



# FINANCIAL STATEMENTS RELEASE JANUARY–DECEMBER 2022



# PROVENTIA GROUP CORPORATION'S FINANCIAL STATEMENTS RELEASE JANUARY–DECEMBER 2022

## January–December 2022 in brief

- The Group's net sales increased by 11.0% from the previous year to EUR 51.7 (46.6) million.
- Operating profit was EUR 1.9 (4.0) million.
- Profit for the period was EUR 1.5 (3.2) million.
- The Group had 196 (163) employees at the end of December. Of these, 149 worked in Finland, 44 in the Czech Republic and 3 in the UK.

## October–December 2022 in brief

- The Group's net sales decreased by 8.4% from the previous year to EUR 12.5 (11.5) million.
- Operating profit was EUR 0.5 (0.5) million.
- Profit for the period was EUR 0.5 (0.4) million.

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

## President and CEO Jari Lotvonen:

Our net sales increased by 11 percent despite challenging market conditions. We met the demand in full, but challenges in the availability of components continued to be reflected in our customers' production volumes, which limited growth. During the year, the impacts of the Russian attack on Ukraine were strongly reflected in the global economy. Uncertainty and geopolitical tension continued throughout the year, and inflation accelerated. The general increase in costs reduced profitability. The operating profit decreased from 9 percent in the comparison period to 4 percent in 2022.

During 2022, net sales of the Test Solutions business increased by 69 percent compared with the previous year. The growth was driven by individual large projects. Despite the strong net sales growth, the

profitability of projects was significantly lower than estimated at the time of the sale. The increase in the prices of materials and more demanding new customer projects significantly reduced the profitability of the Test Solutions business year-on-year, which had a significant impact on the group's result as a whole. Improving the profitability of the Test Solutions business is our key goal for 2023.

In sales, we decided to focus on products needed in the development and testing of batteries and hydrogen fuel cells. During 2022, we received new orders for a test solution for battery cell performance and lifetime testing, as well as a test chamber for hydrogen fuel cell systems.

Net sales in the Powertrain Systems and Components business remained close to the previous year's level. Growth was limited by challenges in the availability of customers' components and materials. During 2022, the Powertrain Systems and Components business mainly prepared for starting the production of customer projects and ensuring delivery capacity.

We entered into several significant agreements concerning the design and manufacture of emission control systems for our OEM non-road machine customers. The development of these products started in 2022. The projects will proceed to production at the Czech plant in 2024 and thereafter. In addition, emission control technology designed by Proventia was licensed for manufacture at a third-party plant from 2025 onwards.

In product development, we have started preparing for the requirements of the Tier 5 and EU Stage VI emission legislation, which are expected to enter

into force between 2028 and 2030. The importance of smart control will further increase in the operation of future emission systems, and we will continue to invest in control unit development.

In the retrofit customer segment, demand was weak during the 2022 financial year as expected, and net sales decreased. In major European cities, retrofit projects decreased in public transport, but field tests have started in Asia that may develop into projects and lead to a significant increase in net sales in this customer segment. The demand for retrofit systems for non-road machines has also increased.

The need for thermal insulation solutions has increased, and a significant portion of net sales came from insulation for engine and pipe components. The demand for thermal insulation is increasing with energy efficiency requirements and the demand for emission control systems. We have developed insulation technology and have invested in using 3D printing in the manufacture of tools and prototypes, for example. We are also expanding our thermal insulation production to the Czech Republic.

In electric powertrain products, we focused on the battery systems of non-road machines. At the Bauma trade fair in October, we launched a new battery product, the ePRO500+ battery, which is suitable for hybrid and electric non-road machines and can also be used alongside fuel cells in hydrogen-powered non-road machines. With our customers, we have started pilot projects on battery system product development. We believe that battery systems will become a significant power source for non-road machines in the future, alongside internal combustion engines.

We have invested in the ramp-up of our Czech plant, and we produced serial production test series in the last quarter of 2022. In the coming years, production at the Czech plant will multiply when products developed in previous years proceed to serial production from 2023 onwards. As expected, our investments in ensuring production and delivery capacity have impacted our profitability in 2022.

We have continued the development of our sustainability work, which started in 2021. We recognise

the significance of sustainability for our business operations, and we are committed to developing our operations in line with the principles of sustainable development.

We are participating in the GREEF project, which aims to help companies reduce the environmental impacts of their operations and products and to drive companies towards the goals of low-carbon operations and growth in exports.

In 2022, Proventia's sustainability was verified for the first time in line with the international EcoVadis rating system. We achieved a Silver rating. We calculated greenhouse emissions from our own operations and purchased energy in 2022. We are also developing the calculation of our indirect emissions. We have also actively sought to commit our suppliers to sustainability.

In the short term, global turbulence and the availability of components may slow growth and reduce profitability. In the long term, the company's markets are expected to develop positively. Stricter emission regulations, electrification, hydrogen and renewable fuels support Proventia's strategy and growth over the long term.

## KEY FIGURES

Sums in EUR	10-12/2022	10-12/2021	1-12/2022	1-12/2021
Net sales	12,499,660	11,527,717	51,692,324	46,554,953
Change in net sales, %	8.4%	-4.1%	11.0%	18.3%
Operating profit	544,918	545,293	1,902,521	4,040,233
Operating profit, %	4.4%	4.7%	3.7%	8.7%
Return on equity (ROE), %	7.7%	18.8%	7.7%	18.8%
Equity ratio, %	65.3%	64.9%	65.3%	64.9%
Return on capital employed (ROCE), %	11.7%	22.9%	11.7%	22.9%
Interest-bearing liabilities	1,320,000	2,076,596	1,320,000	2,076,596
Net debt	-3,494,052	-4,177,233	-3,494,052	-4,177,233
Investments	989,735	1,086,644	3,247,518	1,397,768

The formulas used to calculate the key figures are shown on page 12.

## NET SALES

The group's net sales in January–December 2022 was EUR 51.7 (46.6) million. Net sales increased by 11.0% from the previous year (18.3%). Net sales of the Powertrain Systems and Components business area decreased by 3.6% to EUR 35.8 (37.2) million. The Test Solutions business area's net sales increased by

69.2% from the comparative period to EUR 15.9 (9.4) million. The Powertrain Systems and Components business area accounted for 69.3% (79.9%) of total net sales, while the Test Solutions business area accounted for 30.7% (20.1%).

In January–December, Europe accounted for 87.7% (98.1%) of total net sales.

### Net sales by business area

Sums in EUR	1-12/2022	1-12/2021
Powertrain Systems and Components	35,824,911	37,177,590
Test Solutions	15,867,413	9,377,362
<b>Total</b>	<b>51,692,324</b>	<b>46,554,953</b>

### Net sales by market area

Sums in EUR	1-12/2022	1-12/2021
Europe	45,319,166	45,693,400
Other continents	6,373,158	861,553
<b>Total</b>	<b>51,692,324</b>	<b>46,554,953</b>

## PERFORMANCE AND FINANCIAL POSITION

In 2022, the operating profit was EUR 1.9 (4.0) million, representing 3.7% (8.7%) of net sales. Profit was EUR 1.5 (3.2) million. Undiluted earnings per share were EUR 0.10 (0.23), while diluted earnings per share were EUR 0.09 (0.21).

In 2022, cash flow from operating activities was EUR 3.2 (1.9) million. The group's liquid assets at the end of December 2022 stood at EUR 4.8 (6.3) million. Interest-bearing liabilities totalled EUR 1.3 (2.1) million at the end of the year.

## RESEARCH AND DEVELOPMENT

Proventia invests in R&D to secure a competitive product and service range, also in the future. R&D expenses totalled EUR 1.9 (1.2) million, comprising 3.7% (2.6%) of the group's net sales. R&D expenses of EUR 1.5 (0.6) million have been capitalised on the balance sheet as development expenses. R&D expenses recognized through profit or loss totalled EUR 0.4 (0.6) million.

## PERSONNEL

At the end of December 2022, Proventia had 196 (163) employees. Of these, 149 worked in Finland, 44 in the Czech Republic and 3 in the UK.

## IMPLEMENTING THE STRATEGY

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.

Proventia 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 Proventia's strategy is technological excellence, which is implemented 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 offering new business opportunities for the company.

In the Test Solutions business, the company focused on R&D environments for electric vehicles and their batteries in line with its strategy. The company started developing a product development solution for hydrogen fuel cell systems in 2022 and received a customer order for the solution in the second half of the year. In battery solutions, the company continued its close cooperation with Keysight Technologies, a manufacturer of testing equipment.

In the Powertrain Systems and Components business, the company continued to invest in the R&D and manufacturing of exhaust aftertreatment systems and thermal insulation components. In emission control products, the company is preparing for the next emission regulations and is investing in emission system control, for example. In 2022, the company introduced a high-capacity battery for hybrid and electric non-road machines that can also be used in hydrogen-powered non-road machines alongside fuel cells.

A comprehensive understanding of customer needs, proactive customer service and positive customer experiences form the basis of the company's success. With the gradual easing of the restrictions caused by the coronavirus pandemic during 2022, trade fairs were organised, and customers were met more actively than in previous years. The Bauma trade fair, in particular, was a success for the company. Proventia's technology portfolio attracted a great deal of interest.

In line with its manufacturing strategy, Proventia focuses on the final assembly of products and acquires components efficiently 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. During 2022, the company made preparations to ensure the production and delivery capacity of its Czech plant. In the Test Solutions business, the final assembly of modules takes place at the Oulu plant.

Proventia will continue to develop its innovations 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.

## RISKS AND UNCERTAINTIES

At Proventia, risk management follows the ISO 31000 risk management standard. The risks described below are examples, and they do not represent the whole range of short-term risk management.

- The Russian attack on Ukraine and the unstable geopolitical situation are causing uncertainty in the global economy. The general increase in costs and the challenges in the availability of components may delay or interrupt the production operations of the company's customers.
- In its own production, the company prepares for any disruptions in the delivery of components by optimising its stock levels and improving the efficiency of planning between sales, purchases and production and by identifying alternative suppliers.
- Higher interest rates and inflation may cause costs to increase.
- 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 cus-

tomers base to reduce its dependence on individual customers.

Proventia's business risks are described in more detail in the 2022 financial statements.

## RESPONSIBILITY

Proventia's sustainability is based on its vision, mission and values. Sustainability has been integrated into the company's strategy and day-to-day operations. The Board of Directors and the management are committed to promoting sustainability. In 2022, the company has established an ESG steering group to monitor, guide, develop and assess matters related to sustainability.

In 2022, Proventia carried out a materiality assessment to determine the focus areas of its sustainability work in terms of the environment, society and governance.

The company updated its Code of Conduct in 2022. Proventia requires all its employees and business partners, along with all parties representing Proventia, to comply with the principles of its Code of Conduct.

The company reviews its sustainability in accordance with the UN 2030 Agenda for Sustainable Development. The Agenda includes 17 Sustainable Development Goals, of which Proventia has chosen three goals for which the company offers solutions through its innovative products and services, or that are important for the company in terms of its employees, supply chain and operations. These goals are as follows:

- Goal 13: Climate Action
- Goal 8: Decent Work and Economic Growth
- Goal 9: Industry, Innovation and Infrastructure

The various areas of sustainability and their related procedures are described in more detail in the 2022 financial statements.

## 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

## OUTLOOK

In the short term, global turbulence and the availability of components may slow growth and reduce profitability. In the long term, the company's markets are expected to develop positively. Stricter emission regulations, electrification, hydrogen and renewable fuels support Proventia's long-term strategy and growth.

The need to develop and test new technologies and power sources continues to increase in test system markets. In its Test Solutions business, Proventia focuses on improving profitability. In marketing and sales, the company focuses on test solutions for batteries and hydrogen fuel cells.

The green transition in non-road machines supports growth in Proventia's Powertrain Systems and Components business. Emission regulations will become even stricter globally. The non-road machinery market is growing, and emission control systems will be applied in an increasing number of engine categories. Fossil fuels will be replaced with renewable fuels and will enable the use of internal combustion engines until the end of their life cycles. In recent years, Proventia has invested in product development in customer projects and in increasing production

capacity at its Czech plant. Projects will proceed to serial production from 2023 onwards, which will be reflected in higher net sales in the coming years.

Electrification and the emergence of hydrogen technology will increase the need for battery technology in non-road machines.

Proventia is actively involved in developing new technologies to reduce the local and carbon dioxide emissions of non-road machines, regardless of the technology used as a power source.

Net sales and the operating profit in 2023 are expected to increase from 2022. In 2022, net sales were EUR 51.7 million, and the operating profit was EUR 1.9 million. However, it is still difficult to make estimates, and the current market conditions are increasing uncertainties over the future.

## EVENTS AFTER THE REVIEW PERIOD

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

## ACCOUNTING PRINCIPLES

Proventia Group's financial statements release has been prepared in accordance with Finnish accounting principles. The figures presented have been rounded from exact figures. The figures indicated in the financial statements release are unaudited.

## CONSOLIDATED INCOME STATEMENT

Sums in EUR	1.10.2022– 31.12.2022	1.10.2021– 31.12.2021	1.1.2022– 31.12.2022	1.1.2021– 31.12.2021
Net sales	12,499,660	11,527,717	51,692,324	46,554,953
Change in inventories of finished goods and work in progress	-367,701	31,942	72,394	428,117
Other operating income	219,169	105,188	309,219	106,153
Materials and services	-7,138,101	-6,596,251	-31,870,832	-26,091,296
Personnel expenses	-2,252,960	-2,042,160	-8,966,691	-8,536,849
Depreciation and impairment	-608,919	-741,452	-2,282,817	-2,489,190
Other operating expenses	-1,806,230	-1,739,690	-7,051,076	-5,931,655
<b>Operating profit</b>	<b>544,918</b>	<b>545,293</b>	<b>1,902,521</b>	<b>4,040,233</b>
Financial income and expenses	8,061	173,402	14,848	279,072
<b>Profit before taxes</b>	<b>552,979</b>	<b>718,695</b>	<b>1,917,368</b>	<b>4,319,304</b>
Income tax	-55,105	-345,987	-377,943	-1,159,716
<b>Profit for the period</b>	<b>497,874</b>	<b>372,708</b>	<b>1,539,425</b>	<b>3,159,589</b>



## CONSOLIDATED BALANCE SHEET

Sums in EUR	31.12.2022	31.12.2021
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	3,260,814	2,488,316
Tangible assets	5,164,059	4,971,857
<b>Non-current assets, total</b>	<b>8,424,873</b>	<b>7,460,173</b>
<b>Current assets</b>		
Inventories	9,142,745	6,972,687
Non-current receivables		
Other receivables	49,565	48,173
Non-current receivables, total	49,565	48,173
Current receivables		
Sales receivables	3,600,814	4,626,370
Other receivables and accrued income	21,345,151	17,724,639
Current receivables, total	24,945,965	22,351,008
Cash and cash equivalents	4,814,052	6,253,829
<b>Current assets, total</b>	<b>38,952,326</b>	<b>35,625,698</b>
<b>TOTAL ASSETS</b>	<b>47,377,200</b>	<b>43,085,871</b>
<b>LIABILITIES</b>		
<b>Shareholders' equity</b>		
Share capital	1,090,281	1,090,281
Invested unrestricted equity reserve	7,015,266	6,762,795
Retained earnings	10,683,461	8,475,605
Profit for the period	1,539,425	3,159,589
Shareholders' equity, total	20,328,433	19,488,270
Obligatory provisions	948,637	800,912
<b>Debt</b>		
Non-current debt		
Loans from financial institutions	660,000	1,320,000
Non-current debt, total	660,000	1,320,000
Current debt		
Loans from financial institutions	660,000	756,596
Advances received	16,264,662	13,042,761
Trade payables	5,707,728	4,658,948
Other payables and deferred income	2,807,740	3,018,384
Current debt, total	25,440,130	21,476,689
<b>Debt, total</b>	<b>26,100,130</b>	<b>22,796,689</b>
<b>TOTAL LIABILITIES</b>	<b>47,377,200</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
Share issue		252,470		252,470
Translation differences			3,539	3,539
Profit for the period			1,539,425	1,539,425
<b>Shareholders' equity, 31 Dec. 2022</b>	<b>1,090,281</b>	<b>7,015,266</b>	<b>12,222,886</b>	<b>20,328,433</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
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	1-12/2022	1-12/2021
<b>Cash flow from operating activities:</b>		
Profit before taxes	1,917,368	4,319,304
Adjustments:		
Planned depreciation and impairment	2,282,817	2,489,190
Financial income and expenses	-14,848	-279,072
Other adjustments	151,264	82,488
Cash flow before changes in working capital	4,336,602	6,611,911
Changes in working capital		
Changes in current non-interest-bearing trade receivables	-2,619,623	-9,178,846
Change in inventories	-2,170,057	-423,674
Changes in current non-interest-bearing liabilities	4,344,279	5,715,757
Interest paid and payments on other operating financial expenses	-11,152	246,568
Direct taxes paid	-638,911	-1,036,920
Cash flow from operating activities (A)	3,241,138	1,934,796
<b>Cash flow from investing activities:</b>		
Investments in tangible and intangible assets	-3,260,523	-1,440,793
Sales gains from tangible and intangible assets	13,005	43,025
Dividends received from investments	26,000	32,504
Cash flow from investing activities (B)	-3,221,518	-1,365,264
<b>Cash flow from financing activities:</b>		
Share issue	252,470	5,030,540
Repayments of long-term loans	-756,596	-2,740,168
Dividends paid and other distribution of profit	-955,272	-2,830,115
Cash flow from financing activities (C)	-1,459,397	-539,744
Changes in cash and cash equivalents (increase +, decrease -) (A+B+C)	-1,439,777	29,788
Cash and cash equivalents at the beginning of the period	6,253,829	6,224,041
Cash and cash equivalents at the end of the period	4,814,052	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>	$\frac{\text{(profit before taxes + income taxes)}}{\text{average shareholders' equity during the period}} \times 100$	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>	$\frac{\text{Shareholders' equity}}{\text{(balance sheet total - advances received)}} \times 100$	
<b>Return on capital employed (ROCE), %</b>	$\frac{\text{(profit before taxes + financial expenses)}}{\text{(average shareholders' equity during the period + average interest-bearing liabilities during the period)}} \times 100$	
<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	
<b>Investments</b>	Investments in tangible and intangible assets in accordance with the cash flow statement.	Investments represent the cash flow required for the company's investments.



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