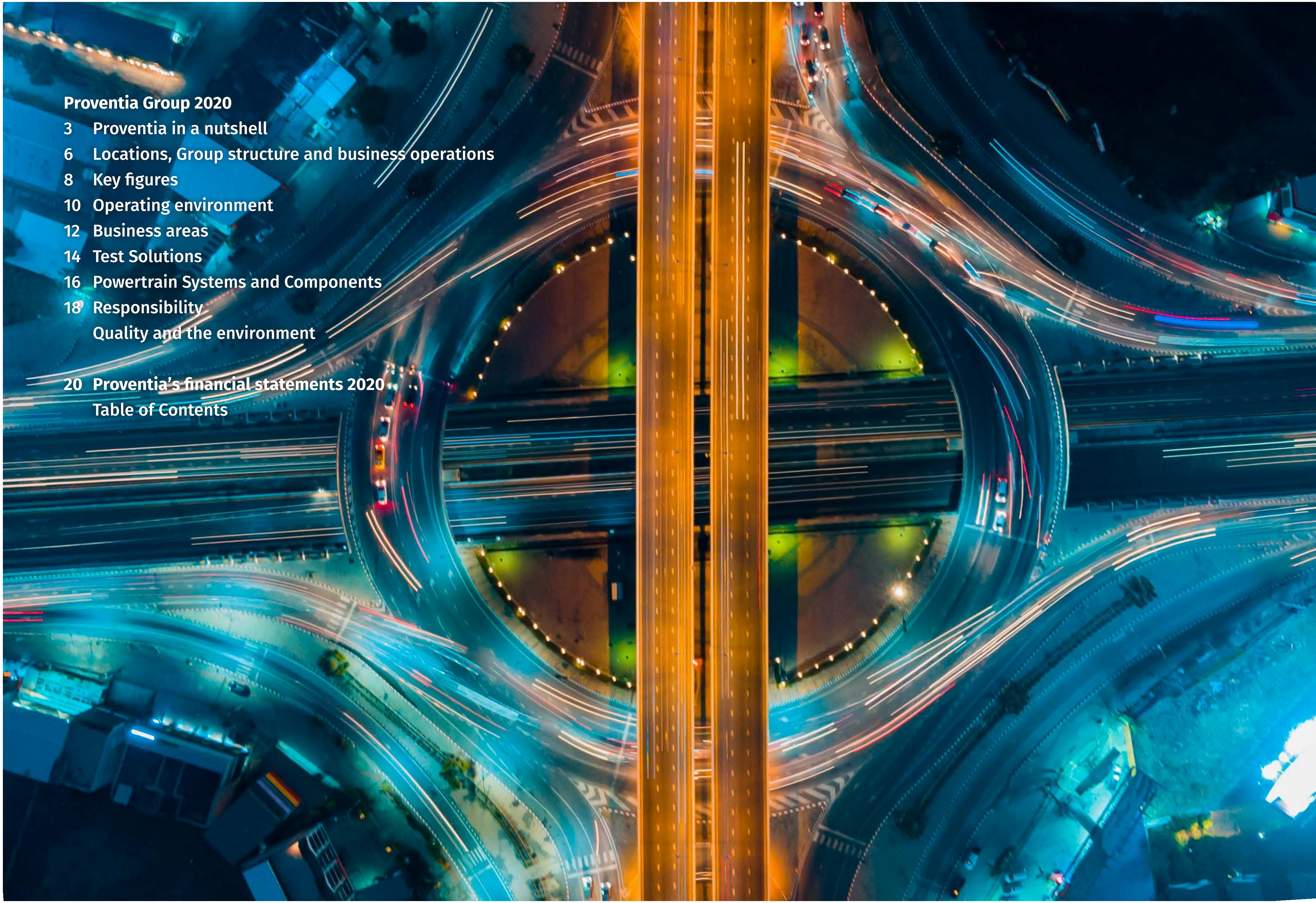
PROVENTIA

2020

PROVENTIA GROUP



PROVENTIA IN A NUTSHELL

We are a growing technology company operating in global markets. We offer our products and services for the engine, machine and vehicle industries to combat climate change and to help solve the global air pollution problem.

We develop and manufacture modular test centers for the development and testing of electric and hybrid vehicles, and their powertrains and battery packs.

We develop and manufacture systems and components that improve the energy efficiency of powertrains in heavy-duty machines and vehicles.

We care about people, the environment, and future generations in everything we do – and aim for zero emissions.

Our personnel consists of 150 professionals in Finland, the Czech Republic, and the UK.

OUR VISION

is zero emissions.

OUR MISSION

is to help our customers develop energy-efficient products that help to save the environment and human health.

OUR VALUES

Customers come first

Longstanding customer relationships are the foundation of our operations. We strive to be an open, reliable and innovative partner. The services we develop are intended to give our customers a stronger competitive edge to succeed.

We are a team

Skilled personnel are a company's most important asset. We reward our employees for both initiative and financial results achieved. We are an international and equal community that cares for the mental and physical well-being of our employees.

Responsible and sustainable

We do what we promise to do. We are loyal to our customers, our employees and our partners. We take our social responsibilities seriously and operate ethically by taking people, the environment and future generations into account.

Results guarantee development

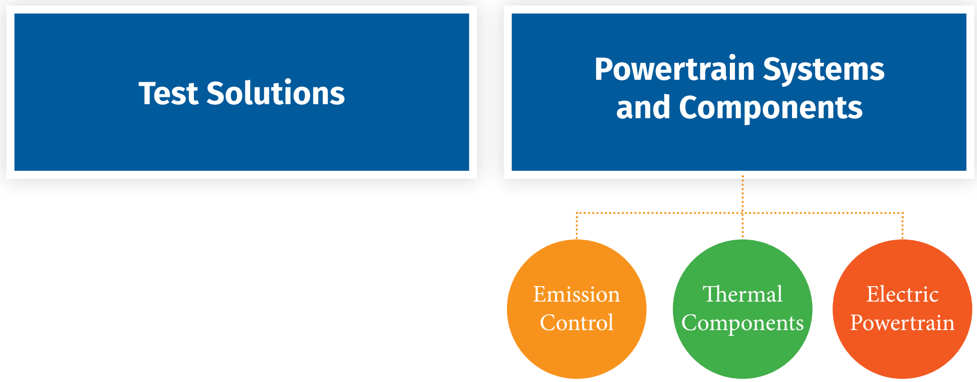
We want to grow and develop. Our operations are based on profitable business, which enables us to invest in our own and our customers' common future.

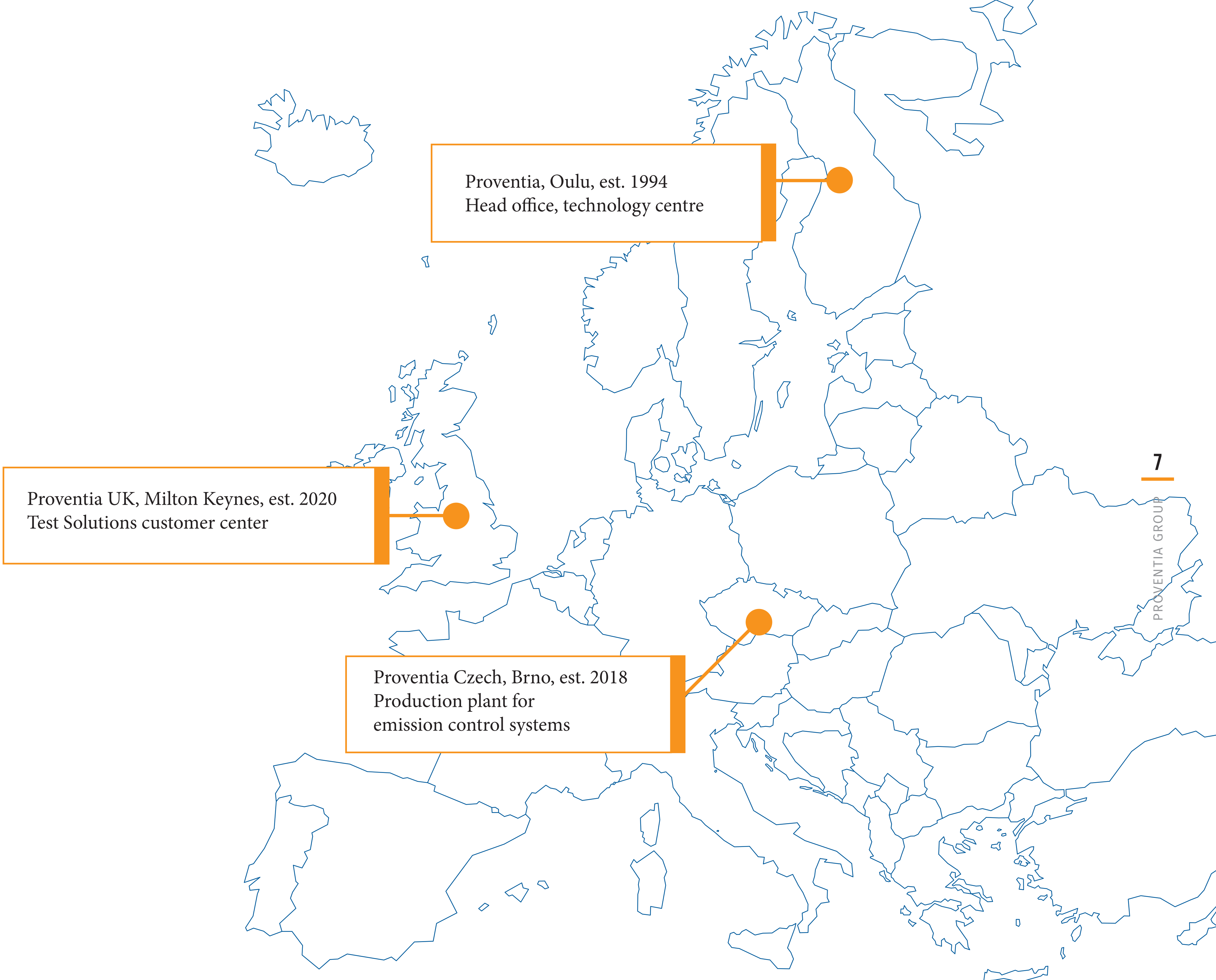
PROVENTIA GROUP

The Group's parent company is Proventia Group Corporation, which owns 100% of Proventia Oy. Proventia Oy's wholly-owned subsidiaries engaged in business operations are Proventia Czech s.r.o. and Proventia UK Limited.

Proventia

Proventia's business operations




Proventia, Oulu, est. 1994
Head office, technology centre
Proventia UK, Milton Keynes, est. 2020
Test Solutions customer center
Proventia Czech, Brno, est. 2018
Production plant for
emission control systems

KEY FIGURES IN 2020

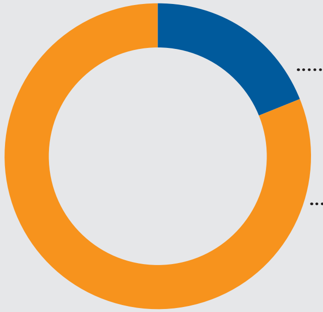
Net sales, M€

39,4

Change in net sales, %

-7,2

Distribution of net sales



Operating profit , M€

2,6

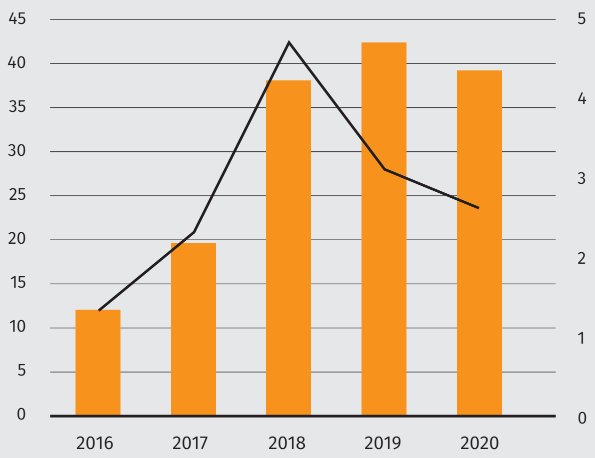
Operating profit , %

6,6

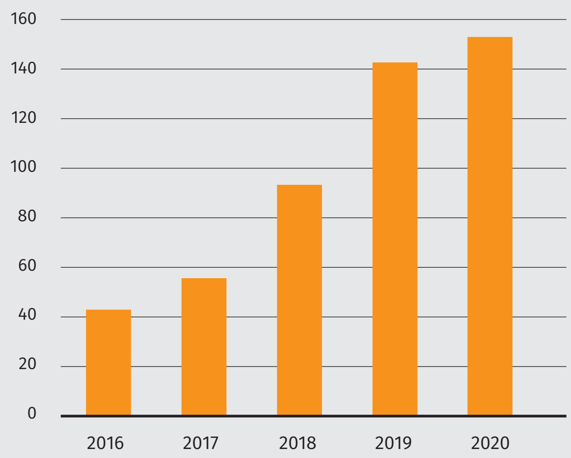
Employees at the end of the year

142

Net sales and operating profit in 2016–2020



Average number of personnel in 2016–2020



> ***Average increase in net sales in 2016–2020: 28.7%***

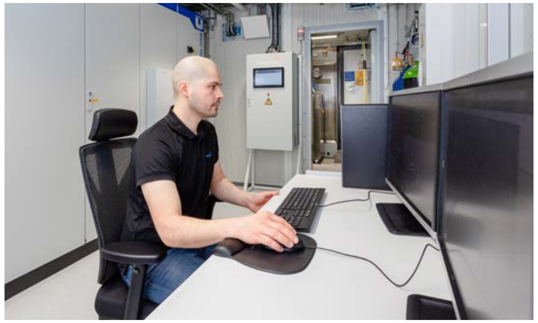
OPERATING ENVIRONMENT HEADING TOWARDS CARBON NEUTRALITY

Combating climate change and reducing air pollution are at the core of Proventia's business operations. These megatrends have an impact on the values, attitudes and needs of the vehicle and non-road machine industries.

Ambitious emission reduction targets and energy-efficiency goals accelerate the electrification of powertrains, the transition to environmentally friendlier fuels, and the development of new emission-reducing technologies. The development of the vehicle and non-road machine industries towards carbon neutrality and eventually towards zero emissions provides strong support for Proventia's business operations and opens up new opportunities for all of the company's business areas.

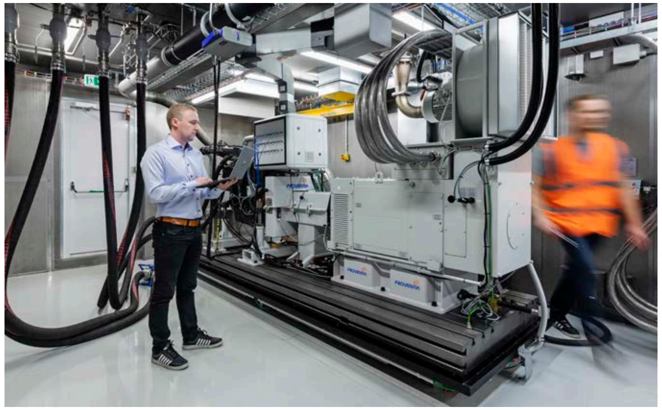
We respond to market needs through innovation, products, and solutions that help our customers to develop climate-friendly zero-emission products or that have a direct positive impact on the environment by reducing local emissions or improving the quality of air, for example.

> ***The development of the vehicle and non-road machine industries towards carbon neutrality supports Proventia's business operations and opens up new opportunities.***



PROVENTIA'S OPERATIONS STRENGTHEN ITS CUSTOMERS' COMPETITIVENESS

Proventia provides the engine, non-road machine and vehicle industries with solutions and services for different phases of the value chain. The company focuses on selected special sectors, in which it stands out from its competitors and strengthens the competitiveness of its customers through its expertise and innovative solutions. Proventia's extensive experience in the powertrains of non-road machines and vehicles, broad technological expertise and innovative R&D culture – these are the ingredients that form an excellent basis for the development of new products and the active launch of solutions for zero-emission vehicles and non-road machines of the future. Proventia focuses on two business areas: Test Solutions, and Powertrain Systems and Components.



Proventia is actively launching solutions for zero-emissions vehicles and non-road machines of the future.

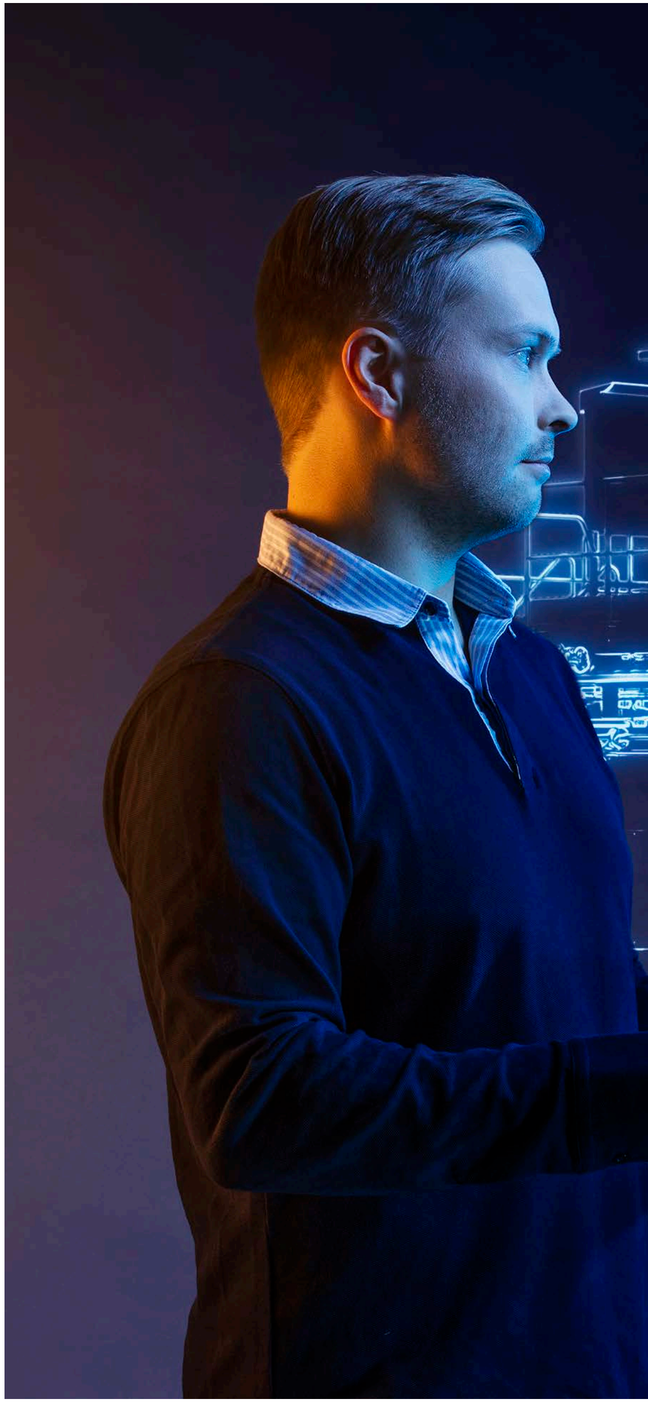
Flexible and modular

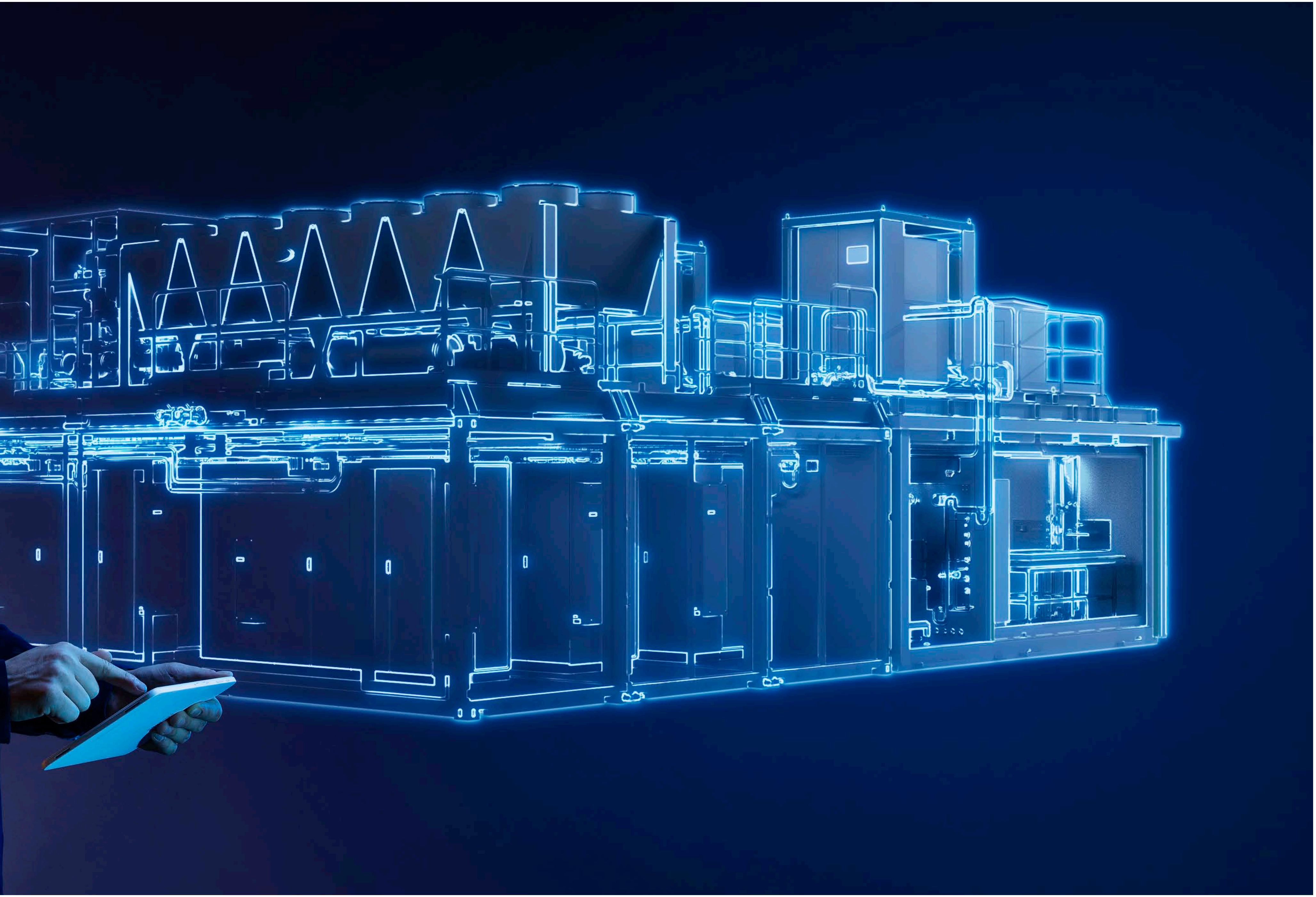
TEST SOLUTIONS

In the vehicle industry, Proventia operates as a test solution supplier for the R&D departments of vehicle manufacturers. Proventia provides flexible and modular test solutions for the testing and development of new zero-emission technologies. Various test and automation systems can be integrated into the company's solutions in accordance with customer-specific requirements. Proventia's production model is based on its own final assembly operations.

Advantages of Proventia's modular test solutions include modifiability, transportability, and scalability from a single testing laboratory to entire testing centers. In addition to the development and testing of electric and hybrid vehicles, as well as their powertrains and battery packs, modular solutions also apply to the R&D and testing of hydrogen fuel cells.

> ***Modular test solutions apply to the R&D and testing of electric and hybrid vehicles.***





Improved energy efficiency

POWERTRAIN SYSTEMS AND COMPONENTS

During 2020, Proventia reshaped its organisation and business structure. The company combined three business units – Emission Control, Thermal Components, and Electric Powertrain – into the Powertrain Systems and Components business area.

The Powertrain Systems and Components business area provides systems and components that improve the energy efficiency of heavy-duty machines and vehicles. These include

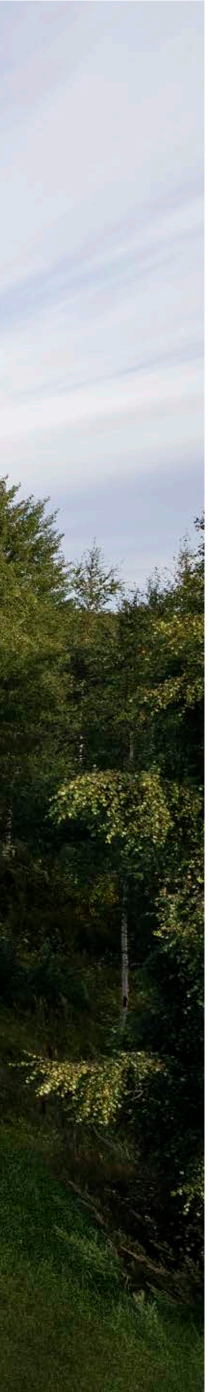
- emission control systems
- thermal insulation components, and
- electric powertrain components and batteries.

Emission Control
In emission control, Proventia's key expertise focuses on exhaust aftertreatment systems for non-road machines and utility vehicles used in demanding conditions. Proventia offers emission control systems that consist of patented technologies resulting from continuous R&D. Proventia's systems are ideal for the challenging operating environments of non-road machines and urban transport vehicles. In the non-road machine industry, Proventia operates as an R&D partner and supplier of exhaust aftertreatment systems for engine and non-road machine manufacturers. Innovative emission control solutions developed for the non-road machine industry are also used in clean air projects in cities to reduce the local emissions of public transport and heavy vehicles by using retrofit emission control systems. In emission control, the production model is based on final assembly operations at Proventia's OEM-level plant in the Czech Republic and the effective component manufacturing by subcontractors.

Thermal Components
Proventia provides OEM engine and machine manufacturers with comprehensive thermal insulation solutions for exhaust lines and aftertreatment systems, and engine compartments – ranging from design to the delivery of end products.

Electric Powertrain
Proventia's latest business unit focuses on electric powertrain components and batteries. The Emission Control business unit's technologies have given the company unique expertise in non-road machines. This is complemented by the company's expertise in test solutions for electric vehicles. This strong footing has also enabled the development of electric powertrain systems and components for non-road machines. Electric and hybrid non-road machines are a significant step towards emission-free machinery. Proventia helps to achieve this goal with its Electric Powertrain business unit, which focuses on the development of high-power batteries for hybrid non-road machines.

The Powertrain Systems and Components business area focuses on improving the energy efficiency of non-road machines and reducing exhaust emissions.



RESPONSIBILITY

Proventia's operations are guided by its values, mission, and vision. In its operations, the company complies with laws and regulations, and acts openly and honestly, addressing its financial, environmental and social responsibility. Proventia's Ethical Guidelines define rules that are binding on the entire personnel and guide decisions concerning responsibility in Proventia's operations.

Operating principles are complemented by company-wide policies and plans, including the quality and environmental policy, the occupational safety and health programme, the equality and non-discrimination plan, and guidelines set for procurement and purchases.

Proventia takes care of its financial profitability and competitiveness. The company builds financial wellbeing for society at large and its stakeholders.

QUALITY AND THE ENVIRONMENT

We are committed to complying with the principle of continuous improvement to develop our internal processes and products, and to reduce our environmental impact. We want to be known as a reliable supplier, which reacts to customer needs quickly and proactively. The quality of our products and services is a key success factor in our operations. With our environmental management, we continually evolve our operations to be more environmentally friendly, for example by regular environmental processes and audits.

Proventia has received the ISO 9001:2015 and ISO 14001: 2015 quality and environmental certificates as follows:

- Proventia Oy, Oulunsalo and Oulu:
  ISO 14001:2015, ISO 9001:2015
- Proventia Czech s.r.o.: ISO 9001:2015

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These financial statements must be retained until 31 December 2030.

CONSOLIDATED FINANCIAL STATEMENTS

- Proventia's net sales decreased by 7.2% from the previous year to EUR 39.4 (42.4) million.
- Operating profit was EUR 2.6 (3.1) million.
- Profit for the period was EUR 1.8 (2.1) million.
- Cash flow from operating activities was EUR 1.6 (9.1) million.
- Net debt was EUR -1.4 (-0.6) million.
- Proventia established its subsidiary Proventia UK Ltd. in Milton Keynes in the UK for the needs of the Test Solutions business area.
- Operations were reorganised into two business areas: the Test Solutions business area and the Powertrain Systems and Components business area.
- The number of personnel at the end of the financial year was 142 (157).
- Net sales and operating profit in 2021 are expected to increase from 2020. However, it is still difficult to make estimates, and the current market conditions are increasing uncertainties over the future.

BOARD OF DIRECTORS' REPORT FOR THE FINANCIAL YEAR 1 JANUARY – 31 DECEMBER 2020

Review of Proventia's operations in 2020

The year 2020 was characterised by the coronavirus pandemic and exceptional circumstances. The pandemic and the measures taken to prevent its spread, including travel restrictions, had an impact on Proventia's operating environment, causing uncertainties in the markets. Proventia's key customers in Europe suspended production during the second third of the year, as a result of which orders were not delivered as planned and growth was not as expected. Full-year net sales decreased by 7.2% year-on-year. However, the company performed relatively well under the challenges and exceptional circumstances resulting from the pandemic. The company reacted quickly to the changed situation by postponing investments and R&D projects, and by cutting personnel expenses dimensioned according to growth targets. Personnel expenses were mainly cut through lay-offs and by restricting recruitment processes and the use of external employees. The personnel adopted a responsible approach to the unusual situation, and lay-offs were agreed in a good mutual understanding with personnel. Most lay-offs already ended during the third quarter. When production at customer plants started to return to normal during the end of the year, postponed orders were finally delivered, and net sales during the final quarter increased by 8.1% year-on-year. Full-year operating profit remained at the previous year's level as a result of the good final quarter and cost savings. Proventia strengthened its liquidity during the year by taking out a long-term loan of EUR 2 million and by raising its credit limit. At the end of the period under review, Proventia's liquid assets amounted to EUR 6.2 million.

Test Solutions operations showing growth

In the Test Solutions business area, customers' new investment decisions were postponed as the coronavirus crisis persisted throughout the year. In addition to the coronavirus pandemic, Brexit caused slight delays to previously started projects in the UK. Despite all these challenges, net sales of the Test Solutions business area increased by 97.5% to more than EUR 7.5 million during the review period. This increase can partly be explained by the project-like nature of the operations. Proventia established its subsidiary Proventia UK Ltd. in Milton Keynes in the UK. During travel restrictions, Proventia UK Ltd. provided significant help in maintaining contact with existing customers and in finding new potential customers.

Although investment decisions on new testing centres were postponed, the automotive industry is committed to developing new zero-emission solutions. At the end of the year, there were signs that investments in the development and testing of new power sources will continue in the near future.

Support for non-road machine markets from the reshaped business structure

During 2020, Proventia rearranged its business structure by combining its Emission Control and Thermal Components business units and Electric Powertrain, its most recent business unit, into the new Powertrain Systems and Components business area. This new business area will focus on improving the energy efficiency of non-road machines and on reducing emissions. Combining business areas related to non-road machine powertrains into a single business area supports the comprehensive services provided for current and future non-road machine customers and the company's strategy to develop new zero-emission products from innovation.

In Europe, the main market area of the Powertrain Systems and Components business area, the coronavirus pandemic had a significant impact on the operations of Proventia's customers, and net sales decreased by 17% from the previous year. After customers restarted their suspended production during the end of the year, demand started to recover. At the end of the year, the company received new OEM customer projects, for which R&D activities were already started during the final quarter. Proventia's production plant in the Czech Republic has increased the company's credibility towards OEM non-road machine manufacturers and helped the Emission Control business unit to receive new customer projects. Thermal insulation components manufactured at the company's plant in Finland that improve the efficiency of exhaust after-treatment systems also accelerated business operations.

Despite the savings measures taken during the coronavirus year, the company continued its investments in the development of new products and solutions for the needs of the electrifying non-road machinery industry in line with its strategy. These investments gave birth to the new Electric Powertrain business unit, which specialises in electric powertrain systems and components for non-road machines of the future. R&D focused on the development of high-power batteries for hybrid non-road machines. The

Electric Powertrain business unit utilises the company's solid expertise in non-road machines and electric vehicle testing systems. This strong footing enables the development of electric powertrain systems and components for non-road machines.

In the short term, the company's main market areas in Europe are expected to develop positively. The company has strong opportunities for long-term growth in both Test Solutions and Powertrain Systems and Components business areas. International carbon-neutrality goals and electrifying non-road machines support this growth.

Strategy and its implementation in 2020

The company's goal is to be the leading supplier of technology for the engine, machine and vehicle industries in selected markets. With its innovative and high-quality solutions and services, the company aims to help its customers to develop products that save the environment and people's health by improving energy efficiency and reducing harmful emissions. According to its strategy, the company reorganised its operations into two business areas: Test Solutions, and Powertrain Systems and Components. On the R&D front, the company continued its investments in electric powertrains and especially in high-power batteries for hybrid non-road machines, not forgetting emission control technologies.

At the core of the company's strategy is technological excellence, which is deployed through synergies in various areas of application and in the customer base. The development of batteries for hybrid non-road machines combines expertise in powertrains for non-road machines with the Test Solutions business area's expertise in the testing of batteries. We maintain the best expertise in the field, and recognise the opportunities and threats presented by technological breakthroughs. The evolving legislation and the electrifying automotive and non-road machinery industries are opening up new business opportunities for the company.

A comprehensive understanding of customer needs, proactive customer service and positive customer experiences form the basis of the company's success. During the year, Proventia continued to invest in non-road machine customers and landed significant customer projects, for which R&D activities have already been started and which will be delivered in the next few years.

According to its manufacturing strategy, the company focuses on the final assembly of products and to utilize efficient subcontracting of components. Critical components and assemblies are manufactured inhouse, if needed. The primary goals of production are high quality, cost-efficiency, delivery reliability and an agile response to customer needs and market changes. Proventia started the serial production of products for select OEM customers at its plant in the Czech Republic, although the pandemic and resulted postponements in deliveries delayed the start-up of production. In the Test Solutions business area, the final assembly of modules is carried out at the Oulu plant which minimises the time customers require to build and deploy testing cells. This proved to produce a significant competitive edge, also during the coronavirus year.

The company seeks controlled and profitable growth in its business areas, together with both current and future customers.

Serving an expanding customer base also means a broader geographical presence. During 2020, Proventia established its subsidiary Proventia UK Ltd. in Milton Keynes in the UK for the needs of the Test Solutions business area.

The company will continue to develop new products and solutions for the electrifying automotive and non-road machinery industries from its innovation. Potential technology and business acquisitions are part of the company's growth strategy. The company's values and responsibility are a key part of its day-to-day activities. The company started responsibility activities and aims to actively reduce its carbon footprint.

Net sales and the development of profit

In 2020, Proventia's net sales decreased by 7.2% from the previous year to EUR 39.4 (42.4) million. (The figures in brackets refer to the corresponding period in the previous year, unless otherwise indicated.) The Powertrain Systems and Components business area's net sales decreased by 17.7% to EUR 31.8 (38.6) million. The Test Solutions business area's net sales increased by 97.5% from the comparative period to EUR 7.6 (3.8) million. In 2020, operating profit decreased by 16.0% to EUR 2.6 (3.1) million. The operating result was EUR 1.8 (2.1) million. Undiluted earnings per share were EUR 0.13 (0.15). Diluted earnings per share were EUR 0.12 (0.14).

Balance sheet, cash flow and financing

At the end of 2020, the consolidated balance sheet total stood at EUR 34.7 (28.6) million. The Group's equity ratio was 53.1% (53.3%). The Group's cash flow from operating activities was EUR 1.6 (9.1) million. At the end of 2020, the Group's liquid assets amounted to EUR 6.2 (3.8) million. In addition, the company has a revolving credit facility of EUR 5.0 million, of which EUR 0.0 (0.0) million were in use on the closing date. On 31 December 2020, the Group's interest-bearing liabilities stood at EUR 4.8 (3.2) million.

Research and development

R&D expenses totalled EUR 1.1 million (EUR 2.0 million in 2019 and EUR 1.7 million in 2018), comprising 2.7% of the Group's net sales (4.7% in 2019 and 4.5% in 2018). R&D expenses have been capitalised on the balance sheet as development expenses in the amount of EUR 0.2 million (EUR 1.4 million in 2019 and EUR 1.2 million in 2018). R&D expenses recognised through profit or loss totalled EUR 0.9 million (EUR 0.6 million in 2019 and EUR 0.6 million in 2018).

Investments

The Group's investments in tangible and intangible assets were EUR 0.8 (5.1) million. Due to the coronavirus pandemic, the company postponed its investments during the financial year.

Personnel

During the financial year, the Group had an average of 152 employees (142 employees in 2019 and 92 employees in 2018).

Sums in EUR	2020	2019	2018
KEY FIGURES: PERFORMANCE AND FINANCIAL POSITION			
Proventia Group's key figures			
Net sales	39,351,805	42,420,524	38,298,943
Operating profit	2,603,584	3,097,841	4,713,082
Operating profit, %	6.6%	7.3%	12.3%
Return on equity (ROE), %	13.4%	18.8%	41.8%
Equity ratio, %	53.1%	53.3%	39.8%
Return on capital employed (ROCE), %	16.7%	26.4%	41.6%
Net debt	-1,407,278	-618,093	3,419,405
Parent company's key figures			
Net sales	1,726,207	1,823,898	1,418,186
Operating profit/loss	-55,118	-38,055	-852,096
Operating profit, %	-3.2%	-2.1%	-60.1%
Return on equity (ROE), %	0.0%	-0.8%	-13.0%
Equity ratio, %	97.1%	96.9%	95.7%
Return on capital employed (ROCE), %	0.0%	-0.6%	-13.2%
Net debt	-231,066	-52,604	-185,238

The key figures have been calculated as follows:

Return on equity (ROE), %	= (Profit before appropriations and taxes + taxes) ÷ Average shareholders' equity during the year × 100
Equity ratio, %	= Shareholders' equity ÷ (Balance sheet total – advances received) × 100
Return on capital employed (ROCE), %	= (Profit before appropriations and taxes + financial expenses) ÷ (Average shareholders' equity during the year + average interest-bearing liabilities during the year) × 100
Net debt	= Interest-bearing liabilities – cash in hand and at bank

At the end of the financial year, the Group had 142 employees (157 employees in 2019 and 118 employees in 2018). Of these, 117 worked in Finland, 24 in the Czech Republic and 1 in the UK.

Group structure

The Group's parent company is Proventia Group Corporation, which is a Finnish limited liability company. The company is domiciled in Oulu, Finland. The Group's subsidiaries are Proventia Oy, Proventia Czech s.r.o., Proventia UK Limited and Proventia Americas LLC. Proventia Americas LLC is not engaged in business operations, and its dissolution process is in progress.

Proventia established its subsidiary Proventia UK Ltd. in Milton Keynes in the UK in January 2020. Proventia Emission Control GmbH, a subsidiary not engaged in business operations, was discontinued in April 2020.

Board of Directors, management and auditors

Harri Suutari, Lauri Antila, Tommi Salunen, Johnny Pehkonen and Miika Hakola were elected members of the Board of Directors at the Annual General Meeting on 28 May 2020. The Board selected Harri Suutari as its Chairman.

The Board of Directors appointed the Audit Committee from among its members. Tommi Salunen acted as the Chairman of the Audit Committee, and its members were Pekka Sipola until April 2020 and Miika Hakola starting from May 2020.

The Group's Management Team consists of the following positions and members: Jari Lotvonen, CEO; Kaisu Kivioja, CFO; Petri Saari, Vice President, Proventia Emission Control; Aaro Heilala, Director, Proventia Thermal Components; Harri Kervinen, Director, Proventia Test Solutions; Arno Amberla, Director, Technology, Proventia Emission Control; and Tomi Palovaara, and Director, Production, Proventia Emission Control.

PricewaterhouseCoopers Oy has served as the company's auditor, with Sami Posti, APA, as its principal auditor.

Share capital

On 31 December 2020, Proventia Group Corporation's registered share capital was EUR 1,090,281.04 and its total number of shares was 13,942,421. The company has one series of shares, and each share entitles its holder to one vote. The company's shares are registered in the book-entry system maintained by Euroclear Finland Oy. At the end of 2020, the company had 80 shareholders.

Option schemes for key personnel

The company has two option schemes, both of which are divided into three series. Each option entitles its holder to subscribe for one new share in the company. The shareholders' pre-emptive subscription right was deviated from due to a weighty financial reason, as the option rights are intended to be part of the company's incentive system. Option rights include regular conditions related to the validity of employment relationships and restrictions on transferability. The subscription price must be paid in full in conjunction with the subscription, and it will be recognised in the invested unrestricted equity reserve.

Information about the management's option scheme is provided in Note 3.2.

Annual General Meeting

Proventia Group Corporation's Annual General Meeting was held on 28 May 2020. The AGM confirmed the financial statements and consolidated financial statements for 2019 and released the members of the Board of Directors and the CEO from liability. According to the Board of Directors' proposal, the AGM decided that no dividend be distributed for the financial year closed on 31 December 2019. In addition, the AGM decided on fees paid to the members and the Chairman of the Board of Directors.

It was decided that the Board of Directors consists of five members. Harri Suutari, Lauri Antila, Tommi Salunen, Johnny Pehkonen and Miika Hakola were elected members of the Board of Directors.

PricewaterhouseCoopers Oy was selected as the company's auditor, with Sami Posti, APA, as its principal auditor.

The Annual General Meeting of 28 May 2020 authorised the company's Board of Directors to decide on one or more share issues and the provision of special rights in accordance with chapter 10, section 1 of the Limited Liability Companies Act. The authorisation can be used for financing business acquisitions or other business arrangements and investments, carrying out cooperation between companies or other similar arrangements, or strengthening the company's financial and capital structure. A maximum of 4,000,000 shares may be issued or subscribed for based on the authorisation. The authorisation includes the right to implement directed measures if a weighty financial reason exists in accordance with the Limited Liability Companies Act. The authorisation is valid until the next Annual General Meeting, but for no longer than 18 months.

The Annual General Meeting of 28 May 2020 authorised the Board of Directors to decide on the acquisition of treasury shares using the company's unrestricted equity in accordance with chapter 15, section 5, subsection 2 of the Limited Liability Companies Act. The authorisation concerns the acquisition of no more than 500,000 treasury shares in one or more instalments. The authorisation can be used for financing and carrying out business arrangements and investments, or for other purposes determined by the Board of Directors. The authorisation is valid until the next Annual General Meeting, but for no longer than 18 months.

The Annual General Meeting of 28 May 2020 authorised the Board of Directors to decide on the transfer of treasury shares in accordance with chapter 9, section 1, subsection 1 of the Limited Liability Companies Act. The authorisation concerns the transfer of no more than 500,000 treasury shares. The Board is authorised to decide to whom and in which order treasure shares are transferred, as well as determining the transfer price and other terms and conditions of the transfer. The authorisation is valid until the next Annual General Meeting, but for no longer than 18 months.

During the 2020 financial year, the Board did not exercise the authorisation issued by the Annual General Meeting on 28 May 2020 to issue shares or special rights or to acquire or transfer treasury shares.

Shareholders' Nomination Committee

The purpose of the shareholders' Nomination Committee is to prepare proposals for the AGM regarding the election and remuneration of members of the Board of Directors. The Nomination Committee consists of members appointed by the company's three largest shareholders. In addition, the Chairman of the Board of Directors participates in the Nomination Committee's activities in the role of a specialist. The Nomination Committee remains in operation until the AGM decides otherwise. Members of the Nomination Committee are appointed annually, and their term ends when new members are appointed.

Risks and uncertainties

Risk management is part of Proventia's everyday activities, and its purpose is to support the reaching of business goals. The goal of risk management is to create operating conditions where business-related risks are controlled comprehensively and systematically at all organisational levels.

The Group has divided risks into four areas: strategic, operative, financial and accident risks. Strategic risks mean the unfavourable consequences that may arise from unfavourable choices made as part of business strategies and in dimensioning risks in relation to the company's resources.

An operative risk means the unfavourable consequences that arise from defects in management and internal processes. Operative risks also include quality and environmental risks, which mean the unfavourable consequences that may arise from defects in the quality of operations and products. Operative risks also cover risks associated with delivery and planning agreements (contractual risks). These may involve agreement-based responsibilities that arise from incorrect or delayed deliveries or planning measures.

Operative risks also include HR risks, which mean the unfavourable consequences that may arise from defects in the recruitment process, competence, availability of workforce and wellbeing at work. HR risks also include the transfer of key employees from the company, in which case the company may lose important know-how and, in the worst case, know-how may transfer to a competitor.

Operative risks also include risks associated with intellectual property rights (IPR), which mean the unfavourable consequences that may arise if the company's products infringe intellectual property rights or the company's products are not adequately protected.

Financial risks mean the major unfavourable changes taking place in the financial market that may have an impact on the Group's performance, equity and liquidity. Financial risks also include the credit risk, which means the inability of a counterparty to fulfil its obligations, and the liquidity risk, which means the risk associated with the availability of financing at any point in time. In addition, financial risks include the interest rate, cash flow, exchange rate and bank bankruptcy risk. The Group's financing activities and financial risk management have been centralised in the parent company. Financial risks are discussed in more detail in the notes to the financial statements (6.4 Financial risk management).

Accident risks include occupational and corporate safety risks, which mean the unfavourable consequences that may arise from defects in industrial safety, occupational safety and corporate safety. Accident risks also include the product liability risk, which means the unfavourable consequences that may arise from material damage or personal injuries caused by a faulty product or the improper use of a product.

Furthermore, accident risks include information security and information system risks, which mean the unfavourable consequences that may arise if information is not protected from external parties or is not available in real time to the correct persons or if the correctness of information cannot be guaranteed.

The company is continuously implementing measures to mitigate the effects of the risks above. Proventia's risk management process is implemented throughout the Group. In the identification phase, risks are identified in function-specific Risk Management Workshops. The scope and significance of risks are then assessed in the Risk Management Workshops. Once risks have been identified and their scope and significance have been assessed, the Workshops plan actions for the most significant risks so that they can be controlled, reduced or eliminated. Depending on the type and extent of the actions, the actions are submitted for the approval of the CEO or the Board of Directors, as necessary. The risk owners must also prepare more detailed risk management guidelines in writing, as necessary. The risk owners are responsible for implementing and monitoring the planned actions, and for reporting on them.

Extensive societal measures aimed to slow the spread of coronavirus also affected Proventia's business operations. The company operates responsibly and takes care of the health of its employees and stakeholders in compliance with instructions issued by the authorities.

Responsibility

Proventia's operations are guided by its values, mission, and vision. In its operations, the company complies with laws and regulations, and acts openly and honestly, addressing its financial, environmental and social responsibility. Proventia's Ethical Guidelines define rules that are binding on the entire personnel and guide decisions concerning responsibility in Proventia's operations.

Operating principles are complemented by company-wide policies and plans, including the quality and environmental policy, the occupational safety and health programme, the equality and non-discrimination plan, and guidelines set for procurement and purchases.

Proventia takes care of its financial profitability and competitiveness. The company builds financial wellbeing for society at large and its stakeholders by paying its taxes.

Other information

Proventia Group Corporation has no capital loans, and it has not granted any insider loans. Proventia Group Corporation has pledged EUR 1 million as collateral for Proventia Oy's debts. The company has no foreign affiliates, and it has not recognised financial instruments at the fair value as defined in chapter 5, section 2a, subsection 5 of the Accounting Act.

Events after the financial year

No significant events have taken place in the company's operations or financial position after the financial year.

Outlook

In addition to reducing the local emissions of vehicles and non-road machines, minimising carbon dioxide emissions has also become a significant goal in the automotive and non-road machinery industries. Energy-efficiency and carbon-neutrality goals require the automotive and non-road machinery industries to develop new technologies that improve the energy efficiency and introduce new zero-carbon fuels, such as hydrogen, e-fuel and biogas. These development steps open up new business opportunities for Proventia. The need to test new technologies and power sources continues to increase in test system markets. Proventia will continue to develop the solutions required to test electric vehicles powertrains and hydrogen fuel cells.

Emissions of non-road machines will be restricted further by law, and energy efficiency will be improved by developing electric and hybrid systems. Proventia will be actively involved in their development.

Net sales and operating profit in 2021 are expected to increase from 2020. In 2020, net sales were EUR 39.4 million, and operating profit was EUR 2.6 million. However, it is still difficult to make estimates, and the current market conditions are increasing uncertainties over the future.

The Board of Directors' proposal for distribution of profit

Proventia Group Corporation's distributable funds total EUR 5,494,807.25. The Board proposes that the profit for the period (EUR 779.80) be transferred to retained earnings and that no dividend be paid.

CONSOLIDATED INCOME STATEMENT

Sums in EUR	Note	1 Jan 2020 – 31 Dec 2020	1 Jan 2019 – 31 Dec 2019
Net sales	2.1	**39,351,805**	**42,420,524**
Change in inventories of finished goods and work in progress		-746,815	-714,009
Other operating income	2.3	394,981	146,080
Materials and services	2.2	-22,149,762	-23,627,313
Personnel expenses	3.1	-6,747,496	-6,660,848
Depreciation and impairment	2.4	-2,520,902	-1,995,290
Other operating expenses	2.3	-4,978,226	-6,471,303
Operating profit		**2,603,584**	**3,097,841**
Financial income and expenses	6.3	-161,852	-130,846
Profit before taxes		**2,441,732**	**2,966,995**
Income tax	2.5	-663,014	-844,298
Profit for the period		**1,778,718**	**2,122,696**

CONSOLIDATED BALANCE SHEET

Sums in EUR	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets	4.1	3,013,976	3,805,485
Tangible assets	4.2	5,537,619	6,452,530
Non-current assets, total		**8,551,595**	**10,258,014**
Current assets			
Inventories	5.1	6,549,013	6,863,977
Non-current receivables			
Other receivables	5.2	50,781	47,583
Non-current receivables, total		50,781	47,583
Current receivables			
Sales receivables	5.2	4,261,905	6,032,218
Other receivables and accrued income	5.2	9,036,203	1,597,269
Current receivables, total		13,298,109	7,629,486
Cash in hand and at bank	6.2	6,224,041	3,772,860
Current assets, total		**26,121,944**	**18,313,906**
TOTAL ASSETS		**34,673,539**	**28,571,920**

Sums in EUR	Note	31 Dec 2020	31 Dec 2019
LIABILITIES			
Shareholders' equity	6.1		
Share capital		1,090,281	1,090,281
Invested unrestricted equity reserve		4,562,371	4,562,371
Retained earnings (losses)		6,668,520	4,575,675
Profit for the period		1,778,718	2,122,696
Shareholders' equity, total		**14,099,890**	**12,351,023**
Obligatory provisions	7.1	746,790	877,127
Debt			
Non-current debt			
Trade payables		0	343
Loans from financial institutions	6.2	3,795,210	2,202,857
Non-current debt, total		3,795,210	2,203,200
Current debt			
Loans from financial institutions	6.2	1,021,554	951,910
Advances received	5.3	8,097,889	5,408,006
Trade payables	5.3	4,799,328	3,623,695
Other payables and accrued liabilities	5.3	2,112,878	3,156,959
Current debt, total		16,031,649	13,140,569
Debt, total		**19,826,859**	**15,343,770**
TOTAL LIABILITIES		**34,673,539**	**28,571,920**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Sums in EUR	Note	Share capital	Invested unrestricted equity reserve	Retained earnings	Total
Shareholders' equity, 1 Jan 2020		**1,090,281**	**4,562,371**	**6,698,371**	**12,351,023**
Translation differences				-29,851	-29,851
Profit for the period				1,778,718	1,778,718
Shareholders' equity, 31 Dec 2020	**6.1**	**1,090,281**	**4,562,371**	**8,447,239**	**14,099,890**
Shareholders' equity, 1 Jan 2019		1,090,281	4,562,371	4,590,781	10,243,433
Translation differences				-15,106	-15,106
Profit for the period				2,122,696	2,122,696
Shareholders' equity, 31 Dec 2019	**6.1**	**1,090,281**	**4,562,371**	**6,698,371**	**12,351,023**

CONSOLIDATED CASH FLOW STATEMENT

Sums in EUR	2020	2019
Cash flow from operating activities:		
Profit before taxes	2,441,732	2,966,995
Adjustments:		
Planned depreciation	2,520,902	1,995,290
Financial income and expenses	161,852	130,846
Other adjustments	-160,189	76,030
Cash flow before changes in working capital	4,964,298	5,169,162
Changes in working capital		
Changes in current non-interest-bearing trade receivables	-5,741,215	8,344,264
Change in inventories	314,963	1,182,419
Changes in current non-interest-bearing liabilities	2,390,092	-4,288,515
Interest paid and payments on other operating financial expenses	-214,577	-131,314
Direct taxes paid	-162,618	-1,178,526
Cash flow from operating activities (A)	1,550,942	9,097,489

Sums in EUR	2020	2019
Cash flow from investing activities:		
Investments in tangible and intangible assets	-827,986	-5,059,991
Sales gains from tangible and intangible assets	13,503	0
Repayment of capital loans	52,725	0
Cash flow from investing activities (B)	-761,758	-5,059,991
Cash flow from financing activities:		
Withdrawals of long-term and short-term loans	2,000,000	1,942,446
Repayments of long-term loans	-338,003	-3,269,689
Cash flow from financing activities (C)	1,661,997	-1,327,243
Changes in cash and cash equivalents (increase +, decrease -) (A+B+C)	2,451,182	2,710,255
Cash and cash equivalents at the beginning of the period	3,772,860	1,062,604
Cash and cash equivalents at the end of the period	6,224,041	3,772,860

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 INFORMATION ABOUT THE FINANCIAL STATEMENTS

1.1 General information

These consolidated financial statements concern Proventia Group Corporation (hereinafter the "company") and its subsidiaries (collectively "Proventia" or the "Group").

The Group's parent company is Proventia Group Corporation, which is a Finnish limited liability company. Its business ID is 1612236-0, its domicile is Oulu and its headquarters' registered address is Tietotie 1, 90460 Oulunsalo. Copies of the consolidated financial statements are available from Proventia Group Corporation's headquarters.

The Group's subsidiaries are Proventia Oy, Proventia Czech s.r.o., Proventia UK Limited and Proventia Americas LLC. Proventia Americas LLC is not engaged in business operations, and its dissolution process is in progress. Proventia Emission Control GmbH, a subsidiary not engaged in business operations, was discontinued during the financial year.

Proventia Group is part of the Head Invest Group, a group of technology companies. Proventia Group is consolidated into Head Invest Oy's consolidated financial statements.

1.2 Accounting principles

These consolidated financial statements have been prepared in accordance with the Finnish Accounting Act and good accounting practices. These consolidated financial statements have been prepared using the original acquisition cost, unless otherwise mentioned.

The company's operating currency is the euro, which is also the currency in which its financial statements are presented. Business transactions denominated in foreign currencies have been converted into euros using exchange rates valid on the transaction date. Receivables and liabilities denominated in foreign currencies have been converted into euros using exchange rates valid on the closing date. Exchange rate differences are recognised in financial income and expenses.

The notes to Proventia's financial statements are divided into seven sections: "Information about the financial statements", "Key performance information", "Personnel", "Research, development and investment", "Working capital", "Shareholders' equity and net debt", and "Other notes". These sections include the significant accounting principles related to them.

1.3 Accounting principles requiring estimation and judgment

When preparing financial statements, certain decisions must be made based on judgment, in addition to estimates and assumptions, which may affect the amount of assets and liabilities on the balance sheet, as well as the amount of income and expenses. Even though these estimates and assumptions are based on the management's best knowledge on the closing date, it is possible that the actual results will differ from the estimates and assumptions used in the financial statements. When preparing the financial statements, judgment has been used with regard to estimating the effects of uncertainties and applying the accounting principles.

The management's estimates and assumptions are discussed in the following notes:

Decisions and estimates based on judgment	Note
Recognition according to level of completion	2.1
Other intangible assets (capitalised development expenses)	4.1
Useful lives of tangible assets	4.2
Receivables	5.2
Warranty provisions	7.1

2 KEY PERFORMANCE INFORMATION

2.1 Distribution of net sales

Proventia focuses on two business areas: Test Solutions, and Powertrain Systems and Components. The Group's net sales in 2020 were EUR 39.4 (42.4) million. The Powertrain Systems and Components business area's net sales in 2020 were EUR 31.8 million, or 81% of the Group's net sales (2019: 38.6 million, or 91% of net sales). The Test Solutions business area's net sales in 2020 were EUR 7.6 million, or 19% of the Group's net sales (2019: 3.8 million, or 9% of net sales).

Sums in EUR	2020	2019
NET SALES BY BUSINESS AREA		
Powertrain Systems and Components	31,761,529	38,577,004
Test Solutions	7,590,276	3,843,519
Total	**39,351,805**	**42,420,524**

Sums in EUR	2020	2019
NET SALES BY MARKET AREA		
Europe	38,289,685	41,367,982
Other continents	1,062,120	1,052,542
Total	**39,351,805**	**42,420,524**

Sums in EUR	2020	2019
BREAKDOWN OF NET SALES		
Net sales according to level of completion	7,589,168	3,843,453
Other net sales	31,762,637	38,577,070
Total	**39,351,805**	**42,420,524**
LONG-TERM PROJECTS		
Amount of income from long-term projects in consolidated net sales	7,589,168	3,843,453
Amount of income recognised according to level of completion of long-term projects not yet delivered to customers in the review period and previous periods	7,589,168	569,344
Amount of received prepayments recognised for long-term projects in progress on the balance sheet	5,666,875	2,548,689
Amount of receivables recognised for long-term projects in progress on the balance sheet	8,158,512	569,344

The unrecognised net sales of incomplete projects in the Test Solutions business area were EUR 4.1 million on 31 December 2020.

Accounting principles: recognition of sales

Income from the sale of products and services is presented as net sales. Income from the sale of goods is recognised once the significant risks related to the ownership of the goods have been transferred to the buyer. Sales are recognised in net sales in accordance with the terms of delivery. Products sold as installed are recognised once the product has been installed. Income from R&D and test services is recognised in the financial period during which the service is performed.

Income and expenses related to long-term projects have been recognised as income and expenses according to the level of completion (percentage-of-completion method, POC). The level of completion of long-term projects has been determined based on the expenses incurred in relation to the estimated total expenses of the project. Accrued income includes incomplete long-term projects recognised in accordance with the POC method, and received prepayments include prepayments received from partially recognised projects. The POC method only applies to sales of test units related to projects in the Test Solutions business area. The POC method is used in accordance with the prudence principle as described in the Accounting Act.

Decisions and estimates based on judgment: recognition according to level of completion

Long-term projects are recognised according to their level of completion. The level of completion and the result of a project are based on the management's estimates of the implementation of the project. These estimates are reviewed on a regular basis. Changes in estimates based on judgment are primary related to changes in schedules and expenses and any other factors.

2.2 Materials and services

Materials and services consist of purchases of raw materials and services purchased from subcontractors.

Sums in EUR	2020	2019
MATERIALS AND SERVICES		
Substances, supplies and goods		
Purchases during the financial year	19,354,368	20,891,776
Increases in stocks	710,127	-511,436
External services	2,085,266	3,246,972
Total	**22,149,762**	**23,627,313**

2.3 Other operating income and expenses

Sums in EUR	2020	2019
OTHER OPERATING INCOME		
Grants received	338,532	52,116
Sales gains from fixed assets	-4,601	8,916
Other operating income	61,050	85,049
Total	**394,981**	**146,080**
OTHER OPERATING EXPENSES		
Facility expenses	1,358,338	1,317,513
IT, device and equipment expenses	973,219	933,042
Travel expenses	217,688	841,845
Sales and marketing expenses	725,264	1,548,144
Administrative services and other administrative expenses	908,111	1,111,950
Other expense items	795,606	718,810
Total	**4,978,226**	**6,471,303**
AUDITORS' FEES		
Auditing	52,974	29,391
Tax consultancy services	11,650	62,102
Other services	0	16,259
Total	**64,624**	**107,752**

2.4 Depreciation and impairment

Sums in EUR	2020	2019
DEPRECIATION BY ASSET GROUP		
Development expenses	740,500	614,612
Intellectual property rights	181,665	149,953
Other capitalised long-term expenses	281,426	238,863
Machinery and equipment	1,317,311	991,862
Depreciation, total	**2,520,902**	**1,995,290**

Accounting principles: depreciation

Property, plant and equipment, as well as intangible assets, are recognised on the balance sheet at acquisition cost less depreciation according to plan and any impairment. Depreciation according to plan is calculated as straight-line depreciation based on useful lives. Small purchases are recognised as expenses for the financial year. The useful lives are presented in Notes 4.1 and 4.2.

2.5 Income tax

Sums in EUR	2020	2019
Income tax	-593,618	-746,510
Deferred tax	-69,395	-97,788
Total	**-663,014**	**-844,298**

Accounting principles: income tax

Income tax for the financial year consists of taxes based on taxable income and deferred tax. Taxes based on taxable income for the financial year are calculated in accordance with current tax regulations.

Deferred tax is recognised for temporary differences between taxable amounts and book values of assets and liabilities. Deferred tax assets are recognised to the extent that it is probable that they can be used against taxable income. Deferred tax is discussed in more detail in Note 7.3.

3 PERSONNEL

3.1 Number of employees and personnel expenses

Sums in EUR	2020	2019
NUMBER OF EMPLOYEES		
Average number for the period	152	142
Number of employees at the end of the period	142	157
BREAKDOWN OF PERSONNEL EXPENSES		
Salaries and fees	5,875,327	5,448,309
Pension expenses	711,063	1,014,459
Other statutory indirect expenses	161,106	198,079
Total	**6,747,496**	**6,660,848**

The employees are paid a monthly salary or are paid by the hour. The company had a bonus scheme in 2020. The Board of Directors defines the bonus scheme and its terms and conditions annually. Bonuses are paid based on the achievement of the targets set for the financial year. Personnel expenses are recognised on an accrual basis. Personnel expenses did not include any bonus expenses in 2020 or 2019.

Pension arrangements

Pension security for the company's employees is arranged with an external pension insurance company in accordance with the Employees Pensions Act. Pension expenses are recognised in the period during which they were incurred and are included in personnel expenses.

3.2 Related-party transactions

The Group's related parties include its parent company and the subsidiaries mentioned in Note 7.2, as well as the companies belonging to the Head Invest Group. Related parties also include members of the Board of Directors and the Management Team, the CEO, the family members of the aforementioned individuals, and companies that they control.

In the financial year of 2020, the Group's related-party transactions were EUR 381,000 (362,000). The most significant related-party transactions were carried out with companies of the Head Invest Group and totalled EUR 366,000 (362,000) in 2020. Of these, the most significant item consists of rents for facilities, totalling EUR 302,000 (297,000) in 2020. Other related-party transactions comprise purchases of administration services and payroll services from the Head Invest Group. These related-party transactions were carried out on typical market terms. The Group does not have related-party loans.

The management's salaries and fees

The Board of Directors decides on the remuneration of the CEO and the members of the Management Team, as well as the grounds for their remuneration. The CEO's and the Management Team members' salaries consist of a monthly salary and a bonus. The Board of Directors determines the terms and conditions of the bonus annually. Bonuses are paid to the CEO and the Management Team members based on the achievement of the targets set for the financial year. The CEO's, Management Team members' and Board members' salaries and fees in 2020 and 2019 were as follows:

Sums in EUR	2020	2019
CEO's and Management Team members' salaries and fees	728,354	699,037
Board members' salaries and fees	124,500	123,000
Total	**852,854**	**822,037**

The management's option scheme

Proventia currently has two option schemes for its key personnel. In addition to serving as incentives, the option schemes are intended to increase commitment. The option scheme implemented by the company's Board of Directors in 2015 entitles its key personnel to subscribe for a total of 470,000 shares at a price of EUR 0.36 per share in 2016–2025. The option scheme implemented in 2016 entitles the company's key personnel to subscribe for a total of 1,193,800 shares at a price of EUR 0.50 per share in 2019–2024. Option rights include regular conditions related to the validity of employment relationships and restrictions on transferability.

Option schemes	Subscription price	Number of option rights	Subscription period
2015A	EUR 0.36 per share	156,665	28 Feb 2016 to 28 Feb 2023
2015B	EUR 0.36 per share	156,665	28 Feb 2017 to 28 Feb 2024
2015C	EUR 0.36 per share	156,670	28 Feb 2018 to 28 Feb 2025
2016D	EUR 0.50 per share	397,934	28 Feb 2019 to 28 Feb 2022
2016E	EUR 0.50 per share	397,932	28 Feb 2020 to 28 Feb 2023
2016F	EUR 0.50 per share	397,934	28 Feb 2021 to 28 Feb 2024

4 RESEARCH, DEVELOPMENT AND INVESTMENT

4.1 Research and development expenses, other intellectual property rights and capitalised long-term expenses

Sums in EUR	2020	2019
Research and development expenses, total	1,081,851	1,991,885
Amount of product development costs capitalised as development expenses on the balance sheet:	198,408	1,356,469
Depreciation of research and development expenses	740,500	614,612
Research and development expenses recognised through profit or loss	883,444	635,416
Research and development expenses, % of net sales	2.75%	4.70%

Accounting principles: intangible assets

Intangible assets are recognised on the balance sheet at acquisition cost less depreciation according to plan and impairment. Depreciation according to plan is calculated as straight-line depreciation based on the useful life of the asset.

The following depreciation methods and periods are used when calculating depreciation according to plan:

Development expenses	Straight-line depreciation, 5 years
Intellectual property rights	Straight-line depreciation, 5 years
Capitalised long-term expenses	Straight-line depreciation, 3–10 years

The useful lives of assets are reviewed at the end of each financial year and are adjusted accordingly, if necessary.

Development expenses

Expenses related to development operations carried out during the financial year have been capitalised on the balance sheet. Development expenses related to products intended for sale have been capitalised in accordance with the Accounting Act. The capitalised expenses consist of expenses related to materials and employees.

Decisions and estimates based on judgment: capitalised development expenses

The management has used its judgment and made assumptions when estimating whether the expenses generated during the development phases of development projects meet the criteria for being capitalised as intangible assets. The management's judgment has been applied to the determination of acquisition costs and useful lives. The management's judgment has also been used when estimating the income to be expected from development projects. These estimates concern future net sales and the corresponding expenses. They involve uncertainties, and it is possible that the income to be expected from development projects changes if the conditions change. Any indications of impairment related to development projects are estimated by taking all relevant factors into account. If the expected income changes, the value of capitalised development projects may decrease.

Changes in intangible assets are presented in the following table:

Sums in EUR	2020	2019
Development expenses		
Acquisition cost, 1 Jan	7,701,840	6,345,372
Increase	198,408	1,356,469
Acquisition cost, 31 Dec	7,900,248	7,701,840
Accumulated depreciation according to plan	-5,348,278	-4,733,667
Depreciation for the period	-740,500	-614,612
Book value, 31 Dec	1,811,469	2,353,562
Intellectual property rights		
Acquisition cost, 1 Jan	2,074,339	1,803,537
Increase	145,562	270,802
Acquisition cost, 31 Dec	2,219,901	2,074,339
Accumulated depreciation according to plan	-1,502,566	-1,352,614
Depreciation for the period	-181,665	-149,953
Book value, 31 Dec	535,670	571,773
Other capitalised long-term expenses		
Acquisition cost, 1 Jan	1,464,628	1,037,809
Increase	68,113	426,820
Acquisition cost, 31 Dec	1,532,741	1,464,628
Accumulated depreciation according to plan	-584,479	-345,615
Depreciation for the period	-281,426	-238,863
Book value, 31 Dec	666,836	880,150
Intangible assets, total	**3,013,975**	**3,805,484**

4.2 Machinery and equipment

Tangible assets consist of machinery and equipment, as well as office furniture, which are depreciated using the straight-line method over useful lives of 3–10 years.

Sums in EUR	2020	2019
Machinery and equipment		
Acquisition cost, 1 Jan	11,093,294	8,087,394
Increase	415,903	3,006,206
Decrease	-13,503	-306
Acquisition cost, 31 Dec	11,495,695	11,093,294
Accumulated depreciation according to plan	-4,640,765	-3,648,902
Depreciation for the period	-1,317,311	-991,862
Book value, 31 Dec	5,537,619	6,452,530
Tangible assets, total	**5,537,619**	**6,452,530**

Accounting principles: tangible assets

Non-current assets are measured at direct acquisition cost. Small purchases, as well as commodities with useful lives shorter than three years, are recognised as expenses for the financial year. With regard to commodities recognised in non-current assets on the balance sheet, depreciation according to plan is recognised as of the month immediately following the acquisition month, or as of the month of implementation, depending on which comes later.

Decisions and estimates based on judgment: useful lives of tangible assets

Depreciation is based on the management's estimates of the useful lives of tangible assets. The estimates may change due to technological development and other factors, which may cause changes to the estimated useful life and depreciation recognised in the income statement.

5 WORKING CAPITAL

5.1 Inventories

Sums in EUR	2020	2019
Substances and supplies	3,369,668	4,079,795
Work in progress	437,046	603,412
Finished products	1,515,918	2,096,368
Prepayments on inventories	1,226,381	84,402
Inventories, total	**6,549,013**	**6,863,977**

Accounting principles: inventories

Inventories are measured at the lower of acquisition cost and selling price. The acquisition cost includes purchasing expenses, production expenses and other expenses arising from the achievement of the current condition of inventories. Purchasing expenses include the purchase price, transportation costs and other costs directly attributable to the acquisition of services. Production expenses include direct costs arising from materials and work performance.

5.2 Sales and other receivables

Sales receivables consist of products sold or services delivered to the customer in the ordinary course of business. Credit losses on sales receivables are presented in other operating expenses in the income statement.

Current receivables mainly include accrued income arising from the Group's ordinary operations. On 31 December 2020, non-current receivables totalled EUR 51,000 (EUR 48,000 on 31 December 2019) and consisted of rent deposits.

Current sales receivables and other receivables consisted of the following items:

Sums in EUR	2020	2019
Sales receivables	4,261,905	6,032,218
Other receivables	330,886	360,246
Accrued income	8,553,245	1,061,574
Deferred tax assets	152,072	175,449
Total	**13,298,109**	**7,629,486**

Material items included in accrued income		
Receivables from long-term projects (POC method)	8,158,512	569,344
Other accrued income	394,733	492,230
Total	**8,553,245**	**1,061,574**

Decisions and estimates based on judgment: receivables

With regard to receivables, it has been estimated whether there is any indication of impairment. Sales receivables are measured at the amount of the original receivable. Credit losses recognised for individual sales receivables are based on the company's best knowledge of the credit risk related to the customer. Proventia's credit losses on sales receivables have remained minimal.

5.3 Trade and other payables

Sums in EUR	2020	2019
Trade payables	4,799,328	3,623,695
Other current liabilities	510,831	1,285,713
Advances received	8,097,889	5,408,006
Accrued liabilities	1,369,529	1,684,747
Deferred tax liabilities	232,518	186,499
Total	**15,010,095**	**12,188,660**
Material items included in accrued liabilities		
Allocation of personnel expenses	1,055,557	1,156,354
Other	313,973	528,393
Total	**1,369,529**	**1,684,747**

Trade payables are non-interest-bearing and are mainly paid within 14–45 days. Advances received consist of sales related to long-term projects or are prepayments on projects to be recognised based on commissioning.

6 SHAREHOLDERS' EQUITY AND NET DEBT

6.1 Shareholders' equity

Proventia's shareholders equity consists of its share capital, invested unrestricted equity reserve and retained earnings. In addition, shareholders' equity includes the result of accumulated depreciation difference less deferred tax liabilities.

On 31 December 2020, Proventia Group Corporation's registered share capital was EUR 1,090,281.04 and its total number of shares was 13,942,421. The company has one series of shares, and each share entitles its holder to one vote. The company's shares are registered in the book-entry system maintained by Euroclear Finland Oy.

According to the shareholder register on 31 December 2020, Head Invest Oy's holding of shares and votes in Proventia Group Corporation was 70.18%. Proventia Group is consolidated into Head Invest Oy's financial statements.

No changes took place in the invested unrestricted equity reserve during 2019 or 2020.

6.2 Debt and cash in hand and at bank

The Group's loans include bank loans and hire purchase liabilities. Its bank loans are floating-rate loans.

Sums in EUR	2020	2019
FINANCIAL LIABILITIES		
Long-term loans		
Bank loans	3,694,286	1,980,000
Hire purchase liabilities	100,924	222,857
Long-term loans, total	3,795,210	2,202,857
Short-term loans		
Bank loans	780,714	660,000
Hire purchase liabilities	240,840	291,910
Short-term loans, total	1,021,554	951,910
Financial liabilities, total	**4,816,764**	**3,154,767**
Cash in hand and at bank	**6,224,041**	**3,772,860**

In 2020, the Group's loans consisted of three bank loans and hire purchase liabilities. The Group withdrew a bank loan of EUR 2 million in June 2020. The loans have a five-year term and are repaid in monthly instalments with a floating rate of interest tied to the Euribor rate. The loan agreements include regular covenants related to the company's equity ratio. Proventia complied with these covenant terms during the 2020 financial year. The loans are secured against corporate mortgages. The company has access to a revolving credit facility of EUR 5.0 million. The credit facility was not in use on the closing date. Cash and cash equivalents consist of cash at bank.

6.3 Financial income and expenses

Sums in EUR	2020	2019
Financial income		
Other interest and financial income	65,785	3,928
Exchange rate gains	201,376	882,910
Financial income, total	**267,161**	**886,838**
Financial expenses		
Interest and other financial expenses	-102,737	-105,577
Exchange rate losses	-326,276	-912,108
Financial expenses, total	**-429,013**	**-1,017,685**
Financial income and expenses, total	**-161,852**	**-130,846**

Accounting principles: financial income and expenses

Financial expenses consist of interest on bank loans, hire purchase liabilities and credit facilities, as well as of exchange differences related to business operations. Transaction costs related to loans are recognised through profit or loss.

6.4 Financial risk management

Liquidity risk

The purpose of financial risk management is to ensure that financial assets are sufficient for the needs of business operations and financing at all times. The Group's financial department is responsible for the operational monitoring and management of the liquidity risk, and it manages the sufficiency of financing based on a rolling forecast.

Credit risk

Credit risk refers to the risk that the counterparty fails to meet its contractual obligations and thereby causes the company to suffer a financial loss. With regard to financing, Proventia considers all of its major counterparties to be reliable, as they represent significant and well-established financial institutions.

The credit risk related to sales receivables is managed by only giving normal payment times to customers. Before customers are approved, their creditworthiness is assessed. The company actively monitors the amounts of overdue receivables and decides on the necessary measures.

Interest rate risk

The Group's bank loans consist of floating-rate loans. Its loans are tied to the Euribor rate, which exposes Proventia to the cash flow risk arising from floating-rate loans. To manage the interest rate risk, the company may tie up to 50% of the Group's loans to fixed-rate loans with maturities of two to five years. The parent company monitors the interest rate risk related to the loan portfolio and may change the interest rate maturity of its loans by means of forward contracts, interest rate options and interest rate swaps.

Currency risk

The Group operates in international markets and can therefore be exposed to a currency risk arising from changes in exchange rates. Currently, the currency risk is specifically linked with the transaction and translation risk related to the GBP and CZK. Apart from that, nearly all of the Group's income and expenses are generated in euros. Currency risks are hedged against by means of forward contracts and currency options, if necessary. Derivatives are only used for hedging purposes.

6.5 Derivatives

The company may hedge against changes in exchange rates by means of standard derivative instruments, such as forward contracts. The Group does not actively use derivatives to hedge against the currency risk. However, it may use forward contracts to hedge significant business transactions denominated in foreign currencies. Exchange differences resulting from hedges are recognised in financial income and expenses in the income statement. The company had no outstanding forward contracts on the closing date.

6.6 Off-balance sheet commitments

Sums in EUR	2020	2019
PLEDGES AND CONTINGENT LIABILITIES		
Securities and mortgages for own liabilities		
Business mortgages	15,300,000	11,300,000
Revolving credit facilities		
Total amount of granted credit facilities	5,000,000	3,000,000
In use	0	0
Amounts to be paid on leasing agreements (incl. VAT)		
To be paid during the next financial year	214,323	278,659
To be paid later	349,800	287,732
Total	**564,122**	**566,392**
Other contractual liabilities (incl. VAT)		
To be paid during the next financial year	1,361,508	1,222,956
To be paid later	3,260,396	3,445,633
Total	**4,621,904**	**4,668,590**
Commercial bank guarantees	168,231	191,792
Liabilities for which mortgages or pledges have been given as securities		
Loans from financial institutions	4,475,000	2,640,000
Total	**4,475,000**	**2,640,000**

Other contractual liabilities consist of rental liabilities related to facilities. Rental obligations consist of future rents on Proventia's facilities in Finland, the Czech Republic, and the UK. Lease agreements are valid either until further notice or for a fixed period. They include the option to extend the agreement beyond its original end date. Bank guarantees consist of a performance guarantee and advance payment guarantees.

7 OTHER NOTES

7.1 Provisions

Sums in EUR	2020	2019
Warranty provisions	746,790	877,127
Total	**746,790**	**877,127**

Accounting principles: provisions

A provision is recognised on the balance sheet when the Group has a legal obligation or an actual obligation to do so because of an earlier event. A provision is made when it is probable that fulfilling an obligation requires a financial performance or may cause a financial loss.

Proventia's provisions are warranty provisions based on agreements. A typical warranty is valid for one year. The amount of a warranty provision is determined based on knowledge arising from experiences of the realisation of warranty expenses. A warranty provision is calculated based on percentage of sales of goods. This percentage is estimated by comparing actual warranty expenses with net sales subject to warranties.

Decisions and estimates based on judgment: warranty provisions

Warranty provisions require decisions based on judgment. A warranty provision is based on the company's best knowledge of the level of warranty provisions required to cover the company's future warranty expenses. Products may include new, complex technologies, which may affect values and lead to a situation where earlier provisions are not sufficient.

7.2 Group companies

These consolidated financial statements concern the parent company and its subsidiaries. Subsidiaries are companies in which Proventia Group Corporation exercises control and in which it holds more than 50% of votes directly or indirectly, or in which it otherwise exercises actual control.

Proventia established its subsidiary Proventia UK Ltd. in Milton Keynes in the UK in January 2020. Proventia Emission Control GmbH, a subsidiary not engaged in business operations, was discontinued during the financial year.

On 31 December 2020, the Group had the following subsidiaries:

Parent company	Country of registration	Group's holding (%)
Proventia Group Corporation	Finland	
Subsidiaries		
Proventia Oy	Finland	100
Proventia Czech s.r.o.	Czech Republic	100
Proventia Americas LLC	USA	100
Proventia UK Limited	UK	100

Of the subsidiaries, Proventia Oy, Proventia Czech s.r.o. and Proventia UK Limited are engaged in business operations. Proventia Americas LLC is not engaged in business operations, and its dissolution process is in progress.

The consolidated financial statements include all of the Group companies. All intra-Group transactions, receivables and liabilities, as well as internal margins on inventories and fixed assets, are eliminated when preparing the consolidated financial statements.

Foreign subsidiaries

Foreign subsidiaries' financial statements have been adapted and grouped in accordance with the Finnish Accounting Act. Foreign companies' income statements have been converted into euros using the weighted average exchange rate for the financial year, and their balance sheets have been converted into euros using the exchange rate of the balance sheet date. The exchange differences resulting from the conversion, as well as the translation differences related to the conversion of shareholders' equities of foreign subsidiaries, are presented in retained earnings.

7.3 Deferred tax

Sums in EUR	2020	2019
DEFERRED TAX ASSETS		
Warranty provisions	149,382	175,449
Confirmed losses	2,691	0
Total deferred tax assets	**152,072**	**175,449**
DEFERRED TAX LIABILITIES		
Accumulated depreciation differences	232,518	186,499
Total deferred tax liabilities	**232,518**	**186,499**

Accounting principles: deferred tax

Deferred tax is recognised for temporary differences between taxable amounts and book values of assets and liabilities. Deferred tax is calculated using tax rates valid at the time of preparing the financial statements, or tax rates for future years, provided that the rates have been confirmed. Deferred tax assets are recognised to the extent that it is probable that they can be used against future taxable income.

Deferred tax assets are related to obligatory provisions that are not deductible until warranty expenses are incurred in the future. Part of deferred tax assets are associated with the parent company's confirmed losses. Deferred tax liabilities are associated with accumulated depreciation differences. The amount of accumulated depreciation differences included in shareholders' equity was EUR 930,000 (746,000) on 31 December 2020.

PARENT COMPANY'S FINANCIAL STATEMENTS

PARENT COMPANY'S BALANCE SHEET

Sums in EUR	Note	1 Jan 2020 – 31 Dec 2020	1 Jan 2019 – 31 Dec 2019
Net sales	1	**1,726,207**	**1,823,898**
Other operating income	2	2,572	1,447
Materials and services		0	-119
Personnel expenses	3	-606,862	-669,533
Depreciation and impairment	4	-71,161	-49,599
Other operating expenses	5	-1,105,874	-1,144,149
Operating loss		**-55,118**	**-38,055**
Financial income and expenses	6	53,009	-389
Loss before taxes		**-2,109**	**-38,444**
Appropriations	7	0	100,000
Income tax	8	2,889	-12,133
Profit for the period		**780**	**49,424**

PARENT COMPANY'S BALANCE SHEET

Sums in EUR	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets	9	249,657	167,524
Tangible assets	9	4,991	7,313
Investment	10	5,421,157	5,421,157
Non-current assets, total		**5,675,805**	**5,595,995**
Current assets			
Current receivables	11		
Sales receivables		314,999	382,232
Other receivables and accrued income		562,367	763,930
Current receivables, total		877,365	1,146,163
Cash in hand and at bank		231,066	52,604
Current assets, total		**1,108,431**	**1,198,767**
TOTAL ASSETS		**6,784,236**	**6,794,761**

Sums in EUR	Note	31 Dec 2020	31 Dec 2019
LIABILITIES			
Shareholders' equity	12		
Share capital		1,090,281	1,090,281
Invested unrestricted equity reserve		4,562,371	4,562,371
Retained earnings		931,657	882,233
Profit for the period		780	49,424
Shareholders' equity, total		**6,585,088**	**6,584,308**
Debt			
Current debt	13		
Trade payables		54,382	61,375
Other payables and accrued liabilities		144,766	149,078
Current debt, total		199,147	210,453
Debt, total		**199,147**	**210,453**
TOTAL LIABILITIES		**6,784,236**	**6,794,761**

PARENT COMPANY'S CASH FLOW STATEMENT

Sums in EUR	2020	2019
Cash flow from operating activities:		
Loss before taxes	-2,109	-38,444
Adjustments:		
Planned depreciation	71,161	49,599
Financial income and expenses	-53,009	389
Cash flow before changes in working capital	16,043	11,544
Changes in working capital		
Changes in current non-interest-bearing trade receivables	271,488	33,552
Changes in current non-interest-bearing liabilities	-11,306	-80,856
Interest paid and payments on other operating financial expenses	284	-389
Cash flow from operating activities (A)	276,708	-37,059

Sums in EUR	2020	2019
Cash flow from investing activities:		
Investments in tangible and intangible assets	-150,971	-95,575
Repayment of capital loans	52,725	0
Cash flow from investing activities (B)	-98,246	-95,575
Cash flow from financing activities:		
Cash flow from financing activities (C)	0	0
Changes in cash and cash equivalents (increase +, decrease -) (A+B+C)	178,462	-132,634
Cash and cash equivalents at the beginning of the period	52,604	185,238
Cash and cash equivalents at the end of the period	231,066	52,604

PARENT COMPANY'S ACCOUNTING PRINCIPLES

Proventia Group Corporation's financial statements have been prepared in accordance with the Finnish Accounting Act.

Net sales

The parent company's net sales consist of administrative service fees. Income from services is recognised in the financial period during which the service is performed.

Valuation of non-current assets

Non-current assets are recognised on the balance sheet at acquisition cost less depreciation according to plan. Depreciation according to plan is calculated as straight-line depreciation based on useful lives. Depreciation is recognised as of the month immediately following the acquisition month, or as of the month of implementation, depending on which comes later.

Depreciation periods:

Intellectual property rights	Straight-line depreciation, 5 years
Capitalised long-term expenses	Straight-line depreciation, 5–10 years
Machinery and equipment	Straight-line depreciation, 5–10 years

Items denominated in foreign currencies

Business transactions denominated in foreign currencies are converted into euros using the exchange rate of the transaction date. Receivables and liabilities denominated in foreign currencies are converted into euros using the exchange rate of the balance sheet date.

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

Sums in EUR	2020	2019
1. NET SALES		
Other net sales	1,726,207	1,823,898
Total	**1,726,207**	**1,823,898**
2. OTHER OPERATING INCOME		
Other operating income	2,572	1,447
Total	**2,572**	**1,447**
3. NUMBER OF EMPLOYEES AND PERSONNEL EXPENSES		
Average number for the period	11	10
Number of employees at the end of the period	10	9
Breakdown of personnel expenses		
Salaries and fees	522,109	570,269
Pension expenses	72,377	89,424
Other statutory indirect expenses	12,376	9,839
Total	**606,862**	**669,533**

Sums in EUR	2020	2019
4. DEPRECIATION AND IMPAIRMENT		
Intellectual property rights	63,816	45,304
Other capitalised long-term expenses	5,022	1,954
Machinery and equipment	2,323	2,341
Total	**71,161**	**49,599**
5. OTHER OPERATING EXPENSES		
Facility expenses	299,605	299,187
Maintenance, IT, device and equipment expenses	529,265	422,595
Travel expenses	2,465	7,192
Sales and marketing expenses	4,953	62,860
Administrative services and other administrative expenses	247,870	313,573
Other expense items	21,716	38,742
Total	**1,105,874**	**1,144,149**

Sums in EUR	2020	2019
6. FINANCIAL INCOME AND EXPENSES		
Other interest and financial income		
From others	52,732	0
Financial income, total	52,732	0
Interest and other financial expenses		
To others	277	-389
Financial expenses, total	277	-389
Financial income and expenses, total	53,009	-389
7. APPROPRIATIONS		
Group contribution	0	100,000
Total	**0**	**100,000**
8. INCOME TAX		
Income tax	198	-910
Deferred tax	2,691	-11,223
Total	**2,889**	**-12,133**

Sums in EUR	2020	2019
9. CHANGES IN NON-CURRENT ASSETS		
Intellectual property rights		
Acquisition cost, 1 Jan	758,825	683,504
Increase	98,695	75,321
Acquisition cost, 31 Dec	857,520	758,825
Accumulated depreciation according to plan	-611,220	-565,917
Depreciation for the period	-63,816	-45,304
Book value, 31 Dec	182,484	147,605
Other capitalised long-term expenses		
Acquisition cost, 1 Jan	22,719	3,625
Increase	52,276	19,094
Acquisition cost, 31 Dec	74,995	22,719
Accumulated depreciation according to plan	-2,800	-846
Depreciation for the period	-5,022	-1,954
Book value, 31 Dec	67,173	19,919
Intangible assets, total	**249,656**	**167,524**
Machinery and equipment		
Acquisition cost, 1 Jan	188,503	187,342
Increase	0	1,161
Acquisition cost, 31 Dec	188,503	188,503
Accumulated depreciation according to plan	-181,190	-178,848
Depreciation for the period	-2,323	-2,341
Book value, 31 Dec	4,991	7,313
Tangible assets, total	**4,991**	**7,313**

Sums in EUR	2020	2019
10. INVESTMENT		
Shares and holdings in Group companies		
Acquisition cost, 1 Jan	5,421,157	5,421,157
Acquisition cost, 31 Dec	5,421,157	5,421,157
Shares and holdings, total	5,421,157	5,421,157
Investments, total	**5,421,157**	**5,421,157**
Holdings in other companies		
Group companies		
Proventia Oy, Oulu, Finland	100%	100%
Proventia Emission Control GmbH, Speyer, Germany		100%
Proventia Czech s.r.o., Brno, the Czech Republic (ownership through Proventia Oy)	100%	100%
Proventia UK Limited / Milton Keynes, UK (ownership through Proventia Oy)	100%	
Proventia Americas LLC, Minnesota, USA (ownership through Proventia Oy)	100%	100%
Other shares held by the parent company		
Optatech Oy	15.26%	15.26%

Sums in EUR	2020	2019
11. CURRENT RECEIVABLES		
Sales receivables		
From Group companies	314,999	382,232
Total	314,999	382,232
Accrued income		
From Group companies	535,000	740,000
From others	24,676	23,930
Deferred tax assets	2,691	0
Total	562,367	763,930
Current receivables, total	**877,365**	**1,146,163**
12. CHANGES IN SHAREHOLDERS' EQUITY		
Share capital, 1 Jan	1,090,281	1,090,281
Share capital, 31 Dec	1,090,281	1,090,281
Invested unrestricted equity reserve, 1 Jan	4,562,371	4,562,371
Invested unrestricted equity reserve, 31 Dec	4,562,371	4,562,371
Retained earnings, 1 Jan	931,657	882,233
Retained earnings, 31 Dec	931,657	882,233
Profit for the period	780	49,424
Earnings, 31 Dec	932,437	931,657
Unrestricted equity, 31 Dec	5,494,807	5,494,027
Shareholders' equity, total	6,585,088	6,584,308
Distributable funds at the end of the period	5,494,807	5,494,027

Sums in EUR	2020	2019
13. CURRENT LIABILITIES		
Trade payables		
To others	54,382	61,375
Total	54,382	61,375
Other current liabilities		
To others	56,399	63,386
Total	56,399	63,386
Accrued liabilities		
To others	88,366	85,693
Total	88,366	85,693
Current liabilities, total	**199,147**	**210,453**

Sums in EUR	2020	2019
14. PLEDGES AND CONTINGENT LIABILITIES		
Securities and mortgages for subsidiaries' liabilities		
Business mortgages	1,000,000	1,000,000
Amounts to be paid on leasing agreements (incl. VAT)		
To be paid during the next financial year	137,365	162,090
To be paid later	122,630	174,523
Total	259,994	336,613
Other contractual liabilities (incl. VAT)		
To be paid during the next financial year	371,114	370,363
To be paid later	2,535,946	2,901,178
Total	2,907,060	3,271,542

Other contractual liabilities consist of rental liabilities related to facilities.

SIGNATURES TO THE FINANCIAL STATEMENTS AND THE BOARD OF DIRECTOR'S REPORT

Oulu, 26th of March 2021

Harri Suutari
Chairman of the Board

Lauri Antila
Board member

Johnny Pehkonen
Board member

Tommi Salunen
Board member

Miika Hakola
Board member

Jari Lotvonen
CEO

Auditor's confirmation

An auditor's report has today been issued on the audit carried out.

Oulu, 30th of March 2021

PricewaterhouseCoopers Oy
Authorised Public Accountants

Sami Posti
APA

LIST OF ACCOUNTING BOOKS AND MATERIALS

Financial statements and account-specific reports	Storage method
Financial statements	Bound paper version
Balance sheet specifications	Electronic format
Account-specific income statement	Electronic format
Account-specific balance sheet	Electronic format
List of accounts	Electronic format
Accounting books	
General journals and nominal ledgers	Electronic format
Accounting of non-current assets	Electronic format
POC calculations	Electronic format
Project accounting	Electronic format
Sales ledger	Electronic format
Purchase ledger	Electronic format
Stock accounting	Electronic format
Payroll accounting	Electronic format
Receipts	
Bank receipts	Electronic format
Nominal ledger receipts	Electronic format
Sales invoices	Electronic format
Purchase invoices	Electronic format
Travel expense accounts	Electronic format
Receipts related to notes	Electronic format

AUDITOR'S REPORT (TRANSLATION OF THE FINNISH ORIGINAL)

To the Annual General Meeting of Proventia Group Oyj

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, the financial statements give a true and fair view of the group's and the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

What we have audited

We have audited the financial statements of Proventia Group Oyj (business identity code 1612236-0) for the financial period 1.1.-31.12.2020. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the parent company.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER REPORTING REQUIREMENTS

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Oulu 30.3.2021

PricewaterhouseCoopers Oy
Authorised Public Accountants

Sami Posti
Authorised Public Accountant (KHT)

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