



PROVENTIA GROUP CORPORATION

**HALF-YEAR FINANCIAL REPORT
JANUARY–JUNE 2023**

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Growth continued and profitability improved

April–June 2023 in brief

- The Group's net sales increased by 14.8% from the previous year to EUR 13.8 (12.1) million.
- Operating profit was EUR 1.3 (0.4) million.
- Profit for the period was EUR 1.1 (0.2) million.

January–June 2023 in brief

- The Group's net sales increased by 13.3% from the previous year to EUR 27.0 (23.8) million.
- Operating profit was EUR 2.1 (0.6) million.
- Profit for the period was EUR 1.7 (0.4) million.
- The group had 203 (194) employees at the end of June. Of these, 145 worked in Finland, 55 in the Czech Republic and 3 in the UK.

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

President and CEO Jari Lotvonen:

Our overall performance in the first half of the year was good. The company's net sales grew by 13.3%, and its operating profit rate improved to 7.7% from 2.4% in the comparison period. The growth and improvement in profitability were largely driven by successful savings measures and strong development in Powertrain Systems and Components.

The production volumes of our non-road machinery manufacturer customers began to grow in the first quarter of the year, and the growth continued in the second quarter. The availability of components was at a good level and did not significantly delay our customers' production any longer. In particular, the volume of deliveries of our core business, the emission control systems for no-road machinery, increased significantly. With increased delivery volumes, the net sales of the Powertrain Systems and Components business area grew by 28.2% year-on-year. Serial production at our Czech plant is off to a very good start, and we have been able to fully meet the increased demand. We continued to invest in our Czech plant – in a thermal insulation production line, for example. The strong growth in the demand for emission control systems also contributed to the demand for our thermal insulation components. In terms of battery systems for non-road machinery, our investments in product development have started to deliver results, and pilot projects for customers have progressed as planned. Overall, the Powertrain Systems and Components business is on a good growth track, as evidenced by a record number of new customer prospects and projects.

The net sales of the Test Solutions business decreased by 23.1% year-on-year because of project-based business operations and delays in projects. In line with our strategy, we have combined our battery product development and test solutions under the EVA product family and will focus on EVA

products in marketing and sales. The profitability of the Test Solutions business continued to be weak. Increased prices and significantly higher planning costs undermined the profitability of ongoing projects and the company's overall performance. According to our estimate, the margins for new projects based on EVA products in the second half of the year will be better than the margins for projects in the first half of the year.

We continued to work on our sustainability targets and programme in the first half of the year. The investment in the solar power plant at the Czech plant will significantly lower our carbon footprint and reduce our customers' indirect greenhouse gas emissions. The introduction of renewable solar energy at our plant is a step towards greener production.

Proventia's long-term growth opportunities are strong. The green transition in the vehicle and non-road machinery industry fits well with our strategy. Our product range supports the energy efficiency and emissions reduction targets of non-road machinery manufacturers in an excellent way.

KEY FIGURES

Sums in EUR	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Net sales	13,845,751	12,056,429	26,996,633	23,827,041	51,692,324
Change in net sales, %	14.8%	-2.4%	13.3%	-1.7%	11.0%
Operating profit	1,349,346	386,505	2,065,750	560,698	1,902,521
Operating profit, %	9.7%	3.2%	7.7%	2.4%	3.7%
Earnings per share (EPS), undiluted	0.07	0.01	0.10	0.03	0.10
Earnings per share (EPS), diluted	0.06	0.01	0.10	0.02	0.09
Return on equity (ROE), %	13.4%	6.7%	13.4%	6.7%	7.7%
Equity ratio, %	65.8%	62.5%	65.8%	62.5%	65.3%
Return on capital employed (ROCE), %	18.5%	11.1%	18.5%	11.1%	11.7%
Interest-bearing liabilities	990,000	1,650,000	990,000	1,650,000	1,320,000
Net debt	-6,756,884	-5,843,185	-6,756,884	-5,843,185	-3,494,052
Investments	1,253,638	821,962	1,679,175	1,248,028	3,247,518

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

NET SALES

The group's net sales in January–June 2023 stood at EUR 27.0 (23.8) million. Net sales increased by 13.3% from the comparative period (decrease 1.7%). Net sales of the Powertrain Systems and Components business area increased by 28.2% to EUR 21.7 (16.9) million. The Test Solutions business area's net sales decreased by 23.1% from the comparative period to EUR 5.3 (6.9) million. The Powertrain Systems and Components business area accounted for 80.3% (71.0%) of total net sales, while the Test Solutions business area made up 19.7% (29.0%).

In January–June, Europe accounted for 86.6% (94.0%) of total net sales.

Net sales by business area

Sums in EUR	1-6/2023	1-6/2022	Change, %	1-12/2022
Powertrain Systems and Components	21,687,386	16,922,649	28.2%	35,824,911
Test Solutions	5,309,247	6,904,392	-23.1%	15,867,413
Total	26,996,633	23,827,041	13.3%	51,692,324

Net sales by market area

Sums in EUR	1-6/2023	1-6/2022	Change, %	1-12/2022
Europe	23,374,083	22,386,154	4.4%	45,319,166
Other continents	3,622,550	1,440,886	151.4%	6,373,158
Total	26,996,633	23,827,041	13.3%	51,692,324

PERFORMANCE AND FINANCIAL POSITION

In January–June 2023, the operating profit was EUR 2.1 (0.6) million, representing 7.7% (2.4%) of net sales. Profit was EUR 1.7 (0.4) million. Undiluted earnings per share were EUR 0.10 (0.03), while diluted earnings per share were EUR 0.10 (0.02).

During the first half of 2023, cash flow from operating activities was EUR 5.4 (3.9) million. The group's liquid assets at the end of June 2023 stood at EUR 7.7 (7.5) million. Interest-bearing liabilities totalled EUR 1.0 (1.7) million at the end of the review period.

RESEARCH AND DEVELOPMENT

R&D expenses totalled EUR 0.9 (0.7) million, representing 3.3% (2.7%) of the net sales. R&D expenses of EUR 0.5 (0.4) million have been capitalised on the balance sheet as development expenses. R&D expenses recognised through profit or loss totalled EUR 0.3 (0.3) million.

PERSONNEL

At the end of June 2023, Proventia had 203 (194) employees. Of these, 145 worked in Finland, 55 in the Czech Republic and 3 in the UK.

IMPLEMENTING THE STRATEGY

In the non-road machinery customer segment, Proventia continued its long-term work as a developer and manufacturer of high-quality emission control systems. The company continued its close product development cooperation with both existing and new customers, which include leading players in the non-road machinery market. Proventia also invested in ensuring production capacity for the coming years. The company has increased its investments in the development of batteries for non-road machinery and is building capabilities to start serial production.

In its Test Solutions business, Proventia focuses on the marketing and sales of productised battery test solutions, or EVA products, in line with its strategy.

SHORT-TERM RISKS AND UNCERTAINTIES

The unstable geopolitical situation is creating uncertainty in the world economy and particularly in the European Economic Area, which is important for Proventia. Potential supply chain disruptions and problems with the availability of materials and components may delay customer production and cause orders to be postponed or cancelled.

Higher interest rates, inflation and increased economic uncertainty may slow economic growth and prolong customers' purchasing decisions.

Proventia's operations involve information security risks. Cyberthreats and attacks on the company's critical systems may impede the company's operations and jeopardise its ability to operate.

The shortage of technical experts in the labour market may have a negative impact on the availability and retention of labour.

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

OUTLOOK

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.

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	1.4.2023- 30.6.2023	1.4.2022- 30.6.2022	1.1.2023- 30.6.2023	1.1.2022- 30.6.2022	1.1.2022- 31.12.2022
Net sales	13,845,751	12,056,429	26,996,633	23,827,041	51,692,324
Change in inventories of finished goods and work in progress	-645,937	-452,775	352,326	406,606	72,394
Other operating income	7,956	33,773	58,057	73,019	309,219
Materials and services	-6,879,491	-6,228,778	-15,355,496	-14,260,398	-31,870,832
Personnel expenses	-2,725,503	-2,520,547	-5,366,382	-4,760,770	-8,966,691
Depreciation and impairment	-632,003	-554,935	-1,263,507	-1,100,744	-2,282,817
Other operating expenses	-1,621,427	-1,946,662	-3,355,883	-3,624,056	-7,051,076
Operating profit	1,349,346	386,505	2,065,750	560,698	1,902,521
Financial income and expenses	-42,334	-118,844	20,885	1,743	14,848
Profit before taxes	1,307,012	267,661	2,086,635	562,441	1,917,368
Income tax	-248,620	-80,249	-410,809	-154,764	-377,943
Profit for the period	1,058,392	187,412	1,675 827	407,677	1,539,425

CONSOLIDATED BALANCE SHEET

Sums in EUR	30.6.2023	30.6.2022	31.12.2022
ASSETS			
Non-current assets			
Intangible assets	3,294,582	2,438,649	3,260,814
Tangible assets	5,545,960	5,168,808	5,164,059
Non-current assets, total	8,840,542	7,607,457	8,424,873
Current assets			
Inventories	9,395,308	9,651,713	9,142,745
Non-current receivables			
Other receivables	49,565	49,565	49,565
Non-current receivables, total	49,565	49,565	49,565
Current receivables			
Sales receivables	4,961,384	4,914,607	3,600,814
Other receivables and accrued income	27,197,457	12,785,324	21,345,151
Current receivables, total	32,158,841	17,699,931	24,945,965
Cash and cash equivalents	7,746,884	7,493,185	4,814,052
Current assets, total	49,350,596	34,894,394	38,952,326
TOTAL ASSETS	58,191,138	42,501,851	47,377,200
LIABILITIES			
Shareholders' equity			
Share capital	1,090,281	1,090,281	1,090,281
Invested unrestricted equity reserve	7,015,266	6,762,795	7,015,266
Retained earnings	11,744,971	10,681,575	10,683,461
Profit for the period	1,675,827	407,677	1,539,425
Shareholders' equity, total	21,526,345	18,942,328	20,328,433
Obligatory provisions	985,229	788,430	948,637
Debt			
Non-current debt			
Loans from financial institutions	330,000	990,000	660,000
Non-current debt, total	330,000	990,000	660,000
Current debt			
Loans from financial institutions	660,000	660,000	660,000
Advances received	25,485,681	12,180,959	16,264,662
Trade payables	6,188,972	6,901,038	5,707,728
Other payables and deferred income	3,014,912	2,039,096	2,807,740
Current debt, total	35,349,565	21,781,093	25,440,130
Debt, total	35,679,565	22,771,093	26,100,130
TOTAL LIABILITIES	58,191,138	42,501,851	47,377,200

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Sums in EUR	Share capital	Invested unrestricted equity reserve	Retained earnings	Total
Shareholders' equity, 1 Jan. 2023	1,090,281	7,015,266	12,222,886	20,328,433
Payment of dividends			-480,818	-480,818
Translation differences			2,904	2,904
Profit for the period			1,675,827	1,675,827
Shareholders' equity, 30 Jun. 2023	1,090,281	7,015,266	13,420,798	21,526,345
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Shareholders' equity, 1 Jan. 2022	1,090,281	6,762,795	11,635,193	19,488,270
Payment of dividends		-955,272		-955,272
Translation differences			1,653	1,653
Profit for the period			407,677	407,677
Shareholders' equity, 30 Jun. 2022	1,090,281	5,807,523	12,044,524	18,942,328
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Shareholders' equity, 1 Jan. 2022	1,090,281	6,762,795	11,635,193	19,488,270
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
Shareholders' equity, 31 Dec. 2022	1,090,281	7,015,266	12,222,886	20,328,433

CONSOLIDATED CASH FLOW STATEMENT

Sums in EUR	1.1.2023- 30.6.2023	1.1.2022- 30.6.2022	1.1.2022- 31.12.2022
Cash flow from operating activities			
Profit before taxes	2,086,635	562,441	1,917,368
Adjustments:			
Planned depreciation and impairment	1,263,507	1,100,744	2,282,817
Financial income and expenses	-20,885	-1,743	-14,848
Other adjustments	39,495	-10,829	151,264
Cash flow before changes in working capital	3,368,752	1,650,612	4,336,602
Changes in working capital			
Changes in current non-interest-bearing trade receivables	-7,205,297	4,650,489	-2,619,623
Change in inventories	-252,563	-2,679,026	-2,170,057
Changes in current non-interest-bearing liabilities	9,907,935	577,480	4,344,279
Interest paid and payments on other operating financial expenses	20,885	1,743	-11,152
Direct taxes paid	-416,887	-332,046	-638,911
Cash flow from operating activities (A)	5,422,825	3,869,252	3,241,138
Cash flow from investing activities			
Investments in tangible and intangible assets	-1,679,175	-1,261,033	-3,260,523
Sales gains from tangible and intangible assets	0	13,005	13,005
Dividends received from investments	0	0	26,000
Cash flow from investing activities (B)	-1,679,175	-1,248,028	-3,221,518
Cash flow from financing activities			
Share issue	0	0	252,470
Repayments of long-term loans	-330,000	-426,596	-756,596
Dividends paid and other distribution of profit	-480,818	-955,272	-955,272
Cash flow from financing activities (C)	-810,818	-1,381,868	-1,459,397
Changes in cash and cash equivalents (increase +, decrease -) (A+B+C)	2,932,832	1,239,356	-1,439,777
Cash and cash equivalents at the beginning of the period	4,814,052	6,253,829	6,253,829
Cash and cash equivalents at the end of the period	7,746,884	7,493,185	4,814,052

KEY FIGURE CALCULATION FORMULAS

Key figure	Definition	Purpose of use
Operating profit, %	Operating profit as a percentage of net sales.	The operating profit rate is an indicator of the Group's performance.
Return on equity (ROE), %	$\frac{(\text{Profit before taxes} + \text{income taxes})}{\text{Average shareholders' equity during the period}} \times 100$	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.
Equity ratio, %	$\frac{\text{Shareholders' equity}}{(\text{Balance sheet total} - \text{advances received})} \times 100$	
Return on capital employed (ROCE), %	$\frac{(\text{Profit before taxes} + \text{financial expenses})}{(\text{Average shareholders' equity during the period} + \text{average interest-bearing liabilities during the period})} \times 100$	
Interest-bearing liabilities	Total long-term and short-term loans from financial institutions.	
Net debt	Interest-bearing liabilities - Cash and cash equivalents	
Investments	Investments in tangible and intangible assets in accordance with the cash flow statement.	Investments represent the cash flow required for the company's investments.

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.