customers. If materialised, IT and cybersecurity risks may expose Componenta to disruptions and interruptions in operations and the loss or distortion of data, which may lead to interruptions in product availability. Componenta pays close attention to cybersecurity risks and monitors its customers' situations and notifications.

Componenta continuously monitors the liquidity risk. The Group also finances its operations through factoring arrangements for receivables. Componenta's current committed credit facilities will need to be renewed in September 2025. Any termination or non-renewal of factoring arrangements or credit facilities could create uncertainties for Componenta's liquidity. The Group's liquidity was at a good level at the end of the review period. At the end of the review period, Componenta also had EUR 3.0 million in unused committed credit facilities and a USD 7.5 million unused portion of its USD 8.0 million share subscription facility from GCF, an investor based in the United States. The share subscription facility is valid until June 2024. Componenta paid off the EUR 1.0 million portion of the revolving credit facility that was in use at the end of the review period in April 2024. In addition, Componenta agreed and withdrew a new working capital loan of EUR 2.0 million. Componenta's revolving credit facilities and working capital loans include the following financial covenant conditions: interest-bearing net debt / rolling 12-month EBITDA are a maximum of 3.0 and the equity ratio is at least 25%. In accordance with the agreed terms, the covenants are reviewed every six months. Unfavorable EBITDA development during a rolling 12-month period may cause the covenants to be breached.

Resolutions of Annual General Meeting and decisions of the Board of Directors

Componenta Corporation's Annual General Meeting was held 10 April 2024, 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, 2023. 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 2023.

The AGM decided the number of members of the Board of Directors to be five (5). The AGM re-elected the current members of the Board of Directors Tomas Hedenborg, Anne Koutonen, Harri Suutari and Petteri Walldén. In addition, The AGM elected Lars Wrebo as a new member of the

Board of Directors. In accordance with the proposal by the Shareholders' Nomination Board, the AGM resolved that the annual remuneration payable to the Chairman of the Board shall be EUR 50,000 and the annual remuneration payable to other members of the Board of Directors shall be EUR 30,000. Members of possible committees of the Board of Directors will be paid an annual remuneration of EUR 5,000. In addition, a meeting specific fee of EUR 1,000 will be paid to a Board member who lives outside Finland and travels to Finland for a meeting.

The Board of Directors elected Harri Suutari as Chairman of the Board and Anne Koutonen as Vice-Chairman at the organizational meeting held after the AGM. The AGM elected the audit firm PricewaterhouseCoopers Oy as the Auditor with Ylva Eriksson, APA as the responsible auditor. The AGM selected BDO Oy as the Sustainability Reporting Assurer with APA, Authorised Sustainability Auditor Laura Castrén as the principal sustainability reporting assurer.

The AGM authorised the Board of Directors to decide on share issues in one or several tranches as follows: The issuance of shares may be carried out by offering new shares or transferring treasury shares held by the company. The total number of shares to be issued or transferred under the authorisation may not exceed 961 563 shares, which corresponds to approximately 9.9 per cent of all the 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 decides on all terms and conditions for the issue of new shares and the transfer of the company's own shares. Based on 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 authorisation also includes the right to decide on issuing new shares to the company itself without consideration. For example, the Board of Directors may use the authorisation as compensation in acquisitions, to develop capital structure, to broaden the ownership base, to acquire assets related to the company's business or to finance or carry out other business transactions, or for other purposes decided by the Board of Directors. However, the authorisation may not be used for the implementation of incentive programs of the company's management or key personnel.

The authorisation is valid until the end of the next Annual General Meeting, but no longer than until 30 June 2025 at the latest. For the sake of clarity, the authorisation does not revoke the authorisation granted to the Board of Directors at the Annual General Meeting on 13 April 2023 to decide on the issue of shares and special rights entitling to shares for incentive schemes, under which a maximum of 400 000 shares may be issued. However, this authorisation revokes other previous non-utilised authorisations to decide on share issuance.

The AGM decided to amend the Articles of Association by adding a new Article 8 on the Sustainability Reporting Assurer to the Articles of Association. As a result of the amendment, the numbering of the current Articles 8, 9 and 10 of the Articles of Association will be changed accordingly to Articles 9, 10 and 11. The AGM decided, that the future Article 11 of the Articles of Association concerning the matters to be handled at the Annual General Meeting be supplemented by adding a new sub-item 10 on the election of the Sustainability Reporting Assurer and by adding to sub-item 6 a mention of the fee and the reimbursement criteria for travel expenses of the auditor and the sustainability assurer.

The minutes of the General Meeting are available in full at the Componenta's website.

Events after the review period

Componenta agreed on a new working capital loan totaling EUR two (2) million with LocalTapiola Group and Elo Mutual Pension Insurance Company. The loan was withdrawn in full on April 12, 2024. The loan period is five years. Other loan terms and conditions are usual.

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 15 March 2024.

Webcast

President and CEO Sami Sivuranta will present the Business Review for investors, analysts and the media in a webcast on 7 May 2024 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-q1-2024>.

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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

Distribution:

Nasdaq Helsinki
Principal media
www.componenta.com

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