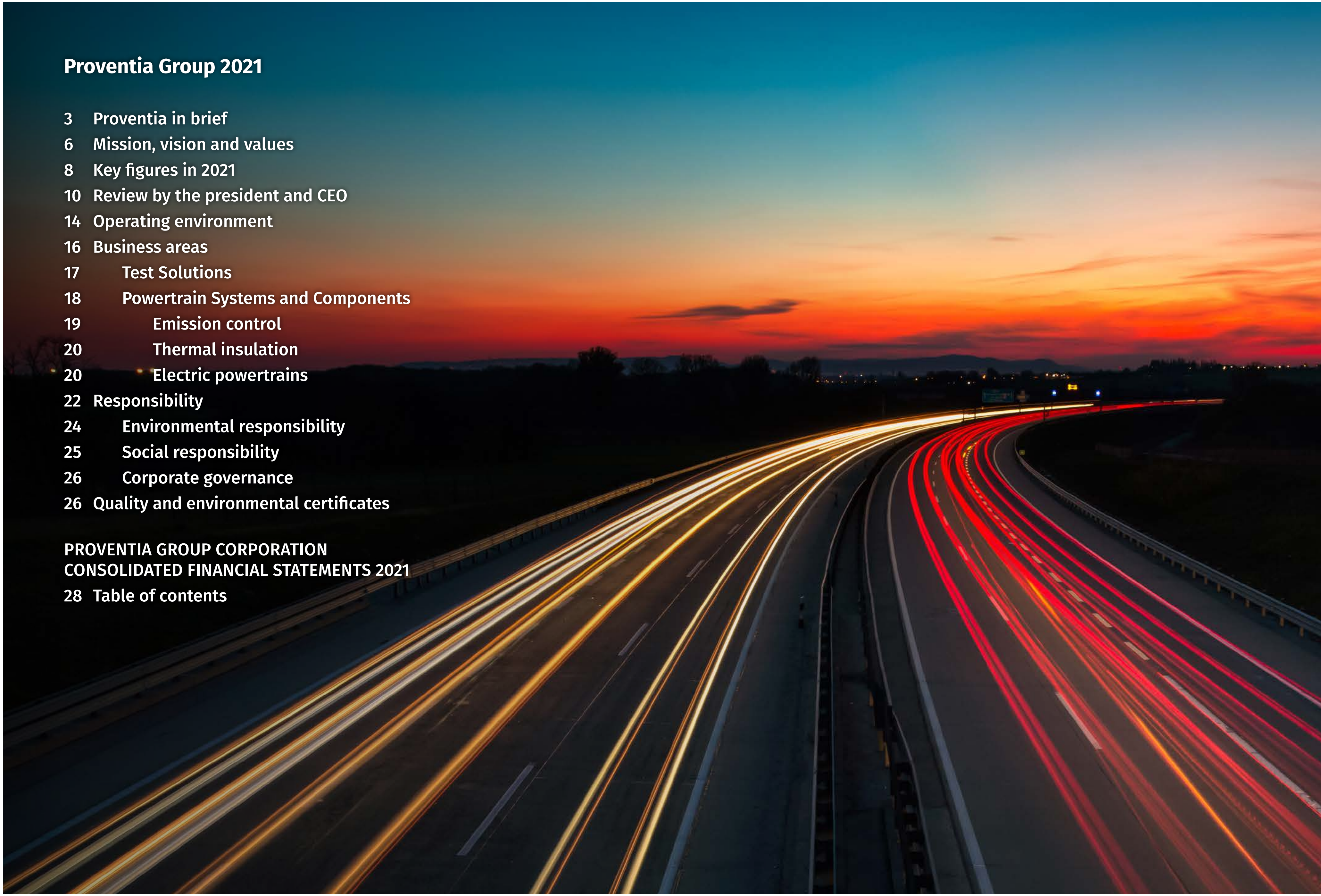
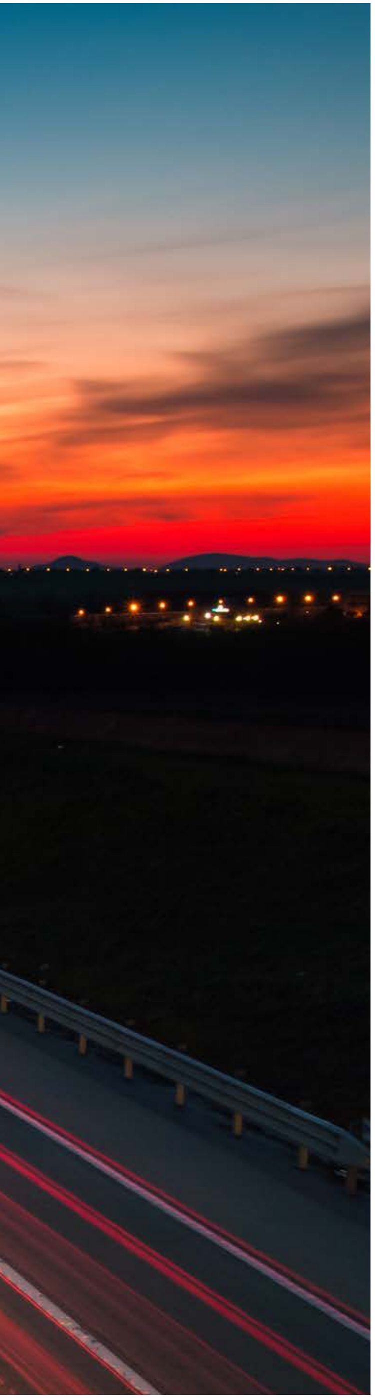
PROVENTIA

2021

PROVENTIA GROUP



Proventia Group 2021



PROVENTIA IN BRIEF

Proventia Group is an internationally operating technology company. It provides solutions and services for the engine, machine and vehicle industries to combat climate change and solve the air pollution problem.

Proventia develops and manufactures:

- solutions for the R&D and testing of hybrid and electric vehicles, and
- systems and components that improve the energy efficiency of powertrains in non-road machines and reduce their emissions.

Proventia takes people, the environment and future generations into account in all of its operations, with zero emissions being the company's goal.

The company has around 170 employees in Finland, the Czech Republic and the UK.

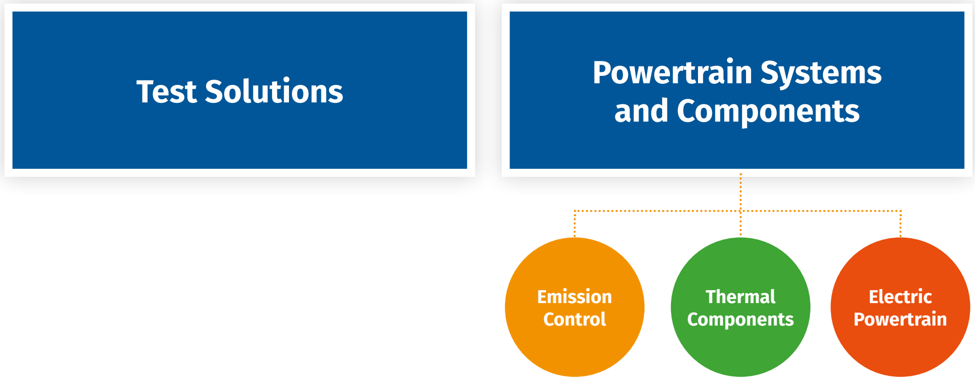
In 2021, the company's net sales were EUR 46.6 million, and its operating profit was EUR 4 million.

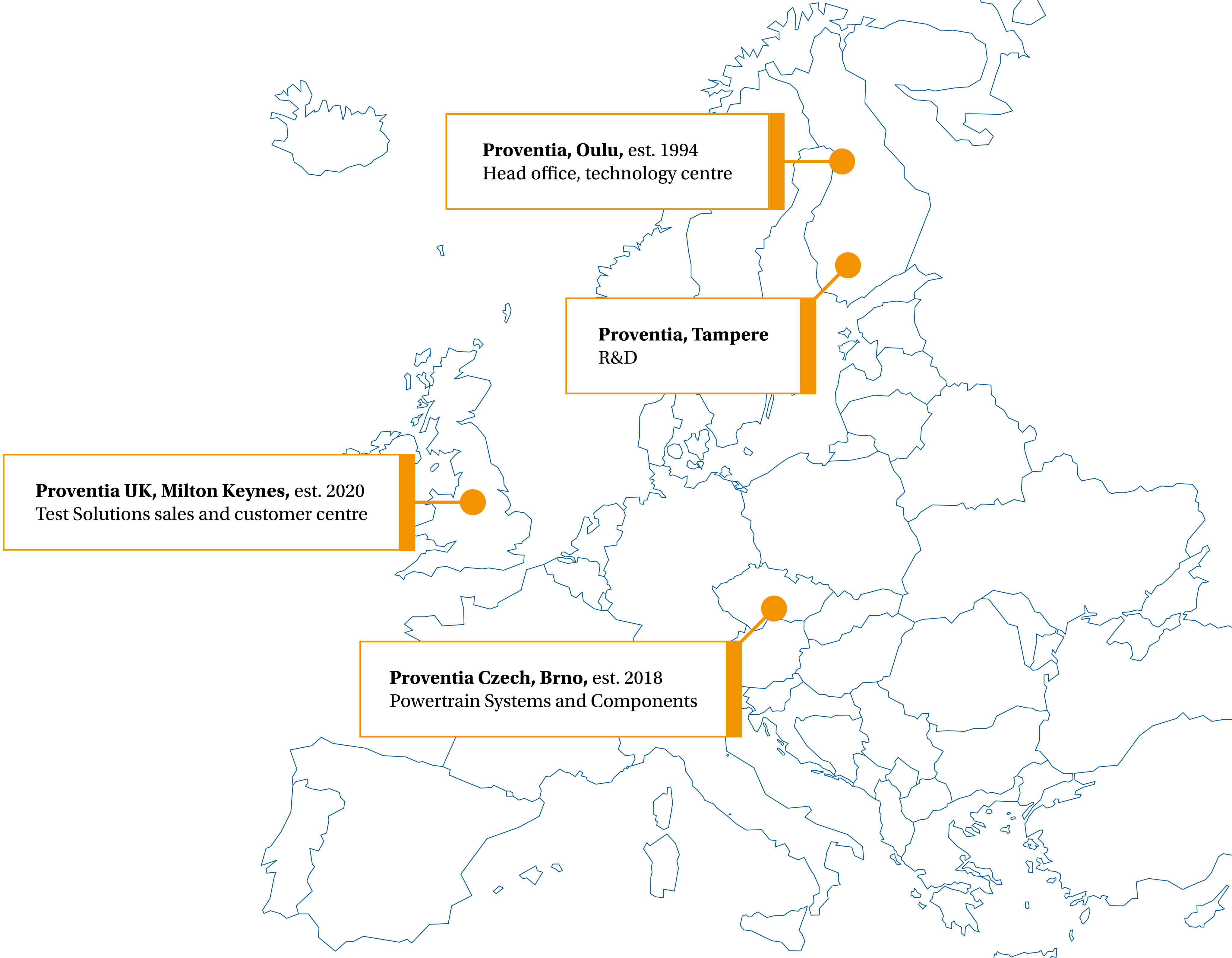
PROVENTIA GROUP

Proventia Group Corporation, the Group's parent company, owns 100% of Proventia Oy. Proventia Oy's wholly-owned subsidiaries are Proventia Czech s.r.o. and Proventia UK Limited.

Proventia

Proventia's business areas




Proventia, Oulu, est. 1994
Head office, technology centre
Proventia, Tampere
R&D
Proventia UK, Milton Keynes, est. 2020
Test Solutions sales and customer centre
Proventia Czech, Brno, est. 2018
Powertrain Systems and Components

MISSION, VISION AND VALUES

Our mission and vision guide us towards our goals.

MISSION

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

VISION

Zero emissions.

VALUES

Our way of working is based on our values

- *Customers come first*
- *We are a team*
- *Responsible and sustainable*
- *Results guarantee development*

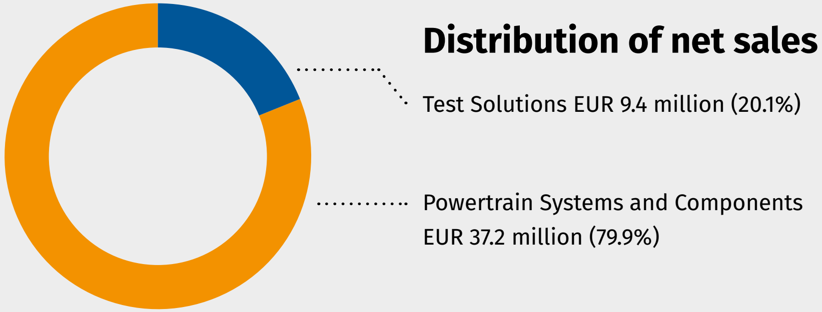
KEY FIGURES IN 2021

Net sales, MEUR

46,6

Change in net sales, %

18,3



Operating profit, MEUR

4,0

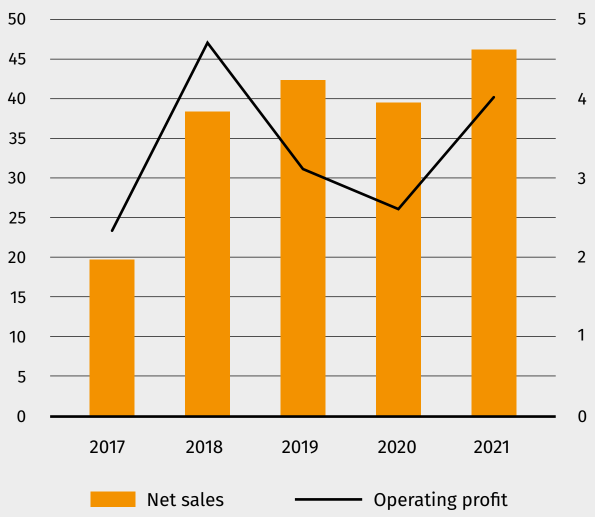
Operating profit, %

8,7

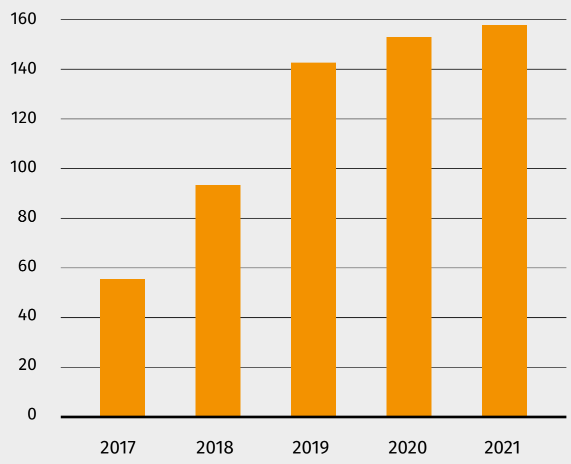
Employees

163

The Group’s net sales and operating profit in 2017–2021, MEUR



Average number of personnel in the Group in 2017–2021



Average increase in net sales in 2017–2021: 24%

Review by the President and CEO

A STRONG YEAR OF GROWTH

Net sales and operating profit increased, the ownership base expanded

We grew strongly in 2021. Our net sales increased by 18.3% from the previous year, as a result of which our operating profit increased to EUR 4 million. Global challenges in the availability of components and extended delivery times cast a shadow over growth. They caused bottlenecks in our customers' production activities, decelerating deliveries. The shortage of components did not cause any significant disruptions in our production. We had prepared for the problems in the availability of components by increasing stock levels, and we were able to complete all orders within the agreed schedule.

Due to the coronavirus pandemic, we have, together with our customers, suppliers and partners, built new ways to maintain and strengthen our cooperation. Last year, we landed a number of new projects and customers both in the Test Solutions and the Powertrain Systems and Components business areas.

Net sales of the Test Solutions business area increased
Demand for our test solutions rose significantly, and net sales of our Test Solutions business grew by 23.5% from the previous year. Last year, we received several new orders regarding R&D and test solutions for electric vehicles and their batteries. Customers included both vehicle manufacturers and companies operating in the battery industry.

One of the largest projects in 2021 was the delivery of an electric vehicle R&D centre for Intertek in the UK. The testing centre was deployed during the final quarter of the year. We signed a cooperation agreement with Keysight Technologies Inc., a US-based manufacturer of testing equipment, during the final quarter. The partnership includes the development of a battery testing solution into a standard product and provides the product with a global sales channel. Proventia's recognition as a test solution supplier has increased significantly, and we had a record-high number of projects in progress at the end of the year.

Demand remained strong in the Powertrain Systems and Components business area
Net sales of the Powertrain Systems and Components business area increased by 17.1%. We agreed a number of significant design and manufacturing agreements with leading global engine and non-road

"
Demand for solutions that are friendly to people's health, the environment and climate is increasing. Vehicles are going all-electric and non-road machines are required to be energy efficient.

machine manufacturers. Product development for the new projects already started in 2021, and the projects will reach the serial production phase from 2023.

In the R&D of emission control systems, we have focused on improving the performance of selective catalytic reduction (SCR) system and started the development of smart control systems that help to optimise the operations of emission control systems even better than before. In addition, we have increased the use of simulation tools in R&D which shortens turnaround times in R&D projects.

As a result of new emission control projects and energy efficiency requirements, the development and manufacturing of new thermal insulation solutions have also increased. During the final quarter, we entered into a cooperation agreement with the German company C2M Global on the marketing and sales of our thermal insulation components in Germany, Austria and Switzerland.

In electric powertrain products, we have focused on the R&D of batteries for hybrid non-road machinery. At the end of last year, we launched the Proventia ePRO48 battery on the market.

We believe that the use of hybrid systems will also increase in non-road machinery in the next few years. The use of hybrid systems will improve the usability of non-road machinery and reduce carbon dioxide emissions.

Last year, we expanded our production in the Czech Republic by moving into larger production facilities. The manifold increase in the production capacity in the Czech Republic strengthens our delivery capability and improves our competitive position in the non-road machinery markets.

The ownership base expanded

EAB Private Equity becoming Proventia's shareholder in the final quarter with its shareholding of approximately 20% alongside Head Invest, the main owner, marked a significant change in the company's ownership. The solid foundation built by two strong owners enables Proventia to develop and grow in global vehicle and non-road machinery markets. This also boosts the development of our responsibility activities in line with our strategy. We understand how important responsibility is for our business and we are committed to developing our operations following the principles of sustainable development.

Our company's markets are expected to develop positively. Challenges in the availability of components are expected to continue and decelerate growth in 2022. Long-term opportunities for growth remain strong. Growth is supported by international carbon neutrality goals for transport and stricter global emission restrictions for non-road machines, as well as their hybridisation.

I would like to thank our personnel for your commitment to our vision of zero emissions and for your hard work in 2021. I would also like to thank our shareholders, customers, subcontractors and suppliers, and all our other stakeholders for your productive cooperation in 2021. Our goal is to make Proventia the leading technology supplier in its sector, an attractive employer and a company that rewards its shareholders.

Jari Lotvonen / CEO

Our goal is to make Proventia the leading technology supplier in its sector, an attractive employer and a company that rewards its shareholders.

Operating environment

GLOBAL MEGATRENDS OPEN UP NEW BUSINESS OPPORTUNITIES

Climate change has made carbon neutrality a major trend in the vehicle and non-road machine industries. The vehicle industry is rapidly going all-electric, increasing the need for the R&D and testing of new technologies. Car makers aim to develop the range, performance and safety of electric vehicles, while reducing costs. In the R&D of electric vehicles and batteries, time is money in the rapidly growing markets. By investing in R&D and testing, new technologies can be launched more quickly, safely and cost effectively.

The non-road machine market is large and fragmented: there are a number of different applications, operating environments and emission requirements, making it necessary to customise powertrain systems and components for each application and even for each market. In non-road machinery, the combustion engine technology will remain the primary power source far into the future, while non-road machines are also expected to be cleaner and eco-friendlier. Emission regulations are becoming stricter, and energy efficiency goals and renewable fuels will increase the need for high-technology products that help non-road machines meet, or even exceed, their requirements.

The development of the automotive industry towards zero emissions, combined with the need to reduce the environmental and climate impact of non-road machines, supports Proventia's business and opens up new opportunities for both of the company's business areas.

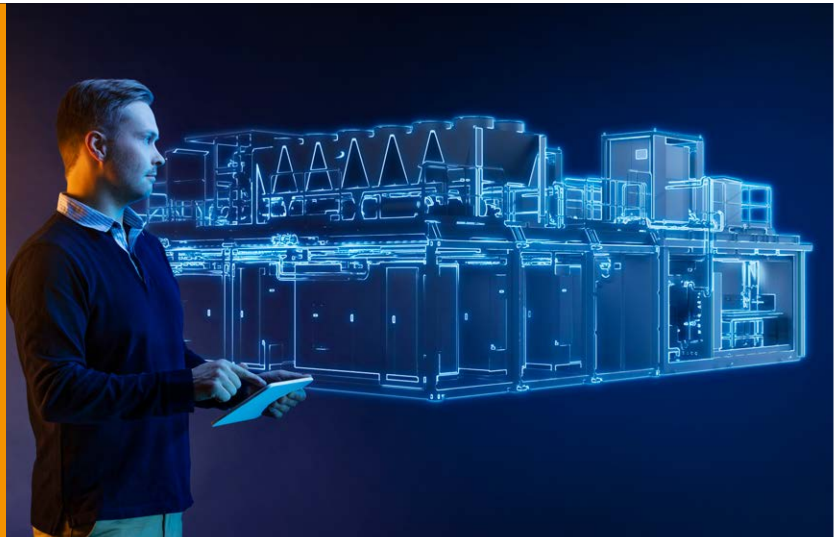
We respond to the climate challenge by providing products and solutions that help our customers develop and offer products that are sustainable for the climate, environment and future generations.

> ***We respond to the climate challenge by providing products and solutions that help our customers develop and offer products that are sustainable for the climate, environment and future generations.***

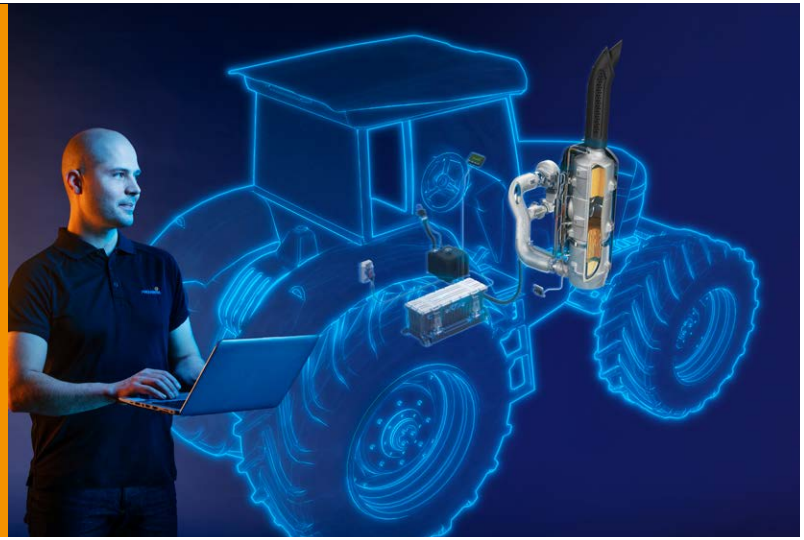
Business areas

SUSTAINABLE BUSINESS THAT SUPPORTS CARBON NEUTRALITY

Test solutions



Powertrain systems and components



Proventia has two business areas: Test Solutions for vehicle and battery manufacturers, and Powertrain Systems and Components for non-road machine and engine manufacturers. Both of the company's business areas are strongly linked to a zero-emission future.

The company uses its extensive experience in the R&D and testing of its exhaust aftertreatment systems in the development of its modular test solutions for the vehicle and battery industries.

In electrification, the automotive industry is a pioneer compared to the non-road machine industry. The company uses its experience in the testing of electric vehicles and batteries in the R&D of hybrid systems and batteries for non-road machines.

Proventia's innovative R&D culture across business boundaries enables the development and productisation of new solutions for the zero-emission vehicles and non-road machines of the future.

> ***Proventia's business areas are strongly linked to cleaner transport with lower emissions.***

Test solutions

IN THE R&D OF ELECTRIC VEHICLES, TIME IS MONEY IN THE RAPIDLY GROWING MARKETS

Proventia provides its customers with innovative R&D and test environments for the product development and testing of vehicles and their powertrains and batteries. The scalable and flexible systems allow customers to select right-sized solutions for their needs and to deploy them rapidly.

Proventia's modular solutions and quick and flexible deliveries produce significant added value and competitive benefits for its customers. The company's R&D and test solutions help to accelerate the development and testing of technologies and launch new electric vehicles and battery products more quickly on the market.

The company's modular test solution is also applicable to the R&D and testing of other zero-emission technologies, such as hydrogen fuel cells.

Proventia designs and manufactures its test solutions at its plant in Oulu.

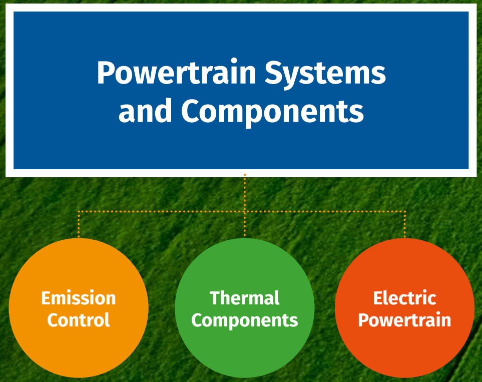
"*By investing in R&D and testing, new technologies can be launched more quickly, safely and cost-effectively.*

Powertrain systems and components

BETTER ENERGY EFFICIENCY, LOWER CARBON DIOXIDE EMISSIONS

Proventia provides its non-road machine customers with powertrain systems and components that improve the energy efficiency of non-road machines and reduce exhaust emissions and carbon dioxide. These systems and components include:

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



> ***Proventia provides its customers with emission control systems that contain patented technologies and smart control systems.***

Emission control

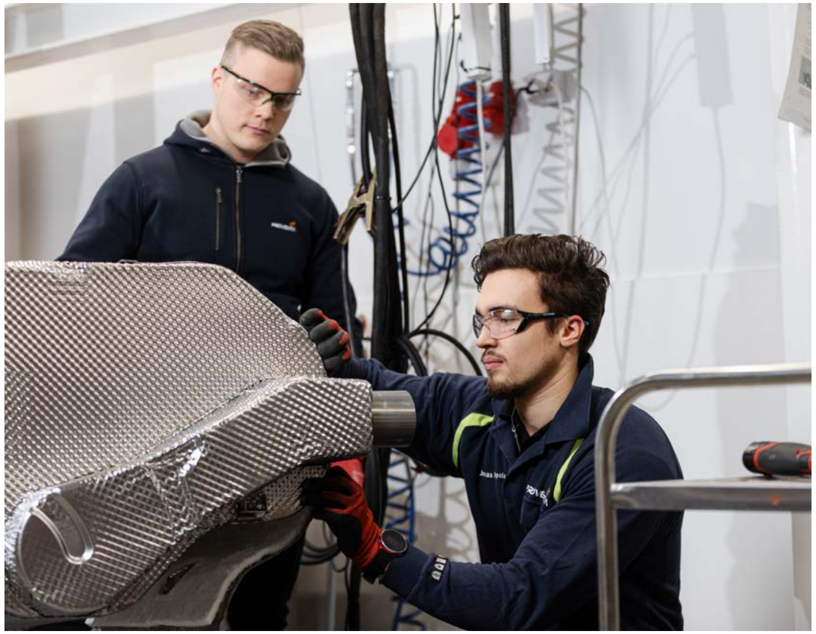
In emission control, Proventia's key expertise focuses on exhaust aftertreatment systems for non-road machines and utility vehicles used in demanding conditions. As a solution, Proventia provides its customers with exhaust aftertreatment systems that contain patented technologies and smart control systems.

Proventia's leadership as a supplier of emission control systems is based on understanding the requirements of customers and the operating environment of non-road machines, innovative R&D and high-quality testing. Modular product platforms also give Proventia a competitive edge. They accelerate and simplify customer-specific R&D and customisation, saving time and adding cost-efficiency to the R&D process.

In the non-road machine industry, Proventia operates as an R&D partner and manufacturer of emission control systems for global engine and non-road machinery manufacturers.

Innovations 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 utility vehicles using retrofit exhaust aftertreatment systems.

Proventia designs and tests its exhaust aftertreatment systems at its technology centre in Oulu and manufactures the systems at its plant in the Czech Republic using subcontractors effectively in the manufacturing of components.



Thermal insulation

Proventia provides engine and non-road machine manufacturers with comprehensive thermal insulation solutions for components and engine compartments – from design to manufacturing. Effective thermal insulation improves the energy efficiency of non-road machines and the operation of emission control systems, and enables the more compact design of non-road machines. Proventia's thermal insulation components are designed and manufactured at its plant in Oulu.

Electric powertrains

The increased use of hybrid systems in non-road machines is a step towards zero emissions. In electric powertrains, R&D focuses on the development of high-power batteries for non-road machines.

Proventia's product for electric powertrains is the ePRO48 battery, which is based on the latest lithium-titanate-oxide (LTO) technology. Proventia's battery is a safe and effective choice for non-road machines. Proventia ePRO48 enables the engine size to be optimised for hybrid non-road machines and reduces fuel consumption and therefore also carbon dioxide emissions.

The company designs and tests its batteries at its technology centre in Oulu.

In non-road machinery, the combustion engine technology will remain the primary power source far into the future, while non-road machines are expected to be cleaner than before.

The non-road machine industry seeks to reduce its climate impact by shifting from fossil fuels to renewables, enhancing emission control performance, and by improving the energy efficiency of machines.

Responsibility

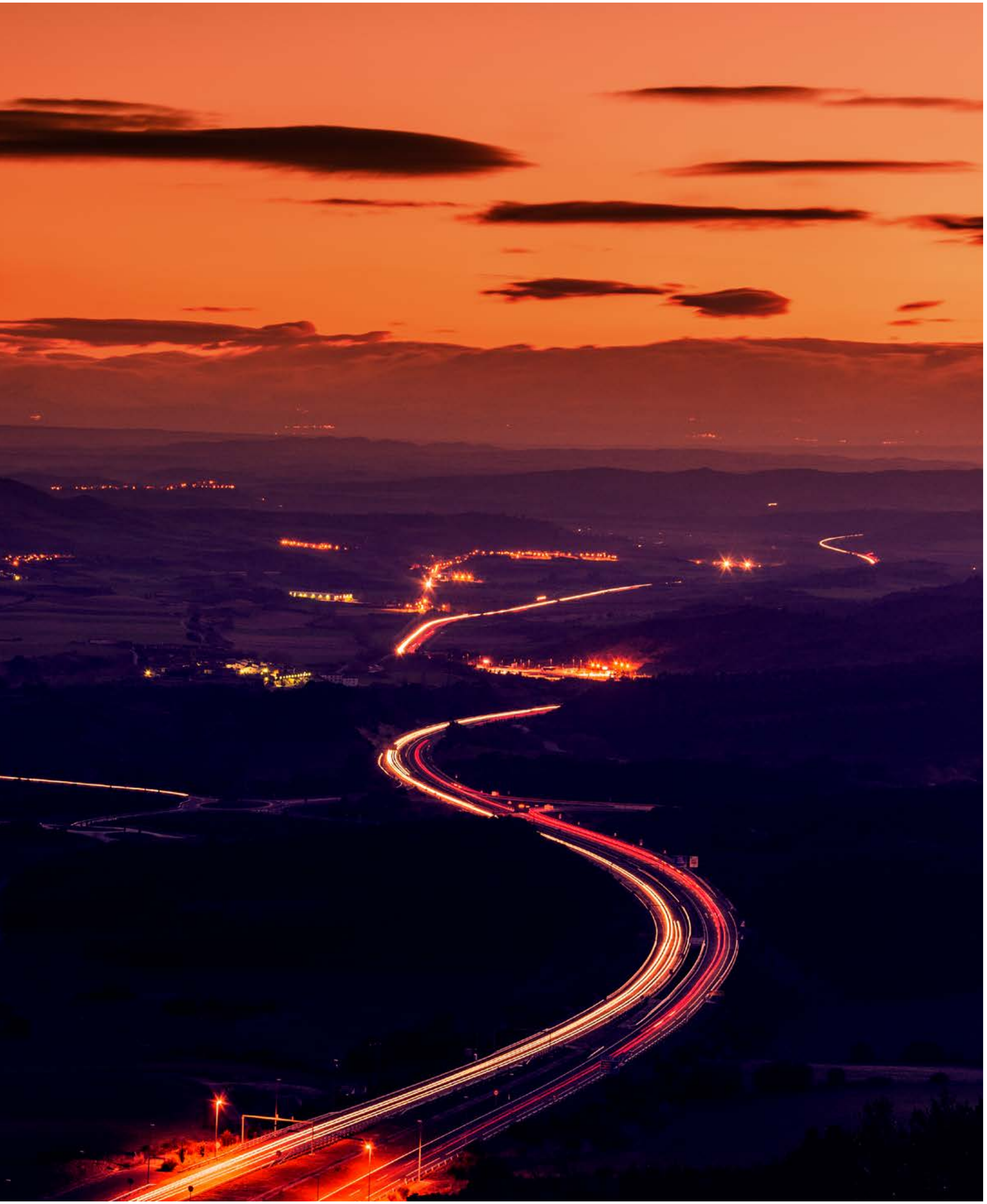
STRONG COMMITMENT TO SUSTAINABLE BUSINESS

All of Proventia's business activities and products are strongly linked to climate change mitigation and the reduction of air pollution. In its strategy, the company emphasises responsibility as part of its daily activities. During the financial year, the company strengthened its commitment to sustainable business and started to organise its responsibility activities. The company seeks to identify key focus areas in responsibility considering its business activities, set goals and build indicators, as well as define procedures for monitoring them.

The company's goal is to build a responsibility programme that addresses environmental, social and governance (ESG) factors.

Even though systematic responsibility activities are only taking their first steps, the company has already defined guidelines, policies and plans for different areas, and it complies with them in its daily activities.

Customer satisfaction survey (1–10)	Personnel survey, NPS	Recycling rate, %	Lost Time Injury Frequency Rate
8,74	32	78	9



Responsibility

ENVIRONMENTAL RESPONSIBILITY

At Proventia, environmental responsibility means developing products and services that protect the environment and people's health, as well as continuously reducing the environmental impact of its own operations.

Environmental activities are led and developed by the environmental committee. The committee's goal is to advance environmental issues related to Proventia's operations. For example, the committee follows changes in environmental legislation and respective compliance, develops and maintains operations of the environmental system, and monitors the most important environmental goals and their achievement.

Environmental management serves to continuously develop the company's operations in an environmentally friendlier direction through such measures as environmental processes and regular audits.

During the 2021 financial year, the company sought to reduce the environmental impact of its operations by:

- shifting to electricity generated from renewable energy
- recovering and using energy generated in R&D activities, among others
- minimising and recycling waste generated in production

The company seeks to actively reduce its carbon footprint, and it is committed to developing indicators to identify and reduce it.

Responsibility

SOCIAL RESPONSIBILITY

Human rights, equality and diversity
Proventia is committed to providing a non-discriminatory work environment, which values diversity regardless of gender, race, religion, nationality, age or physical characteristics or other factors related to diversity.

The company has an equality and non-discrimination plan, which has been prepared to help the company achieve its goals of providing a work community which values diversity, equality and non-discrimination, and to fulfil the obligations on equality and non-discrimination set by law. The equality and non-discrimination plan helps to develop Proventia's operating methods to be more equal and non-discriminatory in the long-term and in a goal-driven and systematic manner. Proventia's personnel implements the principles of equality and non-discrimination also in their customer contacts and cooperation with stakeholders.

Wellbeing and occupational health and safety
The company has an occupational safety committee, occupational health and safety manager, and industrial safety delegate. The goal of Proventia's occupational health and safety activities is to improve health and safety in the workplace, and to promote activities that maintain employees' motivation and ability to work. Risks and hazards associated with working conditions and operating methods are assessed annually, and the fulfilment of the development programme is monitored at the occupational safety committee's meetings.

The occupational health and safety manager is responsible for co-determination and its development, acquiring information on regulations on occupational health and safety, as well as any changes in them, and notifying others of them. The industrial safety delegate participates in occupational health and safety audits. The delegate's task is to advance occupational health and safety.

The company monitors the personnel's wellbeing and job satisfaction by conducting an annual personnel survey, on the basis of which three development areas are selected for the following year.

Responsible procurement
Proventia adheres to responsible business and also requires this from its suppliers. Suppliers are audited in accordance with pre-defined criteria. The company has also identified the significance of responsibility in the subcontracting chain on its operations and started activities during the financial year to reduce the climate impact resulting from the use of suppliers and subcontractors.

No minerals from conflict areas where human rights violations take place or the excavation of minerals causes environmental damage are used in Proventia's products. Suppliers are also required to follow the same conflict mineral policy.

Responsibility

CORPORATE GOVERNANCE

Proventia complies with the Corporate Governance Code for Finnish listed companies in its operations. Proventia is committed to being ethical, addressing people, the environment and future generations. The company has had a Code of Conduct since 2013. The Code of Conduct consists of the most important international conventions and policies that Proventia complies with:

- The UN's Universal Declaration of Human Rights and the UN's Convention on the Rights of the Child
- The UN's Guiding Principles on Business and Human Rights
- The ILO Declaration on Fundamental Principles and Rights at Work
- The OECD Guidelines for Multinational Enterprises
- The UN's Global Compact initiative
- The UN's Sustainable Development Goals

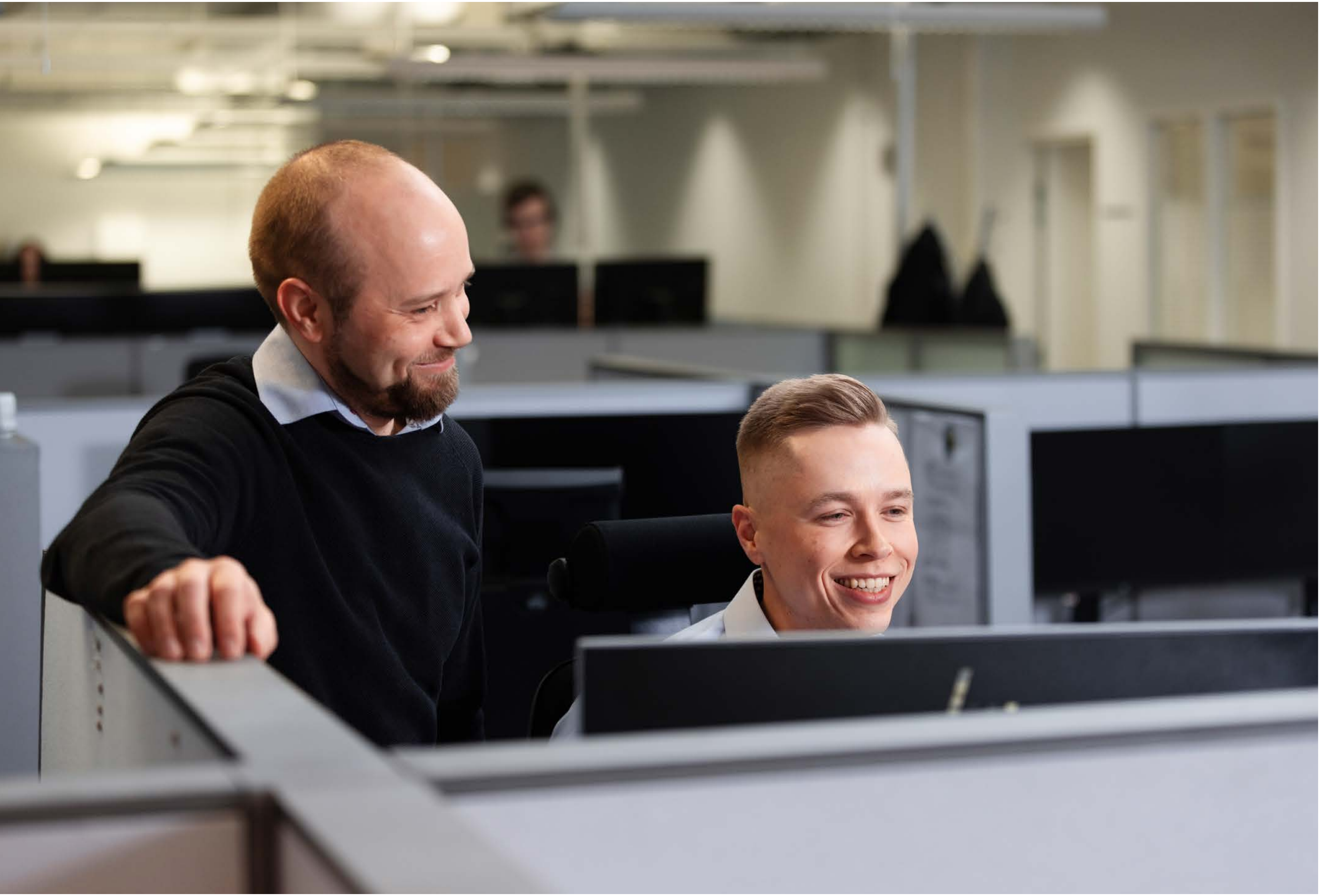
The Code of Conduct defines a shared set of rules for working. Its key areas are: business ethics, customer, subcontractor and supplier relationships, the environment, and the work environment. Managers and employees are required to comply with the Code of Conduct. The company aims to operate honestly and responsibly and therefore earn the respect of its stakeholders and society at large. Proventia also requires its partners to comply with corresponding principles.

QUALITY AND ENVIRONMENTAL CERTIFICATES

Proventia is committed to complying with the principle of continuous improvement to develop its internal processes and products, and to reduce its environmental impact. The company wants to be known as a reliable supplier, which reacts to customer needs quickly and proactively. The quality of products and services is a key success factor in the company's operations. Through environmental management, the company continuously develops its operations in an environmentally friendlier direction using such measures as environmental processes and audits.

Proventia has the following ISO certificates:

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



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Proventia Group's financial statements

Parent company's financial statements

These financial statements must be retained until 31 December 2031.

Proventia Group Corporation
Tietotie 1, FI-90460 Oulunsalo, Finland
Tel. +358 20 78 10 200
www.proventia.com

Domicile: Oulu
Business ID: 1612236-0

PROVENTIA GROUP CORPORATION CONSOLIDATED FINANCIAL STATEMENTS

In brief

- The group's net sales increased by 18.3% from the previous year to EUR 46.6 (39.4) million.
- Operating profit was EUR 4.0 (2.6) million.
- Profit for the period was EUR 3.2 (1.8) million.
- Cash flow from operating activities was EUR 1.9 (1.6) million.
- Net debt was EUR –4.2 (–1.4) million.
- The number of personnel at the end of the financial year was 163 (142).
- In 2022 net sales is expected to increase and operating profit is expected to remain at the 2021 level. 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 2021

Review of 2021

Proventia grew strongly in 2021. Net sales increased by 18.3% from the previous year, as a result of which operating profit increased to EUR 4.0 million. Global challenges in the availability of components and extended delivery times cast a shadow over growth. They caused bottlenecks in customers' production activities, decelerating Proventia's deliveries. The shortage of components did not cause any significant disruptions in Proventia's production. The company had prepared for the problems in the availability of components by increasing stock levels, and was able to complete all orders within the agreed schedule.

Demand for test solutions rose significantly, and net sales of the Test Solutions business grew by 23.5% from the previous year. Last year, the company received several new orders regarding R&D and test solutions for electric vehicles and their batteries. Customers included both vehicle manufacturers and companies operating in the battery industry. One of the largest projects in 2021 was the delivery of an electric vehicle R&D centre for Intertek in the UK. The testing centre was deployed during the final quarter of the year. The company signed a cooperation agreement with Keysight Technologies Inc., a US-based manufacturer of testing equipment, during the final quarter. The partnership includes the development of a battery testing solution into a standard product and provides the product with a global sales channel. Proventia's recognition as a test solution supplier has increased significantly, and the company had a record-high number of projects in progress at the end of the year.

Net sales of the Powertrain Systems and Components business area increased by 17.1%. The company entered into a number of significant design and manufacturing agreements on emission control systems with leading global engine and non-road machine manufacturers. Product development for the new projects already started in 2021, and the projects will reach the serial production phase from 2023.

In the R&D of emission control systems, the company has focused on improving the performance of selective catalytic reduction (SCR) system and started the development of smart control systems that help to optimise the operations of emission control systems even better than before. In addition, the company has increased the use of simulation tools in R&D which shortens turnaround times in R&D projects.

As a result of new emission control projects and energy efficiency requirements, the development and manufacturing of new thermal insulation solutions have also increased. During the final quarter, the company entered into a cooperation agreement with German C2M Global on the marketing and sale of Proventia's thermal insulation components in Germany, Austria and Switzerland.

In electric powertrain products, Proventia has focused on the R&D of batteries for hybrid non-road machinery. At the end of last year, the company launched its first product on the market, the Proventia ePRO48 battery. The company believes that the use of hybrid systems will also increase in non-road machinery applications in the next few years. The use of hybrid systems will improve the usability of non-road machinery and reduce carbon dioxide emissions.

Last year, the company expanded its production in the Czech Republic by moving into larger production facilities. The manifold increase in the production capacity in the Czech Republic strengthens the company's delivery capability and improves its competitive position in the non-road machinery markets.

EAB Private Equity becoming Proventia's shareholder in the last quarter of the year with its shareholding of approximately 20% alongside Head Invest, the main owner, marked a significant change in the company's ownership. The solid foundation built by two strong owners enables Proventia to develop and grow in global vehicle and non-road machinery markets. This also boosts the development of the company's responsibility activities in line with its strategy. The company understands how important responsibility is for its business and it is committed to developing its operations following the principles of sustainable development.

Strategy and its implementation in 2021

Proventia's goal is to be the leading supplier of technology for the engine, non-road machine and automotive industries. 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 the energy efficiency of vehicles and non-road machines and reducing their harmful emissions.

The company has two business areas: Test Solutions, and Powertrain Systems and Components. The Powertrain Systems and Components business area consists of three product lines: Proventia Emission Control (PEC), Proventia Thermal Components (PTC), and Proventia Electric Powertrain (PEP).

At the core of the company's strategy is technological excellence, which is deployed through synergies in different business areas. The company maintains the highest level of expertise in its field and recognises 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.

In the Test Solutions business area, the company focused on R&D environments for electric vehicles and their batteries in accordance with its strategy. The company entered into a cooperation agreement with Keysight Technologies, a manufacturer of testing equipment, which enables the development of a battery testing solution into a standard product and provides a global sales channel for the product.

In the Powertrain Systems and Components business area, the company continued to invest in the R&D and manufacturing of exhaust aftertreatment systems and thermal insulation components. During 2021, the company launched its first battery product for non-road hybrid machines.

A comprehensive understanding of customer needs, proactive customer service and positive customer experiences form the basis of the company's success. While travel restrictions imposed due to the coronavirus pandemic have limited customer meetings to some extent, the company has successfully maintained its relationships and entered into new ones by arranging virtual plant and testing centre tours, for example.

According to its manufacturing strategy, the company focuses on the final assembly of products and acquires components effectively from subcontractors. If necessary, the company manufactures critical components and assemblies independently. The company strengthened its production capacity for powertrain systems and components by moving into larger production facilities in the Czech Republic. In the Test Solutions business area, the final assembly of modules takes place at the Oulu plant.

Serving an expanding customer base also means a broader geographical presence. The company entered into new cooperation agreements in both business areas – Test Solutions, and Powertrain Systems and Components – on the marketing and sale of its products in selected market areas.

The company will continue to develop its innovation into new products and solutions for the electrifying automotive and non-road machinery industries. Potential technology and business acquisitions are part of the company's growth strategy.

The company increased its investments in responsibility and aims to actively reduce its carbon footprint.

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

Key figures: performance and financial position

PROVENTIA GROUP'S KEY FIGURES

Sums in EUR	2021	2020	2019
Net sales	46,554,953	39,351,805	42,420,524
Operating profit	4,040,233	2,603,584	3,097,841
Operating profit, %	8.7%	6.6%	7.3%
Return on equity (ROE), %	18.8%	13.4%	18.8%
Equity ratio, %	64.9%	53.1%	53.3%
Return on capital employed (ROCE), %	22.9%	16.7%	26.4%
Net debt	−4,177,233	−1,407,278	−618,093

PARENT COMPANY'S KEY FIGURES

Sums in EUR	2021	2020	2019
Net sales	2,228,667	1,726,207	1,823,898
Operating profit/loss	−93,058	−55,118	−38,055
Operating profit, %	−4.2%	−3.2%	−2.1%
Return on equity (ROE), %	32.4%	0.0%	−0.8%
Equity ratio, %	97.4%	97.1%	96.9%
Return on capital employed (ROCE), %	32.1%	0.0%	−0.6%
Net debt	−1,995,543	−231,066	−52,604

THE KEY FIGURES HAVE BEEN CALCULATED AS FOLLOWS:

Return on equity (ROE), %

$$\frac{\text{Profit before appropriations and taxes − taxes}}{\text{Average shareholders' equity during the year}} \times 100$$

Equity ratio, %

$$\frac{\text{Shareholders' equity}}{\text{Balance sheet total − advances received}} \times 100$$

Return on capital employed (ROCE), %

$$\frac{\text{Profit before appropriations and taxes + financial expenses}}{\text{Average shareholders' equity during the year + average interest-bearing liabilities during the year}} \times 100$$

Net debt

Interest-bearing liabilities − cash and cash equivalents

Net sales and the development of profit

In 2021, Proventia's net sales increased by 18.3% from the previous year to EUR 46.6 (39.4) million. (The figures in brackets refer to the corresponding period in the previous year, unless otherwise indicated.) Net sales of the Powertrain Systems and Components business area increased by 17.1% to EUR 37.2 (31.8) million. The Test Solutions business area's net sales increased by 23.5% from the comparative period to EUR 9.4 (7.6) million. In 2021, operating profit increased by 55.2% to EUR 4.0 (2.6) million. Profit was EUR 3.2 (1.8) million. Undiluted earnings per share were EUR 0.23 (0.13), while diluted earnings per share were EUR 0.21 (0.12).

Balance sheet, cash flow and financing

At the end of 2021, the consolidated balance sheet total stood at EUR 43.1 (34.7) million. The Group's equity ratio was 64.9% (53.1%). The Group's cash flow from operating activities was EUR 1.9 (1.6) million. At the end of 2021, the Group's liquid assets amounted to EUR 6.3 (6.2) million. In addition, the company has a revolving credit facility of EUR 4.0 million, of which EUR 0.0 (0.0) million was in use on the closing date. On 31 December 2021, the Group's interest-bearing liabilities stood at EUR 2.1 (4.8) million.

Research and development

R&D expenses totalled EUR 1.2 million (EUR 1.1 million in 2020 and EUR 2.0 million in 2019), comprising 2.6% of the Group's net sales (2.7% in 2020 and 4.7% in 2019). R&D expenses of EUR 0.6 (0.2) million have been capitalised on the balance sheet as development expenses (EUR 0.2 million in 2020 and EUR 1.4 million in 2019). R&D expenses recognised through profit or loss totalled EUR 0.6 million (EUR 0.6 million in 2020 and EUR 0.6 million in 2019).

Investments

The Group's investments in tangible and intangible assets were EUR 1.4 (0.8) million.

Personnel

During the financial year, the Group had an average of 158 employees (152 employees in 2020 and 142 employees in 2019). At the end of the financial year, the Group had 163 employees (142 employees in 2020 and 157 employees in 2019). Of them, 130 worked in Finland, 31 in the Czech Republic and 2 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. and Proventia UK Limited. Proventia Americas LLC, a subsidiary not engaged in business operations, was discontinued during the financial year.

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 22 April 2021. The Board selected Harri Suutari as its Chairperson.

The Board of Directors appointed the Audit Committee from among its members. Tommi Salunen has acted as the Audit Committee's Chairperson and Miika Hakola as its member.

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.

Ernst & Young Oy has served as the company's auditor, with Jari Karppinen, authorised public accountant (APA), as its principal auditor.

Share capital

On 31 December 2021, Proventia Group Corporation's registered share capital was EUR 1,090,281.04 and its total number of shares was 15,921,195. 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 2021, the company had 81 shareholders.

Option schemes for key personnel

The company has an option scheme 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 22 April 2021. The AGM confirmed the financial statements and consolidated financial statements for 2020 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 2020. In addition, the AGM decided on fees paid to the members and the Chairperson 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.

Ernst & Young Oy was selected as the company's auditor, with Jari Karppinen, (APA), as the principal auditor.

The Annual General Meeting of 22 April 2021 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 22 April 2021 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 22 April 2021 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.

At its meeting held on 15 June 2021, Proventia Group Corporation's Board of Directors decided to present a purchase offer to holders of the 2015 options regarding the purchase of the 2015A, 2015B and 2015C option series at EUR 2.64 per option less the option subscription price of EUR 0.36. The offered purchase price was based on the Board of Directors' understanding of the fair value of the shares. The Board of Directors decided to authorise the CEO to make the purchase offer and implement the purchase of the options.

At its meeting held on 27 September 2021, Proventia Group Corporation's Board of Directors stated that 84,835 shares were subscribed on the basis of the 2015 option scheme. The shares were paid and the subscription price was recognised in the company's invested unrestricted equity reserve in accordance with the option scheme's terms and conditions. According to its previous decision, the company redeemed the option rights not used in the share subscription from their holders.

At its meeting held on 27 September 2021, Proventia Group Corporation's Board of Directors decided to approve the share subscriptions and authorise the acting management to make appropriate entries in the Trade Register. Furthermore, the Board of Directors decided to close the 2015 option scheme and authorise the acting management to remove the option decision from the Trade Register when registering the share subscriptions.

Proventia Group Corporation's extraordinary general meeting was held on 27 August 2021. At the meeting, the Board of Directors decided to distribute a total of EUR 1,951,938.94 (EUR 0.14 per share) in assets from the unrestricted equity reserve based on the balance sheet confirmed for the financial year closed on 31 December 2020. The assets were paid to shareholders on 7 September 2021.

At its meeting held on 28 November 2021, Proventia Group Corporation's Board of Directors decided on a directed share issue. The issue was related to the entry of EAB Private Equity as a new shareholder. The transfer of shares through the directed share issue was based on the authorisation provided for the Board of Directors at Proventia Group Corporation's Annual General Meeting held on 22 April 2021. It was decided that 1,893,939 shares be transferred through the issue. In addition, it was decided that the full share subscription price be recognised in the company's invested unrestricted equity reserve. There was a weighty financial reason for derogating from the shareholders' pre-emptive right as laid down in chapter 9, section 4 of the Limited Liability Companies Act, as the share issue was carried out to strengthen the company's capital structure and to improve future financing opportunities. The new shares were entered in the Trade Register on 21 December 2021.

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 Chairperson 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.

After EAB Private Equity became one of Proventia's shareholders, Lauri Antila, Kalle Kekkonen and Harri Suutari acted as members of the Nomination Committee. During the financial year, the Nomination Committee convened twice.

Risks and uncertainties

The principle of risk management
Risk management is part of the daily activities at Proventia. The goal of risk management is to identify risks, assess their impact and probability regarding the achievement of the company's goals and fulfilling the company's strategy, and plan measures to control the most significant risks. The goal is to create operating conditions where business-related risks are controlled comprehensively and systematically at all

organisational levels. At Proventia, risk management follows the ISO 31000 risk management standard.

The Group has divided risks into four areas: strategic, operative, financial and accident risks.

Strategic risks
Strategic risks mean the unfavourable consequences that may arise from significant changes in the operating environment, the markets and the competitive situation and that, when realised, may have a long-term impact on business activities. Strategic risks may also arise from the development of or delays in legislation.

Operative risks
Operative risks mean the unfavourable consequences that may 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. Furthermore, operative risks cover risks associated with delivery and planning agreements (contractual risks).

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 addition, operative risks 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 IPRs related to the company's products are not adequately protected.

Financial risks
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 credit risk, which means the inability of a counterparty to fulfil its obligations, and liquidity risk, which means the risk associated with the availability of financing. In addition, financial risks include 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
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.

Key short-term risks and uncertainties
The risks described below are examples, and they do not represent the whole range of short-term risk management.

- The global market situation and the continuing pandemic set challenges for deliveries and may have an impact on the availability of components, and cause delays in or put a stop to customers' production. The company prepares for any disruptions in the delivery of components by optimising its stock levels, intensifying the dialogue between sales, purchases and production, and by identifying alternative suppliers.
- The loss of a single key customer for commercial reasons is a risk that may result in the loss of net sales accrued from the customer. The company is actively monitoring customer satisfaction and maintains customer relationships at several levels. In addition, the company aims to expand its customer base to reduce its dependence on individual customers.

- Future pandemics and epidemics may cause major disruptions in business activities. They may cause changes in demand and consumption structures. Travel and movement restrictions may result in sales challenges through fewer customer meetings. The company prepares for these challenges by allocating a sufficient funding buffer, developing distance sales tools and remote work arrangements, and creating an action plan for customer management under exceptional circumstances.
- The Russian occupation war in Ukraine and the unstable geopolitical situation are creating uncertainty in the global economy. The impact of the war on Proventia's business is so far unclear. Proventia has no direct customers or subcontractors in Ukraine or Russia.

Insurance
The Group is prepared for property, interruption, transport and liability risks, including product, operational and management liabilities, by means of insurance policies covering the entire Group, as well as supplementary local policies. It is possible, however, that the Group must compensate for losses not covered by insurance because of their scope or quality. The Group regularly monitors and maintains its insurance cover as part of overall risk management.

Responsibility

All of Proventia's business activities and products are strongly linked to climate change mitigation and the reduction of air pollution. In its strategy, the company emphasises responsibility as part of its daily activities. During the financial year, the company strengthened its commitment to sustainable business and started to organise its responsibility activities. The company seeks to identify key focus areas in responsibility considering its business activities, set goals and build indicators, as well as define procedures for monitoring them. The company's goal is to build a responsibility programme that addresses environmental, social and governance (ESG) factors.

Even though systematic responsibility activities are only taking their first steps, the company has already defined guidelines, policies and plans for different areas, and it complies with them in its daily activities.

Environmental responsibility

At Proventia, environmental responsibility means developing products and services that protect the environment and people's health, as well as continuously reducing the environmental impact of its own operations.

Environmental activities are led and developed by the environmental committee. The committee's goal is to advance environmental issues related to Proventia's operations. For example, the committee follows changes in environmental legislation and respective compliance, develops and maintains operations of the environmental system, and monitors the most important environmental goals and their achievement.

Environmental management serves to continuously develop the company's operations in an environmentally friendlier direction through such measures as environmental processes and regular audits.

During the 2021 financial year, the company sought to reduce the environmental impact of its operations by:

- shifting to electricity generated from renewable energy
- recovering and using energy generated in R&D activities, among others
- minimising and recycling waste generated in production

The company seeks to actively reduce its carbon footprint, and it is committed to developing indicators to identify and reduce it.

Social responsibility

Human rights, equality and diversity
Proventia is committed to providing a non-discriminatory work environment, which values diversity regardless of gender, race, religion, nationality, age or physical characteristics or other factors related to diversity.

The company has an equality and non-discrimination plan, which has been prepared to help the company achieve its goals of providing a work community which values diversity, equality and non-discrimination, and to fulfil the obligations on equality and non-discrimination set by law. The equality and non-discrimination plan helps to develop Proventia's operating methods to be more equal and non-discriminatory in the long-term and in a goal-driven and systematic manner. Proventia's personnel also implement the principles of equality and non-discrimination in customer contact and stakeholder cooperation.

Wellbeing and occupational health and safety
The company has an occupational safety committee, occupational health and safety manager, and industrial safety delegate. The goal of Proventia's occupational health and safety activities is to improve health and safety in the workplace, and to promote activities that maintain employees' motivation and ability to work. Risks and hazards associated with working conditions and operating methods are assessed annually, and the fulfilment of the development programme is monitored at the occupational safety committee's meetings.

The occupational health and safety manager is responsible for co-determination and its development, acquiring information on regulations on occupational health and safety, as well as any changes in them, and notifying others of them. The industrial safety delegate participates in occupational health and safety audits. The delegate's task is to advance occupational health and safety.

The company monitors the personnel's wellbeing and job satisfaction by conducting an annual personnel survey, on the basis of which three development areas are selected for the following year.

Responsible procurement
Proventia adheres to responsible business and also requires this from its suppliers. Suppliers are audited in accordance with pre-defined criteria. The company has also identified the significance of responsibility in the subcontracting chain on its operations and started activities during the financial year to reduce the climate impact resulting from the use of suppliers and subcontractors.

Proventia's products do not use minerals from conflict areas where human rights violations take place, or from areas where the excavation of minerals causes environmental damage. Suppliers are also required to follow the same conflict mineral policy.

Corporate governance

Proventia complies with the Corporate Governance Code for Finnish listed companies in its operations. Proventia is committed to being ethical, addressing people, the environment and future generations. The company has had a Code of Conduct since 2013. The Code of Conduct consists of the most important international conventions and policies that Proventia complies with:

- The UN's Universal Declaration of Human Rights and the UN's Convention on the Rights of the Child
- The UN's Guiding Principles on Business and Human Rights
- The ILO Declaration on Fundamental Principles and Rights at Work
- The OECD Guidelines for Multinational Enterprises
- The UN's Global Compact initiative
- The UN's Sustainable Development Goals

The Code of Conduct defines a shared set of rules for working. Its key areas are: business ethics, customer, subcontractor and supplier relationships, the environment, and the work environment. Managers and employees are required to comply with the Code of Conduct. The company aims to operate honestly and responsibly and therefore earn the respect of its stakeholders and society at large. Proventia also requires its partners to comply with corresponding principles.

Quality and environmental certificates
Proventia is committed to complying with the principle of continuous improvement to develop its internal processes and products, and to reduce its environmental impact. The company wants to be

known as a reliable supplier, which reacts to customer needs quickly and proactively. The quality of products and services is a key success factor in the company's operations. Through environmental management, the company continuously develops its operations in an environmentally friendlier direction using such measures as environmental processes and related audits.

Proventia has the following ISO certificates:

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

Other information

Proventia Group Corporation has no capital loans. During the financial year, Proventia Group Corporation provided its subsidiary Proventia Oy with a long-term loan of EUR 3.5 million. 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 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

The company's markets are expected to develop positively. Challenges in the availability of components are expected to continue and decelerate growth in 2022. The company continues to have strong opportunities for long-term growth in both Test Solutions and Powertrain Systems and Components business areas. Growth is supported by international carbon neutrality goals for transport and stricter global emission restrictions for non-road machines, as well as their hybridisation.

The need to test new technologies and power sources continues to increase in test solutions markets. Proventia will continue to develop the solutions required in the R&D and testing of electric vehicles, their powertrains and batteries.

In the Powertrain Systems and Components business area, demand for emission control systems will continue to grow. In non-road machinery, the combustion engine technology will remain the primary power source far into the future, while renewable fuels, combined with effective emission control, will increase. Europe leads the way in emissions regulations, with the rest of the world being a few years behind. Emissions regulations will become even stricter globally.

The development of hybrid systems will improve the energy efficiency of non-road machines and reduce their carbon dioxide emissions. Proventia will be actively involved in their development, and alongside the current ePRO48 battery, it has started the development of the high-voltage ePRO500+ battery for hybrid non-road machines.

In 2022 net sales is expected to increase and operating profit is expected to remain at the 2021 level. In 2021, net sales were EUR 46.6 million, and operating profit was EUR 4.0 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 10,662,028.16. The Board of Directors proposes that EUR 0.06 per share be distributed in dividends from the profit for the period of EUR 2,966,796.49. As a result, total dividends, based on the total number of shares of 15,921,195, would be EUR 955,271.70. The Board of Directors also proposes that the remaining EUR 2,011,524.79 be transferred to retained earnings.

CONSOLIDATED INCOME STATEMENT

Sums in EUR	Note	1 Jan. 2021– 31 Dec. 2021	1 Jan. 2020– 31 Dec. 2020
Net sales	**2.1**	**46,554,953**	**39,351,805**
Change in inventories of finished goods and work in progress		428,117	−746,815
Other operating income	2.3	106,153	394,981
Materials and services	2.2	−26,091,296	−22,149,762
Personnel expenses	3.1	−8,536,849	−6,747,496
Depreciation and impairment	2.4	−2,489,190	−2,520,902
Other operating expenses	2.3	−5,931,655	−4,978,226
Operating profit		**4,040,233**	**2,603,584**
Financial income and expenses	6.3	279,072	−161,852
Profit before taxes		**4,319,304**	**2,441,732**
Income tax	2.5	−1,159,716	−663,014
Profit for the period		**3,159,589**	**1,778,718**

CONSOLIDATED BALANCE SHEET

ASSETS

Sums in EUR	Note	31 Dec. 2021	31 Dec. 2020
Non-current assets			
Intangible assets	4.1	2,488,316	3,013,976
Tangible assets	4.2	4,971,857	5,537,619
Non-current assets, total		**7,460,173**	**8,551,595**
Current assets			
Inventories	5.1	6,972,687	6,549,013
Non-current receivables			
Other receivables	5.2	48,173	50,781
Non-current receivables, total		**48,173**	**50,781**
Current receivables			
Sales receivables	5.2	4,626,370	4,261,905
Other receivables and accrued income	5.2	17,724,639	9,036,203
Current receivables, total		**22,351,008**	**13,298,109**
Cash and cash equivalents	6.2	6,253,829	6,224,041
Current assets, total		**35,625,698**	**26,121,944**
Total assets		**43,085,871**	**34,673,539**

LIABILITIES

Sums in EUR	Note	31 Dec. 2021	31 Dec. 2020
Shareholders' equity	**6.1**		
Share capital		1,090,281	1,090,281
Invested unrestricted equity reserve		6,762,795	4,562,371
Retained earnings		8,475,605	6,668,520
Profit for the period		3,159,589	1,778,718
Shareholders' equity, total		**19,488,270**	**14,099,890**
Obligatory provisions	7.1	800,912	746,790
Debt			
Non-current debt			
Loans from financial institutions	6.2	1,320,000	3,795,210
Non-current debt, total		**1,320,000**	**3,795,210**
Current debt			
Loans from financial institutions	6.2	756,596	1,021,554
Advances received	5.3	13,042,761	8,097,889
Trade payables	5.3	4,658,948	4,799,328
Other payables and deferred income	5.3	3,018,384	2,112,878
Current debt, total		**21,476,689**	**16,031,649**
Debt, total		**22,796,689**	**19,826,859**
Total liabilities		**43,085,871**	**34,673,539**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Sums in EUR	Note	Share capital	Invested unrestricted equity reserve	Retained earnings	Total
Shareholders' equity, 1 Jan. 2021		**1,090,281**	**4,562,371**	**8,447,239**	**14,099,890**
Acquisition of options			-878,176		-878,176
Distribution of assets from the invested unrestricted equity reserve			-1,951,939		-1,951,939
Directed share issue			5,030,540		5,030,540
Translation differences				28,366	28,366
Profit for the period				3,159,589	3,159,589
Shareholders' equity, 31 Dec. 2021	**6.1**	**1,090,281**	**6,762,795**	**11,635,193**	**19,488,270**
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**

CONSOLIDATED CASH FLOW STATEMENT

Sums in EUR	2021	2020
Cash flow from operating activities:		
Profit before taxes	4,319,304	2,441,732
Adjustments:		
Planned depreciation and impairment	2,489,190	2,520,902
Financial income and expenses	-279,072	161,852
Other adjustments	82,488	-160,189
Cash flow before changes in working capital	6,611,911	4,964,298
Changes in working capital		
Changes in current non-interest-bearing trade receivables	-9,178,846	-5,741,215
Change in inventories	-423,674	314,963
Changes in current non-interest-bearing liabilities	5,715,757	2,390,092
Interest paid and payments on other operating financial expenses	246,568	-214,577
Direct taxes paid	-1,036,920	-162,618
Cash flow from operating activities (A)	1,934,796	1,550,942
Cash flow from investing activities:		
Investments in tangible and intangible assets	-1,440,793	-827,986
Sales gains from tangible and intangible assets	43,025	13,503
Repayment of capital loans	0	52,725
Dividends received from investments	32,504	0
Cash flow from investing activities (B)	-1,365,264	-761,758
Cash flow from financing activities:		
Share issue	5,030,540	0
Withdrawals of long-term and short-term loans	0	2,000,000
Repayments of long-term loans	-2,740,168	-338,003
Dividends paid and other distribution of profit	-2,830,115	0
Cash flow from financing activities (C)	-539,744	1,661,997
Changes in cash and cash equivalents (increase +, decrease -) (A+B+C)	29,788	2,451,182
Cash and cash equivalents at the beginning of the period	6,224,041	3,772,860
Cash and cash equivalents at the end of the period	6,253,829	6,224,041

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. and Proventia UK Limited. Proventia Americas LLC, a subsidiary not engaged in business operations, has been discontinued.

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 2021 were EUR 46.6 (39.4) million. The Powertrain Systems and Components business area's net sales in 2021 were EUR 37.2 million, or 79.9% of the Group's net sales. In 2020, the corresponding figures were EUR 31.8 million and 80.7%. The Test Solutions business area's net sales in 2021 were EUR 9.4 million, or 20.1% of the Group's net sales. In 2020, the corresponding figures were EUR 7.6 million and 19.3%.

The unrecognised net sales of incomplete projects in the Test Solutions business area were EUR 11.4 (4.1) million on 31 December 2021.

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.

NET SALES BY BUSINESS AREA

Sums in EUR	2021	2020
Powertrain Systems and Components	37,177,590	31,761,529
Test Solutions	9,377,363	7,590,276
Total	**46,554,953**	**39,351,805**

NET SALES BY MARKET AREA

Sums in EUR	2021	2020
Europe	45,693,400	38,289,685
Other continents	861,553	1,062,120
Total	**46,554,953**	**39,351,805**

BREAKDOWN OF NET SALES

Sums in EUR	2021	2020
Net sales according to level of completion	9,361,541	7,589,168
Other net sales	37,193,412	31,762,637
Total	**46,554,953**	**39,351,805**

LONG-TERM PROJECTS

Sums in EUR	2021	2020
Amount of income from long-term projects in consolidated net sales	9,361,541	7,589,168
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	9,344,218	7,589,168
Amount of received prepayments recognised for long-term projects in progress on the balance sheet	10,456,406	5,666,875
Amount of receivables recognised for long-term projects in progress on the balance sheet	17,032,900	8,158,512

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.

MATERIALS AND SERVICES

Sums in EUR	2021	2020
Substances, supplies and goods		
Purchases during the financial year	23,957,212	19,354,368
Increases in stocks	−64,674	710,127
External services	2,193,934	2,085,266
Total	**26,086,472**	**22,149,762**

2.3 · Other operating income and expenses

OTHER OPERATING INCOME

Sums in EUR	2021	2020
Grants received	86,784	338,532
Sales gains from fixed assets	102	−4,601
Other operating income	19,267	61,050
Total	**106,153**	**394,981**

OTHER OPERATING EXPENSES

Sums in EUR	2021	2020
Facility expenses	1,515,651	1,358,338
IT, device and equipment expenses	992,410	973,219
Travel expenses	546,259	217,688
Sales and marketing expenses	713,486	725,264
Administrative services and other administrative expenses	1,455,673	908,111
Other expense items	708,176	795,606
Total	**5,931,655**	**4,978,226**

AUDITORS' FEES

Sums in EUR	2021	2020
Auditing	55,182	52,974
Tax consultancy services	29,444	11,650
Other services	3,409	0
Total	**88,035**	**64,624**

2.4 · Depreciation and impairment

DEPRECIATION BY ASSET GROUP

Sums in EUR	2021	2020
Development expenses	529,923	740,500
Intellectual property rights	182,072	181,665
Other capitalised long-term expenses	201,597	281,426
Machinery and equipment	1,271,617	1,317,311
Depreciation, total	**2,185,208**	**2,520,902**
Impairment of non-current assets	303,982	0
Depreciation and impairment, total	**2,489,190**	**2,520,902**

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	2021	2020
Income tax	−1,191,368	−593,618
Deferred tax	31,652	−69,395
Total	**−1,159,716**	**−663,014**

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

Number of employees	2021	2020
Average number for the period	158	152
Number of employees at the end of the period	163	142

BREAKDOWN OF PERSONNEL EXPENSES

Sums in EUR	2021	2020
Salaries and fees	7,030,646	5,875,327
Pension expenses	1,266,843	711,063
Other statutory indirect expenses	239,360	161,106
Total	**8,536,849**	**6,747,496**

The employees are paid a monthly salary or are paid by the hour. The company had a bonus scheme in 2021. 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. In 2021, the Group's personnel expenses included EUR 627,000 of bonus expenses (EUR 0 in 2020).

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 2021 financial year, the Group's related-party transactions were EUR 550,000 (381,000). The most significant related-party transactions were carried out with companies of the Head Invest Group and totalled EUR 482,000 (366,000) in 2021. Of these, the most significant item consists of rents for facilities, totalling EUR 303,000 (302,000) in 2021. 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 2021 and 2020 were as follows:

Sums in EUR	2021	2020
CEO's and Management Team members' salaries and fees	815,525	728,354
Board members' salaries and fees	126,000	124,500
Total	**941,525**	**852,854**

The management's option scheme

Proventia currently has one option scheme for its key personnel. In addition to serving as incentives, the option scheme is intended to increase commitment. 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.

At its meeting held on 27 September 2021, the company's Board of Directors decided to close the 2015 option scheme. The option scheme implemented in 2015 entitled the company's key employees to subscribe for a total of 470,000 shares at a price of EUR 0.36 per share in 2016–2025.

At its meeting held on 15 June 2021, Proventia Group Corporation's Board of Directors decided to present a purchase offer to holders of the 2015 options regarding the purchase of the 2015A, 2015B and 2015C option series at EUR 2.64 per option less the option subscription price of EUR 0.36. The offered purchase price was based on the Board of Directors' understanding of the fair value of the shares. The Board of Directors decided to authorise the CEO to make the purchase offer and implement the purchase of the options.

At its meeting held on 27 September 2021, Proventia Group Corporation's Board of Directors stated that 84,835 shares were subscribed on the basis of the 2015 option scheme. The shares were paid and the subscription price was recognised in the company's invested unrestricted equity reserve in accordance with the option scheme's terms and conditions. According to its previous decision, the company redeemed the option rights not used in the share subscription from their holders.

At its meeting held on 27 September 2021, Proventia Group Corporation's Board of Directors decided to approve the share subscriptions and authorise the acting management to make appropriate entries in the Trade Register. Furthermore, the Board of Directors decided to close the 2015 option scheme and authorise the acting management to remove the option decision from the Trade Register when registering the share subscriptions.

Option schemes	Subscription price	Number of option rights	Subscription period
2016D	EUR 0.50 per share	397,934	28 Feb. 2019 to 28 Feb. 2025
2016E	EUR 0.50 per share	397,932	28 Feb. 2020 to 28 Feb. 2026
2016F	EUR 0.50 per share	397,934	28 Feb. 2021 to 28 Feb. 2027

4 · RESEARCH, DEVELOPMENT AND INVESTMENT

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

Sums in EUR	2021	2020
Research and development expenses, total	1,202,358	1,081,851
Amount of product development costs capitalised as development expenses on the balance sheet:	585,447	198,408
Impairment of research and development expenses	303,982	0
Depreciation of research and development expenses	529,923	740,500
Research and development expenses recognised through profit or loss	616,911	883,444
Research and development expenses, % of net sales	2.58%	2.75%

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.

The impairment of research and development expenses is related to developed products whose profit-making ability in their market areas is expected to decrease. For this reason, it was recognised as a write-off during the financial year.

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	2021	2020
Development expenses		
Acquisition cost, 1 Jan.	7,900,248	7,701,840
Increase	585,447	198,408
Decrease	-303,982	0
Acquisition cost, 31 Dec.	8,181,714	7,900,248
Accumulated depreciation according to plan	-6,088,779	-5,348,278
Depreciation for the period	-529,923	-740,500
Book value, 31 Dec.	1,563,012	1,811,469
Intellectual property rights		
Acquisition cost, 1 Jan.	2,219,901	2,074,339
Increase	78,215	145,562
Acquisition cost, 31 Dec.	2,298,117	2,219,901
Accumulated depreciation according to plan	-1,684,231	-1,502,566
Depreciation for the period	-182,072	-181,665
Book value, 31 Dec.	431,814	535,670
Other capitalised long-term expenses		
Acquisition cost, 1 Jan.	1,532,741	1,464,628
Increase	28,251	68,113
Acquisition cost, 31 Dec.	1,560,992	1,532,741
Accumulated depreciation according to plan	-865,905	-584,479
Depreciation for the period	-201,597	-281,426
Book value, 31 Dec.	493,490	666,836
Intangible assets, total	**2,488,316**	**3,013,976**

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	2021	2020
Machinery and equipment		
Acquisition cost, 1 Jan.	11,495,695	11,093,294
Increase	748,879	415,903
Decrease	-43,025	-13,503
Acquisition cost, 31 Dec.	12,201,549	11,495,695
Accumulated depreciation according to plan	-5,958,075	-4,640,765
Depreciation for the period	-1,271,617	-1,317,311
Book value, 31 Dec.	4,971,857	5,537,619
Tangible assets, total	**4,971,857**	**5,537,619**

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	2021	2020
Substances and supplies	3,546,702	3,369,668
Work in progress	801,878	437,046
Finished products	1,579,222	1,515,918
Prepayments on inventories	1,044,885	1,226,381
Inventories, total	**6,972,687**	**6,549,013**

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 2021, non-current receivables totalled EUR 48,000 (EUR 51,000 on 31 December 2020) and consisted of rent deposits.

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

Sums in EUR	2021	2020
Sales receivables	4,626,370	4,261,905
Other receivables	221,289	330,886
Accrued income	17,474,972	8,553,245
Deferred tax assets	28,378	152,072
Total	**22,351,008**	**13,298,109**

Material items included in accrued income		
Receivables from long-term projects (POC method)	17,032,900	8,158,512
Other accrued income	442,072	394,733
Total	**17,474,972**	**8,553,245**

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	2021	2020
Trade payables	4,658,948	4,799,328
Other current liabilities	823,022	510,831
Advances received	13,042,761	8,097,889
Deferred income	1,957,985	1,369,529
Deferred tax liabilities	237,377	232,518
Total	**20,720,093**	**15,010,095**
Material items included in deferred income		
Allocation of personnel expenses	1,788,720	1,055,557
Other deferred income	169,265	313,973
Total	**1,957,985**	**1,369,529**

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 2021, Proventia Group Corporation's registered share capital was EUR 1,090,281.04 and its total number of shares was 15,921,195. 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 2021, Head Invest Oy's holding of shares and votes in Proventia Group Oy was 51.94%. Proventia Group is consolidated into Head Invest Oy's financial statements.

Invested unrestricted equity reserve
At its meeting held on 15 June 2021, Proventia Group Corporation's Board of Directors decided to present a purchase offer to holders of the 2015 options regarding the purchase of the 2015A, 2015B and 2015C option series at EUR 2.64 per option less the option subscription price of EUR 0.36. The options of EUR 864,555.60 were paid in August 2021.

At its meeting held on 27 September 2021, Proventia Group Corporation's Board of Directors stated that 84,835 shares were subscribed on the basis of the 2015 option scheme. The shares were paid and the subscription price was recognised in the company's invested unrestricted equity reserve in accordance with the option scheme's terms and conditions. According to its previous decision, the company redeemed the option rights not used in the share subscription from their holders. At its meeting held on 27 September 2021, Proventia Group Corporation's Board of Directors decided to approve the share subscriptions. Furthermore, it decided that the 2015 option scheme will be closed.

At its extraordinary general meeting held on 27 August 2021, Proventia Group Corporation's Board of Directors decided to distribute a total of EUR 1,951,938.94 (EUR 0.14 per share) in assets from the unrestricted equity reserve based on the balance sheet confirmed for the financial year closed on 31 December 2020. The assets were distributed in September 2021.

At its meeting held on 28 November 2021, Proventia Group Corporation's Board of Directors decided on a directed share issue. The issue was related to the entry of EAB Private Equity as a new shareholder. The transfer of shares through the directed share issue was based on the authorisation provided for the Board of Directors at Proventia Group Corporation's Annual General Meeting held on 22 April 2021. It was decided that 1,893,939 shares be transferred through the issue. In addition, it was decided that the full share subscription price be recognised in the company's invested unrestricted equity reserve. There was a weighty financial reason for derogating from the shareholders' pre-emptive right as laid down in chapter 9, section 4 of the Limited Liability Companies Act, as the share issue was carried out to strengthen the company's capital structure and to improve future financing opportunities. The new shares were entered in the Trade Register on 21 December 2021.

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

6.2 · Debt and cash and cash equivalents

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

FINANCIAL LIABILITIES

Sums in EUR	2021	2020
Long-term loans		
Bank loans	1,320,000	3,694,286
Hire purchase liabilities	0	100,924
Long-term loans, total	**1,320,000**	**3,795,210**
Short-term loans		
Bank loans	660,000	780,714
Hire purchase liabilities	96,596	240,840
Short-term loans, total	**756,596**	**1,021,554**
Financial liabilities, total	**2,076,596**	**4,816,764**
Cash and cash equivalents	**6,253,829**	**6,224,041**

In 2021, the Group's loans consisted of bank loans and hire purchase liabilities. 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 2021 financial year. The loans are secured against corporate mortgages. The company has access to a revolving credit facility of EUR 4 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	2021	2020
Financial income		
Dividend income	32,504	0
Other interest and financial income	9,037	65,785
Exchange rate gains	559,049	201,376
Financial income, total	**600,590**	**267,161**
Financial expenses		
Interest and other financial expenses	−116,111	−102,737
Exchange rate losses	−205,407	−326,276
Financial expenses, total	**−321,518**	**−429,013**
Financial income and expenses, total	**279,072**	**−161,852**

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

PLEDGES AND CONTINGENT LIABILITIES

Sums in EUR	2021	2020
Securities and mortgages for own liabilities		
Business mortgages	13,300,000	15,300,000
Revolving credit facilities		
Total amount of granted credit facilities	4,000,000	5,000,000
In use	0	0
Amounts to be paid on leasing agreements (incl. VAT)		
To be paid during the next financial year	213,075	214,323
To be paid later	311,906	349,800
Total	524,981	564,122
Other contractual liabilities (incl. VAT)		
To be paid during the next financial year	1,715,803	1,361,508
To be paid later	3,776,874	3,260,396
Total	5,492,677	4,621,904
Commercial bank guarantees	115,047	168,231
Liabilities for which mortgages or pledges have been given as securities		
Loans from financial institutions	1,980,000	4,475,000
Total	1,980,000	4,475,000

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.

7 · OTHER NOTES

7.1 · Provisions

Sums in EUR	2021	2020
Warranty provisions	800,912	746,790
Total	**800,912**	**746,790**

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.

On 31 December 2021, 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 UK Limited	UK	100

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	2021	2020
Deferred tax assets		
Warranty provisions	0	149,382
Confirmed losses	28,378	2,691
Total deferred tax assets	**28,378**	**152,072**
Deferred tax liabilities		
Accumulated depreciation differences	237,377	232,518
Total deferred tax liabilities	**237,377**	**232,518**

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 for 2021 are related to the confirmed losses of the Group's parent company. Deferred tax liabilities are associated with accumulated depreciation differences. The amount of accumulated depreciation differences included in shareholders' equity was EUR 930,000 (930,000) on 31 December 2021.

PARENT COMPANY'S FINANCIAL STATEMENTS

PARENT COMPANY'S INCOME STATEMENT

Sums in EUR	Note	1 Jan. 2021–31 Dec. 2021	1 Jan. 2020–31 Dec. 2020
Net sales	**1**	**2,228,667**	**1,726,207**
Other operating income	2	0	2,572
Materials and services		0	0
Personnel expenses	3	–786,303	–606,862
Depreciation and impairment	4	–74,365	–71,161
Other operating expenses	5	–1,461,058	–1,105,874
Operating loss		**–93,058**	**–55,118**
Financial income and expenses	6	3,034,167	53,009
Profit (loss) before taxes		**2,941,109**	**–2,109**
Income tax	7	25,687	2,889
Profit for the period		**2,966,796**	**780**

PARENT COMPANY'S BALANCE SHEET

ASSETS

Sums in EUR	Note	31 Dec. 2021	31 Dec. 2020
Non-current assets			
Intangible assets	8	250,584	249,657
Tangible assets	8	2,924	4,991
Investment	9	5,421,157	5,421,157
Non-current assets, total		**5,674,665**	**5,675,805**
Current assets			
Non-current receivables	10		
Loan receivables		3,500,000	0
Non-current receivables, total		**3,500,000**	**0**
Current receivables	11		
Sales receivables		306,093	314,999
Other receivables and accrued income		595,662	562,367
Current receivables, total		**901,755**	**877,365**
Cash and cash equivalents		1,995,543	231,066
Current assets, total		**6,397,298**	**1,108,431**
Total assets		**12,071,962**	**6,784,236**

LIABILITIES

Sums in EUR	Note	31 Dec. 2021	31 Dec. 2020
Shareholders' equity	**12**		
Share capital		1,090,281	1,090,281
Invested unrestricted equity reserve		6,762,795	4,562,371
Retained earnings		932,437	931,657
Profit for the period		2,966,796	780
Shareholders' equity, total		**11,752,309**	**6,585,088**
Debt			
Current debt	13		
Trade payables		94,865	54,382
Other payables and deferred income		224,789	144,766
Current debt, total		**319,653**	**199,147**
Debt, total		**319,653**	**199,147**
Total liabilities		**12,071,962**	**6,784,236**

PARENT COMPANY'S CASH FLOW STATEMENT

Sums in EUR	2021	2020
Cash flow from operating activities:		
Profit (loss) before taxes	2,941,109	−2,109
Adjustments:		
Planned depreciation	74,365	71,161
Financial income and expenses	−3,034,167	−53,009
Cash flow before changes in working capital	−18,693	16,043
Changes in working capital		
Changes in current non-interest-bearing trade receivables	1,298	271,488
Changes in current non-interest-bearing liabilities	120,506	−11,306
Interest paid and payments on other operating financial expenses	−1,747	284
Cash flow from operating activities (A)	101,364	276,708
Cash flow from investing activities:		
Investments in tangible and intangible assets	−73,225	−150,971
Investments in subsidiaries	−3,500,000	0
Repayment of capital loans	0	52,725
Dividends received from investments	3,035,914	0
Cash flow from investing activities (B)	−537,311	−98,246
Cash flow from financing activities:		
Share issue	5,030,540	0
Dividends paid and other distribution of profit	−2,830,115	0
Cash flow from financing activities (C)	2,200,424	0
Changes in cash and cash equivalents (increase +, decrease −) (A+B+C)	1,764,477	178,462
Cash and cash equivalents at the beginning of the period	231,066	52,604
Cash and cash equivalents at the end of the period	1,995,543	231,066

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

1. Net sales by business area	2021	2020
Other net sales	2,228,667	1,726,207
Total	**2,228,667**	**1,726,207**

2. Other operating income	2021	2020
Other operating income	0	2,572
Total	**0**	**2,572**

3. Number of employees and personnel expenses	2021	2020
Average number for the period	11	11
Number of employees at the end of the period	12	10
Breakdown of personnel expenses		
Salaries and fees	669,021	522,109
Pension expenses	102,597	72,377
Other statutory indirect expenses	14,684	12,376
Total	**786,303**	**606,862**

4. Depreciation and impairment	2021	2020
Intellectual property rights	56,443	63,816
Other capitalised long-term expenses	15,855	5,022
Machinery and equipment	2,067	2,323
Total	**74,365**	**71,161**

5. Other operating expenses	2021	2020
Facility expenses	308,532	299,605
Maintenance, IT, device and equipment expenses	478,624	529,265
Travel expenses	1,013	2,465
Sales and marketing expenses	38,236	4,953
Administrative services and other administrative expenses	514,715	247,870
Other expense items	119,939	21,716
Total	**1,461,058**	**1,105,874**

6. Financial income and expenses	2021	2020
Dividend income		
From Group companies	3,003,410	0
From others	32,504	0
Other interest and financial income		
From others	0	52,732
Financial income, total	**3,035,914**	**52,732**
Interest and other financial expenses		
To others	−1,747	277
Financial expenses, total	**−1,747**	**277**
Financial income and expenses, total	**3,034,167**	**53,009**

7. Income tax	2021	2020
Income tax	0	198
Deferred tax	25,687	2,691
Total	**25,687**	**2,889**

8. Changes in non-current assets	2021	2020
Intellectual property rights		
Acquisition cost, 1 Jan.	857,520	758,825
Increase	61,448	98,695
Acquisition cost, 31 Dec.	918,968	857,520
Accumulated depreciation according to plan	-675,036	-611,220
Depreciation for the period	-56,443	-63,816
Book value, 31 Dec.	187,488	182,484
Other capitalised long-term expenses		
Acquisition cost, 1 Jan.	74,995	22,719
Increase	11,778	52,276
Acquisition cost, 31 Dec.	86,772	74,995
Accumulated depreciation according to plan	-7,822	-2,800
Depreciation for the period	-15,855	-5,022
Book value, 31 Dec.	63,096	67,173
Intangible assets, total	**250,584**	**249,657**

8. Changes in non-current assets	2021	2020
Machinery and equipment		
Acquisition cost, 1 Jan.	188,503	188,503
Acquisition cost, 31 Dec.	188,503	188,503
Accumulated depreciation according to plan	-183,512	-181,190
Depreciation for the period	-2,067	-2,323
Book value, 31 Dec.	2,924	4,991
Tangible assets, total	**2,924**	**4,991**

9. Investment	2021	2020
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 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%	100%
Proventia Americas LLC, Minnesota, USA (ownership through Proventia Oy)		100%
Other shares held by the parent company		
Optatech Oy	15.26%	15.26%

10. Loan receivables	2021	2020
Non-current loan receivables		
From Group companies	3,500,000	0
Total loan receivables	**3,500,000**	**0**

11. Current receivables	2021	2020
Sales receivables		
From Group companies	306,093	314,999
Total	306,093	314,999
Accrued income		
From Group companies	535,000	535,000
From others	32,284	24,676
Deferred tax assets	28,378	2,691
Total	595,662	562,367
Current receivables, total	**901,755**	**877,365**

12. Changes in shareholders' equity	2021	2020
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
Acquisition of options	−864,556	0
Distribution of assets from the invested unrestricted equity reserve	−1,935,019	0
Share issue	4,999,999	0
Invested unrestricted equity reserve, 1 Jan.	6,762,795	4,562,371
Retained earnings, 1 Jan.	932,437	931,657
Retained earnings, 31 Dec.	932,437	931,657
Profit for the period	2,966,796	780
Earnings, 31 Dec.	3,899,233	932,437
Unrestricted equity, 31 Dec.	10,662,028	5,494,807
Shareholders' equity, total	**11,752,309**	**6,585,088**
Distributable funds at the end of the period	**10,662,028**	**5,494,807**

13. Current liabilities	2021	2020
Trade payables		
To others	94,865	54,382
Total	94,865	54,382
Other current liabilities		
To others	60,454	56,399
Total	60,454	56,399
Deferred income		
To others	164,334	88,366
Total	164,334	88,366
Current liabilities, total	**319,653**	**199,147**

14. Pledges and contingent liabilities	2021	2020
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	136,151	137,365
To be paid later	161,748	122,630
Total	**297,899**	**259,994**
Other contractual liabilities (incl. VAT)		
To be paid during the next financial year	384,817	371,114
To be paid later	2,244,768	2,535,946
Total	**2,629,585**	**2,907,060**

Other contractual liabilities consist of rental liabilities related to facilities.

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

Oulu, 28 February 2022

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, 1 March 2022

Ernst & Young Oy
Authorised Public Accountants

Jari Karppinen
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 TO THE ANNUAL GENERAL MEETING OF PROVENTIA GROUP OYJ

(translation of the Finnish original)

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Proventia Group Oyj (business identity code 1612236-0) for the year ended 31 December 2021. 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.

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.

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

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 an 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 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 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 on 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the 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 company 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 1.3.2022

Ernst & Young Oy
Authorized Public Accountant Firm

Jari Karppinen
Authorized Public Accountant

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