



# **PROVENTIA GROUP CORPORATION**

**HALF-YEAR FINANCIAL REPORT  
JANUARY-JUNE 2022**

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## April–June 2022 in brief

- Net sales decreased by 2.4% from the previous year to EUR 12.1 (12.3) million.
- The operating profit was EUR 0.4 (1.1) million.
- The result for the period was EUR 0.2 (0.8) million.

## January–June 2022 in brief

- Net sales decreased by 1.7% from the previous year to EUR 23.8 (24.2) million.
- The operating profit was EUR 0.6 (2.8) million.
- The result for the period was EUR 0.4 (2.3) million.
- The group had 194 (166) employees at the end of June. Of these, 154 worked in Finland, 38 in the Czech Republic and 2 in the UK.

(The figures in brackets refer to the same period in the previous year.)

## President and CEO Jari Lotvonen:

“The company’s net sales remained at the previous year’s level during the first half of the year due to the challenging operating environment. The operating profit rate decreased from last year’s 11.5% to 2.4%. Changes in the percentages of our business areas’ net sales and the general increase in costs reduced our profitability.

The Test Solutions business area’s net sales developed significantly during the first half of the year. Net sales increased by 80.3% year-on-year, while profitability decreased. The decrease in profitability mainly resulted from the increased prices of components, supplies and services after entering into agreements. We aim to alleviate the impact of cost inflation by negotiating actively with our customers over price increases. The Test Solutions business area’s decreased profitability also strained the entire company’s profitability, as Test Solutions accounted for 29.0% of the entire company’s net sales, while the corresponding figure was 15.8% during the comparative period. In the research and development of test solutions, we have focused, in accordance with our strategy, on modular R&D and testing environments for electric vehicle batteries and developed new solutions for battery testing during production and the recycling of batteries, among others.

The Powertrain Systems and Components business area’s net sales during the first half of the year decreased by 17.0% year-on-year. The decrease in net sales partly resulted from the project-type nature of retrofit activities and partly from delays in our OEM customers’ production operations due to the global shortage of components. The rising material, component, logistics and energy prices also increased costs in the Powertrain Systems and Components business area. With our customers, we have negotiated the price increases required by the current market situation, and we will also continue to reduce the impact of increased costs during the second half of the year. We will continue our investments in the start-up of our plant in the Czech Republic during 2022. The plant will serve our non-road machine customers and respond to the significant increase in production volumes starting from

2023. In non-road machine markets, we have continued our close long-term cooperation with global engine and non-road machine manufacturers to design more advanced emission control systems. In addition, we have invested in the R&D of high capacity batteries and launched Proventia ePRO500+, our new battery product.

During the second quarter, we continued our responsibility activities in emission calculations, among others.

Even though the war in Ukraine has not had any direct impact on our business so far, geopolitical tensions, increased energy costs and challenges in the availability of components have increased market disruptions and uncertainties, and may reduce demand in the short term. Cost inflation and other financial concerns may decelerate customers' decision-making processes.

Proventia's long-term opportunities for growth remain strong. We believe that energy efficiency requirements, renewable fuels and globally tightening emission restrictions, combined with the electrifying automotive industry, present new customer needs and increase demand for Proventia's products."

## KEY FIGURES

Sums in EUR	4-6/2022	4-6/2021	1-6/2022	1-6/2021	1-12/2021
Net sales	12,056,429	12,347,303	23,827,041	24,227,438	46,554,953
Change in net sales, %	-2.4%	21.7%	-1.7%	21.2%	18.3%
Operating profit	386,505	1,148,114	560,698	2,792,702	4,040,233
Operating profit, %	3.2%	15.6%	2.4%	11.5%	8.7%
Return on equity (ROE), %	6.7%	12.5%	6.7%	22.4%	18.8%
Equity ratio, %	62.5%	60.7%	62.5%	60.7%	64.9%
Return on capital employed (ROCE), %	11.1%	16.9%	11.1%	24.2%	22.9%
Interest-bearing liabilities	1,650,000	2,529,781	1,650,000	2,529,781	2,076,596
Net debt	-5,843,185	-3,004,347	-5,843,185	-3,004,347	-4,177,233
Investments	821,962	136,310	1,248,028	278,758	1,397,768

The formulas used to calculate the key figures are shown on page 10.

## NET SALES

The group's net sales in January–June 2022 stood at EUR 23.8 (24.2) million. Net sales decreased by 1.7% from the comparative period (increase 21.2%). Net sales of the Powertrain Systems and Components business area decreased by 17.0% to EUR 16.9 (20.4) million. The Test Solutions business area's net sales increased by 80.3% from the comparative period to EUR 6.9 (3.8) million. The Powertrain Systems and Components business area accounted for 71.0% (84.2%) of total net sales, while the Test Solutions business area made up 29.0% (15.8%).

In January–June, Europe accounted for 94.0% (98.4%) of total net sales.

## Net sales by business area

Sums in EUR	1-6/2022	1-6/2021	Change, %	1-12/2021
Powertrain Systems and Components	16,922,649	20,399,053	-17.0%	37,177,590
Test Solutions	6,904,392	3,828,385	80.3%	9,377,362
<b>Total</b>	<b>23,827,041</b>	<b>24,227,438</b>	<b>-1.7%</b>	<b>46,554,953</b>

## Net sales by market area

Sums in EUR	1-6/2022	1-6/2021	Change, %	1-12/2021
Europe	22,386,154	23,850,520	-6.1%	45,693,400
Other continents	1,440,886	376,917	282.3%	861,553
<b>Total</b>	<b>23,827,041</b>	<b>24,227,438</b>	<b>-1.7%</b>	<b>46,554,953</b>

## PERFORMANCE AND FINANCIAL POSITION

In January–June 2022, the operating profit was EUR 0.6 (2.8) million, representing 2.4% (11.5%) of net sales. Profit was EUR 0.4 (2.3) million. Undiluted earnings per share were EUR 0.03 (0.16), while diluted earnings per share were EUR 0.02 (0.15).

During the first half of 2022, cash flow from operating activities was EUR 3.9 (1.9) million. The group's liquid assets at the end of June 2022 stood at EUR 7.5 (5.5) million. Interest-bearing liabilities totalled EUR 1.7 (2.5) million at the end of the review period.

## RESEARCH AND DEVELOPMENT

R&D expenses totalled EUR 0.7 (0.6) million, representing 2.7% (2.6%) of the group's net sales. R&D expenses of EUR 0.4 (0.1) million have been capitalised on the balance sheet as development expenses. R&D expenses recognised through profit or loss totalled EUR 0.3 (0.6) million.

## PERSONNEL

At the end of June 2022, Proventia had 194 (166) employees. Of these, 154 worked in Finland, 38 in the Czech Republic and 2 in the UK.

## IMPLEMENTING THE STRATEGY

The company has focused on its strategy in the changed operating environment. In terms of technology, the company has continued to develop and productise R&D and testing solutions for electric and other zero-emission vehicles. In the non-road machine customer segment, the company will continue its long-term activities as a developer and manufacturer of high-quality emission control systems for global engine and non-road machine manufacturers. Furthermore, the company has invested in electric powertrains for non-road machines and especially in high capacity batteries for hybrid and electric non-road machines.

## SHORT-TERM RISKS AND UNCERTAINTIES

Global disruptions in supply chains, challenges in the availability of materials and components, and increases in prices may increase risks associated with Proventia's operations and delay Proventia's deliveries to customers. The Russian invasion of Ukraine has increased uncertainties in the markets which may reduce demand for our products, as demand for our customers' products decreases. Changes in the market situation may postpone and cancel customer orders. The availability of energy may decrease and economic growth may decelerate, potentially postponing customers' investment decisions. Cyberthreats caused by geopolitical tensions may make international business more difficult.

The potentially prolonged coronavirus pandemic and any new variants may cause lockdowns, especially in China, which may increase challenges in the availability of certain components and delay customer deliveries.

Proventia's business risks have been described in more detail in the 2021 financial statements.

## OUTLOOK

Net sales for 2022 are expected to increase. The operating profit is expected to decrease from the 2021 level. In 2021, net sales were EUR 46.6 million, and the operating profit was EUR 4.0 million. However, it is still difficult to make estimates, and the current market conditions and the unstable geopolitical situation are increasing uncertainties over the future.

## ACCOUNTING PRINCIPLES

Proventia Group's six-month interim report has been prepared in accordance with Finnish accounting principles. The figures presented have been rounded from exact figures. The figures indicated in the six-month interim report are unaudited.

## CONSOLIDATED INCOME STATEMENT

Sums in EUR	1 April 2022 30 June 2022	1 April 2021 30 June 2021	1 January 2022 - 30 June 2022	1 January 2021 - 30 June 2021	1 January 2021 - 31 December 2021
<b>Net sales</b>	12,056,429	12,347,453	23,827,041	24,227,438	46,554,953
Change in inventories of finished goods and work in progress	-452,775	245,022	406,606	157,832	428,117
Other operating income	33,773	1,077	73,019	-295	106,153
Materials and services	-6,228,778	-7,258,414	-14,260,398	-13,139,376	-26,091,296
Personnel expenses	-2,520,547	-2,310,785	-4,760,770	-4,438,131	-8,536,849
Depreciation and impairment	-554,935	-586,851	-1,100,744	-1,173,410	-2,489,190
Other operating expenses	-1,946,662	-1,444,563	-3,624,056	-2,841,355	-5,931,655
<b>Operating profit</b>	<b>386,505</b>	<b>992,940</b>	<b>560,698</b>	<b>2,792,702</b>	<b>4,040,233</b>
Financial income and expenses	-118,844	-36,880	1,743	103,041	279,072
<b>Profit before taxes</b>	<b>267,661</b>	<b>956,059</b>	<b>562,441</b>	<b>2,895,744</b>	<b>4,319,304</b>
Income tax	-80,249	-193,399	-154,764	-621,561	-1,159,716
<b>Profit for the period</b>	<b>187,412</b>	<b>762,660</b>	<b>407,677</b>	<b>2,274,182</b>	<b>3,159,589</b>

## CONSOLIDATED BALANCE SHEET

Sums in EUR	30 June 2022	30 June 2021	31 December 2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	2,438,649	2,607,055	2,488,316
Tangible assets	5,168,808	5,049,888	4,971,857
<b>Non-current assets, total</b>	<b>7,607,457</b>	<b>7,656,943</b>	<b>7,460,173</b>
<b>Current assets</b>			
Inventories	9,651,713	6,000,982	6,972,687
Non-current receivables			
Other receivables	49,565	47,583	48,173
Non-current receivables, total	49,565	47,583	48,173
Current receivables			
Sales receivables	4,914,607	5,699,464	4,626,370
Other receivables and accrued income	12,785,324	12,309,440	17,724,639
Current receivables, total	17,699,931	18,008,903	22,351,008
Cash and cash equivalents	7,493,185	5,534,127	6,253,829
<b>Current assets, total</b>	<b>34,894,394</b>	<b>29,591,595</b>	<b>35,625,698</b>
<b>TOTAL ASSETS</b>	<b>42,501,851</b>	<b>37,248,538</b>	<b>43,085,871</b>
<b>LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	1,090,281	1,090,281	1,090,281
Invested unrestricted equity reserve	6,762,795	4,562,371	6,762,795
Retained earnings	10,681,575	8,471,149	8,475,605
Profit for the period	407,677	2,274,182	3,159,589
<b>Shareholders' equity, total</b>	<b>18,942,328</b>	<b>16,397,983</b>	<b>19,488,270</b>
Obligatory provisions	788,430	793,588	800,912
<b>Debt</b>			
Non-current debt			
Loans from financial institutions	990,000	1,650,000	1,320,000
Non-current debt, total	990,000	1,650,000	1,320,000
Current debt			
Loans from financial institutions	660,000	879,781	756,596
Advances received	12,180,959	10,254,750	13,042,761
Trade payables	6,901,038	4,425,847	4,658,948
Other payables and deferred income	2,039,096	2,846,589	3,018,384
Current debt, total	21,781,093	18,406,967	21,476,689
<b>Debt, total</b>	<b>22,771,093</b>	<b>20,056,967</b>	<b>22,796,689</b>
<b>TOTAL LIABILITIES</b>	<b>42,501,851</b>	<b>37,248,538</b>	<b>43,085,871</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Sums in EUR	Share capital	Invested unrestricted equity reserve	Retained earnings	Total
<b>Shareholders' equity, 1 Jan. 2022</b>	<b>1,090,281</b>	<b>6,762,795</b>	<b>11,635,193</b>	<b>19,488,270</b>
Payment of dividends		-955,272		-955,272
Translation differences			1,653	1,653
Profit for the period			407,677	407,677
<b>Shareholders' equity, 30 June 2022</b>	<b>1,090,281</b>	<b>5,807,523</b>	<b>12,044,524</b>	<b>18,942,328</b>
<b>Shareholders' equity, 1 Jan. 2021</b>	<b>1,090,281</b>	<b>4,562,371</b>	<b>8,447,239</b>	<b>14,099,890</b>
Translation differences			23,911	23,911
Profit for the period			2,274,182	2,274,182
<b>Shareholders' equity, 30 June 2022</b>	<b>1,090,281</b>	<b>4,562,371</b>	<b>10,745,332</b>	<b>16,397,983</b>
<b>Shareholders' equity, 1 Jan. 2021</b>	<b>1,090,281</b>	<b>4,562,371</b>	<b>8,447,239</b>	<b>14,099,890</b>
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
<b>Shareholders' equity, 31 Dec. 2021</b>	<b>1,090,281</b>	<b>6,762,795</b>	<b>11,635,193</b>	<b>19,488,270</b>



## CONSOLIDATED CASH FLOW STATEMENT

Sums in EUR	1 January – 30 June 2022	1 January – 30 June 2021	1 January – 31 December 2021
<b>Cash flow from operating activities</b>			
Profit before taxes	562,441	2,895,744	4,319,304
Adjustments			
Planned depreciation and impairment	1,100,744	1,173,410	2,489,190
Financial income and expenses	-1,743	-103,041	-279,072
Other adjustments	-10,829	70,708	82,488
Cash flow before changes in working capital	1,650,612	4,036,821	6,611,911
Changes in working capital			
Changes in current non-interest-bearing trade receivables	4,650,489	-4,692,354	-9,178,846
Change in inventories	-2,679,026	548,032	-423,674
Changes in current non-interest-bearing liabilities	577,480	2,546,392	5,715,757
Interest paid and payments on other operating financial expenses	1,743	103,041	246,568
Direct taxes paid	-332,046	-666,104	-1,036,920
Cash flow from operating activities (A)	3,869,252	1,875,827	1,934,796
<b>Cash flow from investing activities</b>			
Investments in tangible and intangible assets	-1,261,033	-321,783	-1,440,793
Sales gains from tangible and intangible assets	13,005	43,025	43,025
Dividends received from investments	0	0	32,504
Cash flow from investing activities (B)	-1,248,028	-278,758	-1,365,264
<b>Cash flow from financing activities</b>			
Share issue	0	0	5,030,540
Repayments of long-term loans	-426,596	-2,286,983	-2,740,168
Dividends paid and other distribution of profit	-955,272	0	-2,830,115
Cash flow from financing activities (C)	-1,381,868	-2,286,983	-539,744
Changes in cash and cash equivalents (increase+, decrease-) (A+B+C)	1,239,356	-689,914	29,788
Cash and cash equivalents at the beginning of the period	6,253,829	6,224,041	6,224,041
Cash and cash equivalents at the end of the period	7,493,185	5,534,127	6,253,829

## KEY FIGURE CALCULATION FORMULAS

Key figure	Definition	Purpose of use
<b>Operating profit, %</b>	Operating profit as a percentage of net sales.	The operating profit rate is an indicator of the group's performance.
<b>Return on equity (ROE), %</b>	$\frac{(\text{profit before taxes} + \text{income taxes})}{\text{average shareholders' equity during the period}} \times 100$	Return on equity, equity ratio, return on capital employed, interest-bearing liabilities and net debt are indicators of the group's ability to acquire funding and clear its debts, and they also illustrate the level of risks associated with funding and help to monitor the level of capital used in the group's business activities.
<b>Equity ratio, %</b>	$\frac{\text{shareholders' equity}}{(\text{balance sheet total} - \text{advances received})} \times 100$	
<b>Return on capital employed (ROCE), %</b>	$\frac{(\text{profit before taxes} + \text{financial expenses})}{(\text{average shareholders' equity during the period} + \text{average interest-bearing liabilities during the period})} \times 100$	
<b>Interest-bearing liabilities</b>	total long-term and short-term loans from financial institutions	
<b>Net debt</b>	interest-bearing liabilities - cash and cash equivalents	

The interim period balance sheet calculations of the key figures for return on equity (ROE, ROCE) use the rolling amount from the last twelve months.