ANNUAL REPORT

2023

PROVENTIA

CONTENTS

PROVENTIA'S YEAR 2023

1

THIS IS PROVENTIA

Proventia Group is a technology company operating in global markets. We develop and manufacture systems and components that reduce the emissions of off-road machines and improve their energy efficiency, and modular test centers for the development and testing of batteries and hydrogen fuel cells. Our customers include the leading global names of the vehicle and off-road machinery industry.

We have a comprehensive understanding of how emissions can be reduced. Our emission control systems are among the most advanced in the world, and our thermal components improve the energy efficiency of off-road machines and facilitate compact design. Our high-power batteries enable the electrification of off-road machines. Our innovative modular test solutions speed up the development of battery industry products, ensure high-quality production, and accelerate the entry of products into the markets.

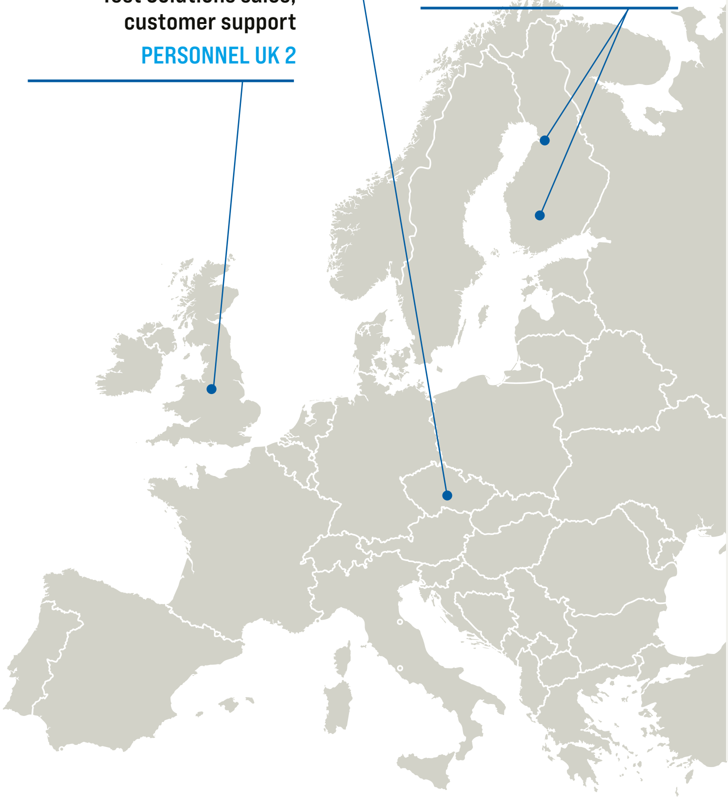
Human activities must generate lower emissions. Here at Proventia, we work every day to achieve this goal.

PROVENTIA CZECH, BRNO
est. 2018
Manufacturing of off-road machinery systems and components
PERSONNEL CZECHIA 60

PROVENTIA OY, OULU AND OULUNSALO
est. 1994
Head office, technology center
Manufacturing of test solutions and thermal components

PROVENTIA UK, MILTON KEYNES
est. 2020
Test Solutions sales, customer support
PERSONNEL UK 2

PROVENTIA, TAMPERE
R&D
PERSONNEL FINLAND 136



TWO BUSINESS AREAS

Proventia has two business areas, both focused on reducing the emissions of vehicles and machines and improving their energy efficiency using various technologies. We address people, the environment and future generations in everything we do and promote sustainable development through our operations and products.

OFF-ROAD MACHINERY SYSTEMS AND COMPONENTS

Advanced emission control systems, thermal components and battery packs for the engine, off-road machinery and vehicle industries.

TEST SOLUTIONS

Innovative modular test solutions for the battery and vehicle industries.

MISSION

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

VISION

Zero emissions.

VALUES

Customers come first

We are a team

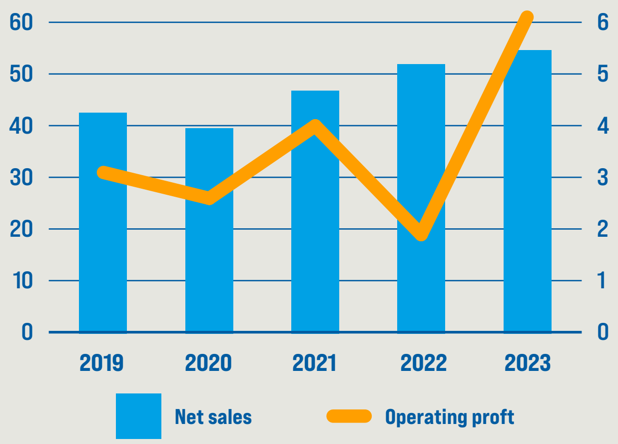
Responsible and sustainable

Results guarantee development

KEY FIGURES

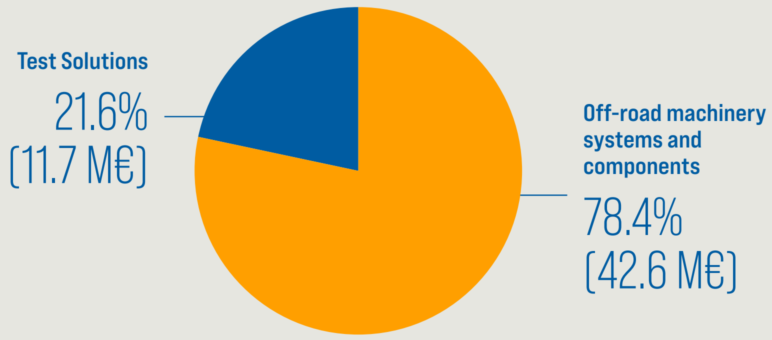
NET SALES, EUR MILLION	CHANGE IN NET SALES, %	OPERATING PROFIT, EUR MILLION	OPERATING PROFIT, %	EMPLOYEES AT THE END OF THE FISCAL YEAR
54.3	+5.4%	6.1	11.3%	198

THE GROUP'S NET SALES AND OPERATING PROFIT, EUR MILLION



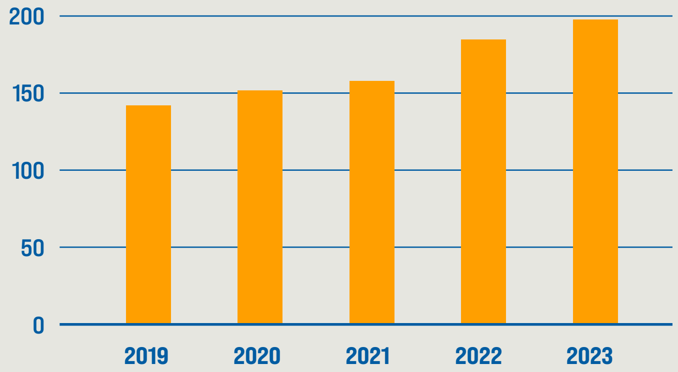
For the years 2022–2023, figures have been reported in accordance with IFRS. For the years 2019–2021, figures have been reported in accordance with Finnish accounting practices (FAS).

DISTRIBUTION OF NET SALES



NUMBER OF PERSONNEL

average, 2019–2023



KEY EVENTS IN 2023

A NEW CUSTOMER PROJECT FOR EMISSION CONTROL SYSTEMS

We signed a design and manufacturing agreement for emission control systems with a significant European agricultural machinery manufacturer.

ORDERS FOR EVA PRODUCTS

We received orders for five EVA test systems for the testing of batteries and hydrogen fuel cells.

ADOPTION OF IFRS REPORTING

Proventia prepared financial statements in accordance with the International Financial Reporting Standards (IFRS) for the first time for 2023. Comparative information will also be presented in accordance with IFRS.

EVA PRODUCT RANGE

We productized and launched EVA (Evaluate, Validate, Approve) test systems for the development and testing of batteries and hydrogen fuel cells.

A SOLAR PANEL SYSTEM AT THE CZECH PLANT

We invested in solar panels at the Czech plant. The solar panel system was deployed in summer 2023 and generates a significant part of the electricity consumed at the plant.

CEO'S REVIEW

GROWTH CONTINUED, PROFITABILITY IMPROVED SIGNIFICANTLY

2023 was a good year for Proventia. Our net sales increased in line with expectations and were EUR 54.3 million. The growth was strongly supported by Off-road Machinery Systems and Components, our largest business area. During the year, net sales in this business area grew by as much as 19.5% to EUR 42.6 million. The strong final stretch and successful cost control during the final quarter of the year were key factors in achieving the good results. Our operating profit rate was 11.3%.

January 2024 marked 30 years since the establishment of Proventia (Finnkatalyt at the time). We have travelled a long and rich journey to reduce emissions. The development of cleaner power has been and remains at the core of our operations.

I would like to thank our personnel for a job well done and your commitment to our common goals. I would also like to thank our customers, suppliers, shareholders and other partners for your excellent cooperation and trust.

Off-road Machinery Systems and Components

Emission control, OEM: A record number of new projects

Demand for emission control systems was high in the original equipment manufacturer (OEM) customer segment. During the year, research and development projects entered serial production at our Czech plant, and delivery volumes increased as expected.

We also landed new projects from our current customers which adds visibility to our R&D and production for years to come.

The understanding that combustion engines will remain a significant power source in heavy machinery far into the future strengthened during the year. However, they will operate cleaner than before. Renewable carbon-neutral fuels are being developed continuously. In addition, local emissions, including particulate matter and nitrogen oxides, can be reduced efficiently using emission control systems.

The OEM off-road machine market is preparing for the requirements of the future Tier 5 and Stage VI emission regulations, as a result of which we have a record number of negotiations underway for new customers and projects. Our R&D team is actively developing and testing next-generation products for several engine and off-road machine manufacturers.

Emission control, retrofit: Focus from heavy transport to off-road machinery

For retrofit projects in urban transport, 2023 was a year of low activities. Significant variation in demand from one financial year to the next is typical in this business field. Even though no clean air projects are currently in progress in the world's major cities, new project plans for heavy transport are in sight, especially outside Europe. If realized, these projects may also generate significant net sales for Proventia.

In contrast, demand for retrofit systems for off-road machines increased in 2023. Modern exhaust aftertreatment systems allow older off-road machines to meet the strict emission regulations of today. Updated emission systems, combined with other refurbishment, enable the resource-smart use of machines until the end of their lifecycle. We believe that, when sustainability thinking becomes the norm in the future, the use of retrofit systems will increase, especially in heavy high-value off-road machines.

Thermal components: We expanded the production of thermal components to the Czech Republic

Our net sales for thermal components increased, driven by the growing emission control business. Insulation for emission control systems and pipe and engine components accounted for a significant part of our net sales. We prepared for growing demand by expanding the production of thermal components to our Czech plant.

Battery packs: Batteries for hybrid and hydrogen fuel cell applications

We continued to develop our battery systems with our partners. We have developed a modular battery system which enables a flexible solution for various hybrid and fuel cell powered off-road machines. Our investments in battery system simulations help our customers in overall machine design. Our customers are already testing our battery systems in a fuel cell powered off-road machine.

WE SUCCEEDED IN CHANGING THE STRATEGY OF THE TEST SOLUTION BUSINESS

Test Solutions

A successful change of strategy

In the Test Solutions business area, 2023 was a year of a strategic change. We decided to focus on the EVA test solutions required in the R&D, testing and quality assurance of batteries.

Focus on the EVA product range has improved the profitability of operations. As an indication of a successful change of strategy, we landed orders of more than EUR 10 million for EVA test solutions during the latter half of the year.

We expect the profitability of the Test Solutions business area to improve further, even though its net sales will be lower in 2024. We are seeking profitable growth from 2025 onwards. In EVA products, we will continue our productive cooperation with Keysight Technologies, the world's leading test equipment supplier.

Investments in sustainability and growth

During 2023, we made significant investments in our Czech plant. We invested in a solar panel system which started to generate zero-emission electricity for our plant from the beginning of October. In addition, we invested in a new production line for thermal components which is responding to the growing demand for thermal components along with our production in Oulu.

We continued to develop our sustainability activities and added sustainability elements that are important to us to our strategy. Our customers have given us good feedback in sustainability assessments, and we believe that sustainable business will give us a competitive edge in the future.

We adopted IFRS reporting

We prepared our financial statements for 2023 for the first time in accordance with the International Financial Reporting Standards (IFRS). IFRS reporting supports our growth strategy and makes our financial figures more comparable both nationally and internationally. The transition to the IFRS did not have a significant impact on the profit for the period.

Jari Lotvonen
CEO

2

STRATEGY AND BUSINESS

MEGATRENDS

OUR INNOVATIONS ENABLE ENERGY-EFFICIENT AND LOW-EMISSION OFF-ROAD MACHINES AND VEHICLES

Megatrends are global phenomena and changes that guide our choices and decisions. They are the driving force behind new ideas and innovation and offer new business opportunities. This way, they also promote financial growth.

Key megatrends for Proventia include air quality and climate change mitigation, as well as such closely related themes as the green transition, resource efficiency, and the wellbeing of people and the environment. We support these global megatrends by developing solutions that help reduce air pollution, mitigate climate change, optimize the use of resources, and use new energy sources. As a result, we can contribute to the wellbeing of both people and the environment.

AIR POLLUTION AND CLIMATE CHANGE

According to the United Nations Environment Programme (UNEP), air pollution is the most significant environmental threat for human health globally. It has been estimated that it causes seven million premature deaths annually. Air pollution and climate change are closely interlinked, as pollution, including particulate matter and nitrogen oxides (PM and NO_X), have a harmful impact not only on human health but also on climate. Furthermore, several pollutants come from the same sources as greenhouse gases.

Ambitious climate actions call for the discontinued use of fossil fuels. According to the agreement reached at the UN's COP28 Climate Change Conference, countries are urged to transition away from fossil fuels in energy generation. The steps towards a low-carbon and low-emission world and limiting global warming to 1.5 degrees call for new technological solutions.

Our solution: The low-carbon economy, energy efficiency and renewable fuels increase the need for high-technology products that help off-road machines and vehicles meet, or even exceed, future requirements. Our products help our customers develop more energy-efficient power sources, vehicles and off-road machines with lower emissions.

We are committed to reducing all emissions in our operations and value chains. What is more, we help our customers achieve their sustainability goals. As a result, we can respond to such environmental and health challenges as air pollution and climate change.

GREEN TRANSITION

The green transition originated from the need to reduce air pollution and decelerate climate change. In the automotive sector, regulations, emission limits and other control measures steer the vehicle industry increasingly towards electric cars.

No equally straightforward solution is in sight for off-road machines. Various operating environments set their own requirements for machines and their energy sources which is why the combustion engine technology will remain the most significant power source for off-road machines far into the future.

However, off-road machines must become cleaner and more environmentally friendly. Renewable fuels are an important part of the green transition for off-road machines. They also enable the use of combustion engines in the future.

In addition, in the future, a variety of technologies and their combinations will be used in off-road machines. Electric and hybrid technologies are optimal in environments where building a charging infrastructure is possible and financially feasible. A technology-neutral approach enables low emissions and energy efficiency to be combined in the design and operation of off-road machines.

Our solution: Stricter emission legislation is creating a need for new high-quality and technically demanding emission control solutions. While fossil fuels will be replaced by renewable fuels, emission control technologies will still be needed to reduce local emissions, including particulate matter and nitrogen oxides. Electrification requires the development of battery technologies suitable for off-road machines. What is more, the combination of different technologies calls for extensive expertise in off-road machine technologies and operating environments. Proventia is a technology-neutral company which contributes to the green transition in the off-road machinery industry with its emission control systems, thermal components and battery solutions.

The shift to electric vehicles in the automotive industry has led to rapid growth in the battery industry. R&D, testing and manufacturing in the battery industry require safe testing environments that can be deployed quickly. Our modular test solutions respond to the agile deployment of testing capacity in the battery industry.

RESOURCE EFFICIENCY

Resource efficiency as a global megatrend means a shift towards more efficient, sustainable and economical use of raw materials and energy. This trend responds to growing environmental challenges by minimizing emissions and the loss of natural resources.

Our solution: We address resource efficiency in making our products by using 3D printing in prototype production and minimizing and recycling any waste material generated. Proventia's retrofit exhaust aftertreatment systems enable the resource-smart and low-emission use of heavy off-road machines and vehicles until the end of their lifecycle. Our retrofit systems are also compatible with renewable fuels.

BALANCE BETWEEN PEOPLE AND NATURE

The well-being of people and nature as a global megatrend underlines the significance of sustainable development. This is expressed through an increase in environmental awareness, a stronger green economy and the spread of a sustainable lifestyle. The megatrend reflects the understanding that people's health and well-being are directly linked to clean air and a balance with the environment and nature.

Our solution: Proventia's all operations are closely linked to sustainable development. Our solutions promote the wellbeing of the environment and nature, and enable cleaner air for all of us.

OUR STRATEGY

Our goal is to be a leading technology supplier for the engine, machinery and vehicle industries. Our innovative high-quality solutions and services help our customers develop products that save the environment and people's health by improving energy efficiency and reducing harmful emissions. We seek to actively reduce our carbon footprint and help our customers achieve their sustainability goals.

PROVENTIA'S STRATEGIC FOCUS AREAS

1 THE BEST EXPERTISE IN OUR INDUSTRY IS THE CORNERSTONE OF OUR SUCCESS

2 WE OFFER A POSITIVE CUSTOMER EXPERIENCE

3 OUR EFFICIENT AND RESPONSIBLE PRODUCTION RESPONDS FLEXIBLY TO CUSTOMER NEEDS

4 WE SEEK CONTROLLED AND PROFITABLE GROWTH

5 WE ARE A GOOD CORPORATE CITIZEN

1 We deploy our technological excellence through synergies in various areas of application and in the customer base. We provide an inspiring and encouraging working environment for the development of top technologies. We understand the threats and opportunities presented by technological changes. The evolving legislation and the electrifying automotive and off-road machinery industries are offering new business opportunities for Proventia.

2 A comprehensive understanding of customer needs, proactive customer service and positive customer experiences form the basis of our success.

3 In line with its manufacturing strategy, Proventia focuses on the final assembly of products and acquires components efficiently and responsibly from subcontractors. If necessary, we make critical components and assemblies ourselves. The goals of our production are high quality, cost efficiency, delivery reliability and agile responses to any changes in customer needs and markets while addressing the perspective of sustainability.

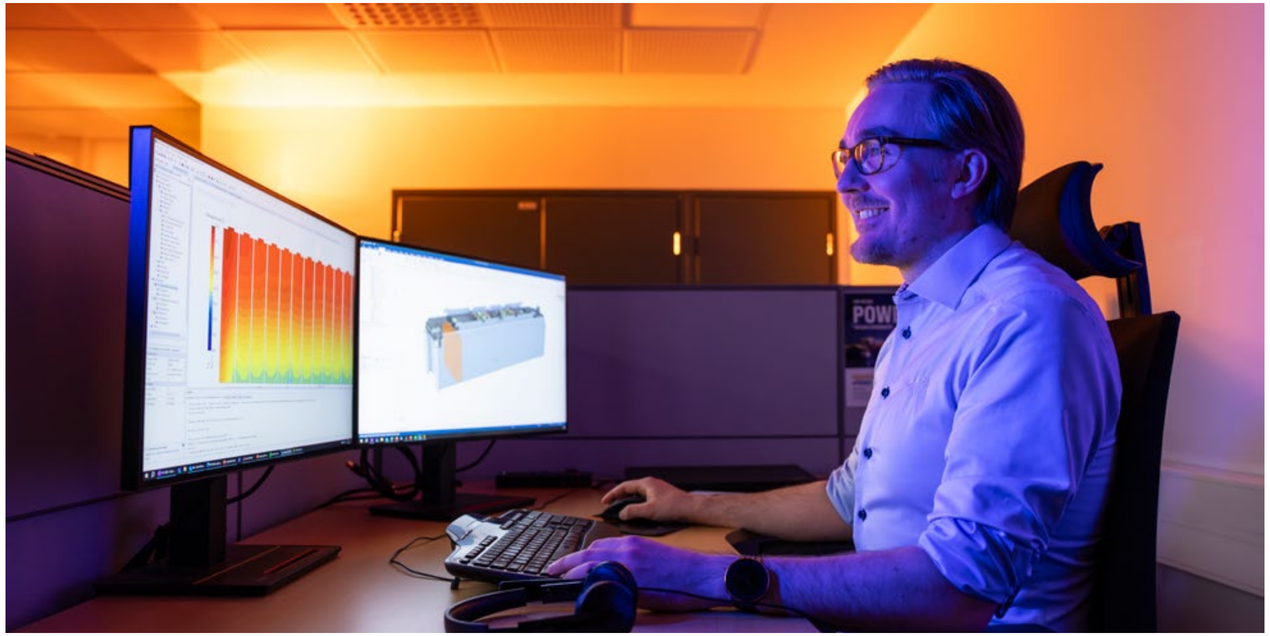
4 We seek controlled and profitable growth in our business areas customers.

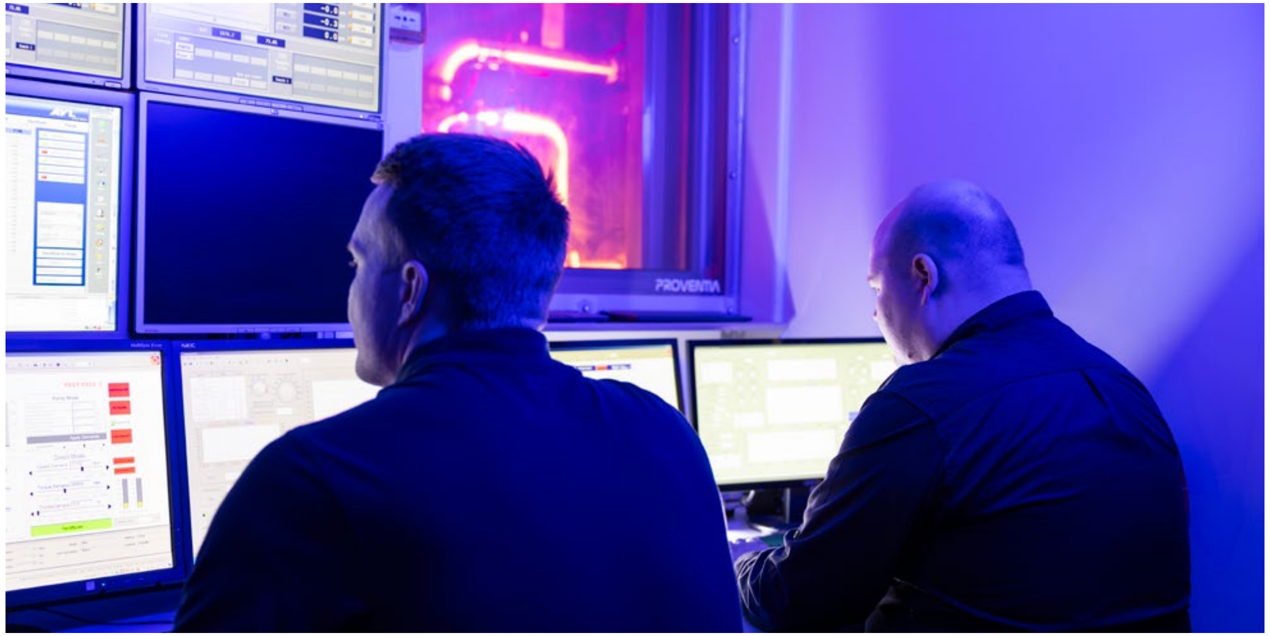
Serving our expanding customer base also means a broader geographical presence.

We develop innovation into new products and services for the needs of the electrifying vehicle and off-road machinery industries. Potential technology and business acquisitions are part of our growth strategy.

5 We comply with good corporate governance based on openness and transparency. We develop our operations systematically in the long term, taking the interests of our stakeholders into account. Our Code of Conduct underlines responsibility and honesty.

OUR BUSINESS AREAS





WE DEVELOP CLEANER POWER

Decision-making concerning the power sources of vehicles and off-road machines is becoming more challenging in the rapidly changing world. Companies operating in the vehicle and off-road machinery industries require up-to-date information to be able to choose optimal technologies for each application and purpose. In the current climate crisis, it is also increasingly important to develop new types of solutions that improve energy efficiency, promote a low carbon economy and minimize local emissions, including particulate matter (PM) and nitrogen oxides (NO_x).

Proventia is a partner to its customers with solutions that enable the green transition, new power sources and more energy-efficient vehicles and off-road machines with lower emissions.

Developing cleaner power and thereby helping mitigate climate change and air pollution are at the core of our two business areas.

OFF-ROAD MACHINERY SYSTEMS AND COMPONENTS

THE OFF-ROAD MACHINERY SYSTEMS AND COMPONENTS BUSINESS AREA INCLUDES SYSTEMS AND COMPONENTS THAT REDUCE EMISSIONS AND IMPROVE ENERGY EFFICIENCY. THESE ARE EMISSION CONTROL SYSTEMS, THERMAL COMPONENTS AND BATTERIES.

Emission control, OEM (Original Equipment Manufacturer) customers

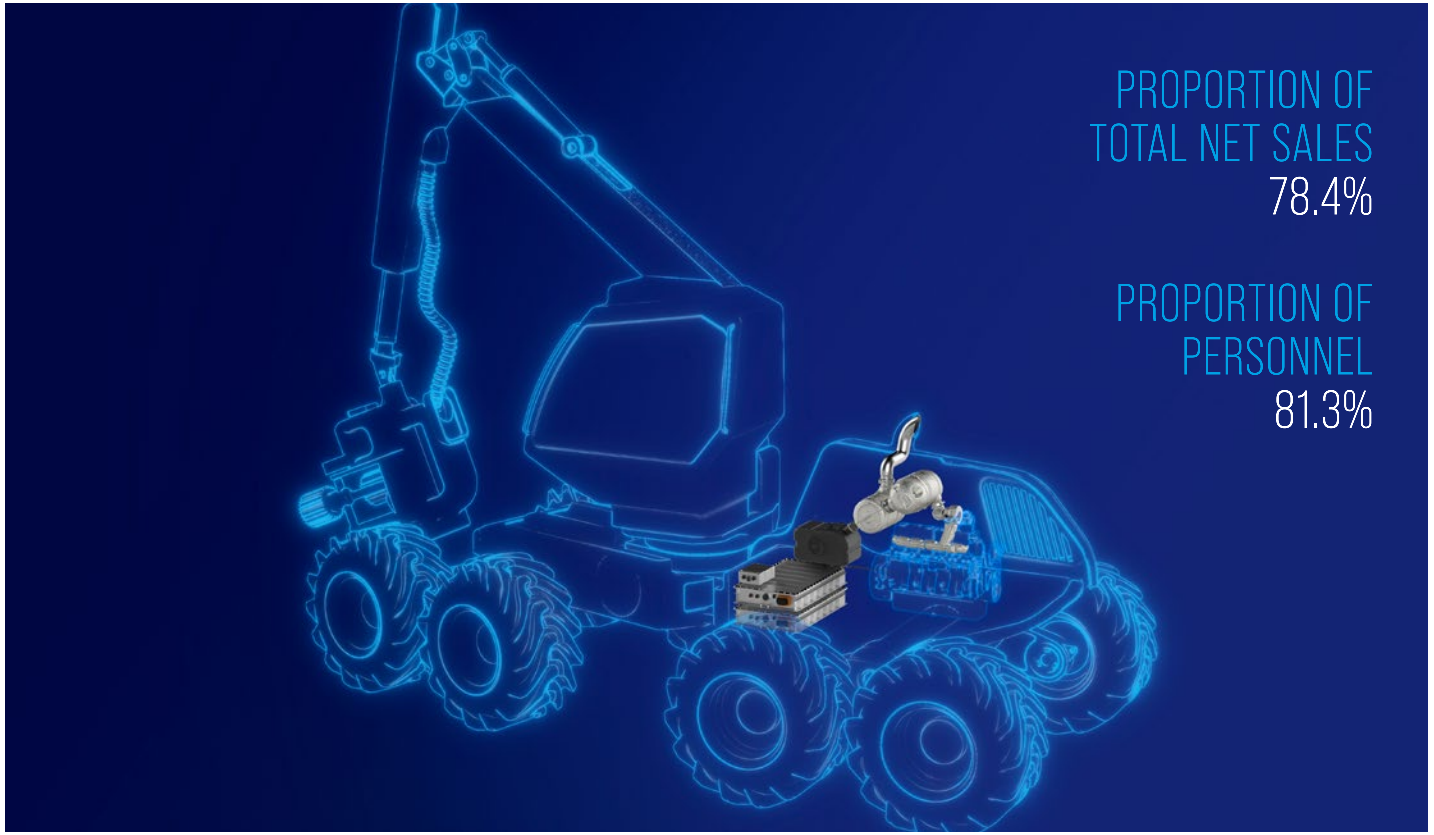
In the off-road machinery market, Proventia is known as a developer and provider of the world's most advanced and reliable emission control systems. The company provides its customers with exhaust aftertreatment systems that contain patented technologies and smart control systems.

First-rate technological capabilities, innovative R&D and solid testing and validation expertise are the drivers behind Proventia's success. Our strengths in design and manufacturing include our vast experience in off-road machine technologies and operating environments, combined with our flexible and efficient way of working. Tightening emission limits, especially for NOX emissions (Tier 5 in the USA and Stage VI in the EU) and the lack of space in off-road machinery highlight the significance of expertise in Selective Catalytic Reduction (SCR) technologies and compact design in the years to come.

Proventia's range covers the design, testing and manufacturing of complete exhaust aftertreatment systems. Our customers include global engine and agricultural, forest, material handling, construction and mining machine manufacturers.

We design, test and manufacture our prototypes at our innovation and technology center in Oulu in Finland. We also have an R&D unit in Tampere. To test and validate our products diversely, we have the best design and simulation tools on the market and a first-rate testing environment.

High quality, flexibility, speed and cost efficiency are the pillars of our manufacturing strategy. We manufacture our emission control systems and thermal components in serial production at our Czech plant near Brno.



Emission control, retrofit

Retrofit means that modern exhaust aftertreatment systems are installed in vehicles and off-road machines that are already in operation, including city buses, trucks and off-road machines. The goal of retrofit solutions is to lower the local emissions of heavy-duty vehicles down to the level of new vehicles and machines. This enables the resource-smart and low-emission use of heavy off-road machines and vehicles until the end of their lifecycle. We also provide our customers with emission monitoring systems to verify emissions reductions in real-time and thereby make emissions reporting easier.

The retrofit market is difficult to forecast. It is affected by such factors as political decision making, official regulations and various support measures related to them. Globally, there are retrofit projects in sight for heavy vehicles in urban transportation as well as for heavy machinery.

In off-road machine markets, refurbishment is a growing trend. It supports the goals of sustainable development by reducing the need to make new machines, thus saving both raw materials and energy. Reducing emissions using retrofit systems is one part of refurbishment. Retrofit systems allow older off-road machines to meet the strict emission regulations of today.

Our competitive edge in retrofit markets is based on our technological expertise as increased through OEM emission control, as well as our comprehensive testing services and the efficiency of our design process. We also use technologies and processes developed for the off-road machinery industry in our retrofit projects.

In retrofit markets, Proventia is engaged in close cooperation with local distributors and partners. Retrofit systems are manufactured by selected production partners.

Thermal components

We manufacture thermal components for the temperature control of exhaust aftertreatment systems and the insulation of our OEM customers' engine components and compartments. Energy efficiency requirements and stricter emission limits increase the need for thermal insulation in exhaust aftertreatment systems. Effective insulation is an integral part of the optimal operation of emission systems and also enables compact machine design. Electrification increases the need for insulation even further, as thermal components are required in electric off-road machines to control battery temperatures and meet fireproofing requirements.

Our competitive edge comes from our strong understanding of the significance of thermal insulation in the operation of emission control systems and our testing center, also suitable for thermal insulation testing.

We design our thermal components in Oulu and manufacture them in Oulu and the Czech Republic.

Batteries

The development of batteries for off-road machines is based on our expertise in battery testing and off-road machine technologies. Our battery products focus on off-road machines and especially on hybrid and hydrogen fuel cell applications. Our battery packs can be divided into low- and high-voltage batteries.

Proventia ePRO48, our low-voltage battery, can be used in mild hybrid applications to improve the efficiency of the next generation's Tier 5 and Stage VI exhaust aftertreatment systems.

Our high-voltage battery is built of battery modules. The modular solution can be scaled flexibly according to our customers' needs for voltage and capacity.

Our competitive edge in battery products is based on our significant experience in off-road machines, combined with the long service life, broad operating temperature range, safety and high performance of lithium-titanate (LTO) batteries. The durable mechanical structure of our batteries is ideal for off-road machines.

We invest in product development for our customers' next-generation machines and baseline research in our industry in cooperation with other organizations and universities.

In addition, we have invested in battery system simulation expertise, which is one of our competitive edges. In simulation development, we are engaged in a joint project with the software supplier Gamma Technologies. In R&D, we use our battery testing center which also enables hybrid testing.

Our battery products are designed, tested and manufactured in Oulu.

PROVENTIA'S BATTERY SOLUTIONS SPEED UP THE GREEN TRANSITION OF OFF-ROAD MACHINES

Through the green transition in the off-road machinery industry, energy efficiency and the low-carbon economy guide the development of power sources for off-road machines. Renewable fuels, combinations of various technologies and electrification are all possible solutions for the green transition in off-road machines. With its battery products, Proventia aims to develop electric solutions for the off-road machinery industry and thereby accelerate the green transition.

Our technology center plays a key role in the development of our battery systems. We understand the design processes of our off-road machinery customers and are able to support machine design processes through our battery system simulation services.

We focus on the LTO battery technology because of its safety and longevity. Our offering includes design, testing, validation and manufacturing of batteries.

"Our battery products include Proventia battery modules for customers that carry out system integration independently. When more flexibility is required in terms of the capacity and voltage of batteries, for example, we customize battery systems completely according to each customer's wishes. We did this for a European machine manufacturer which makes fuel cell-powered machines for the maintenance of streets and roads," says Jari Granath, Product Manager for battery products.

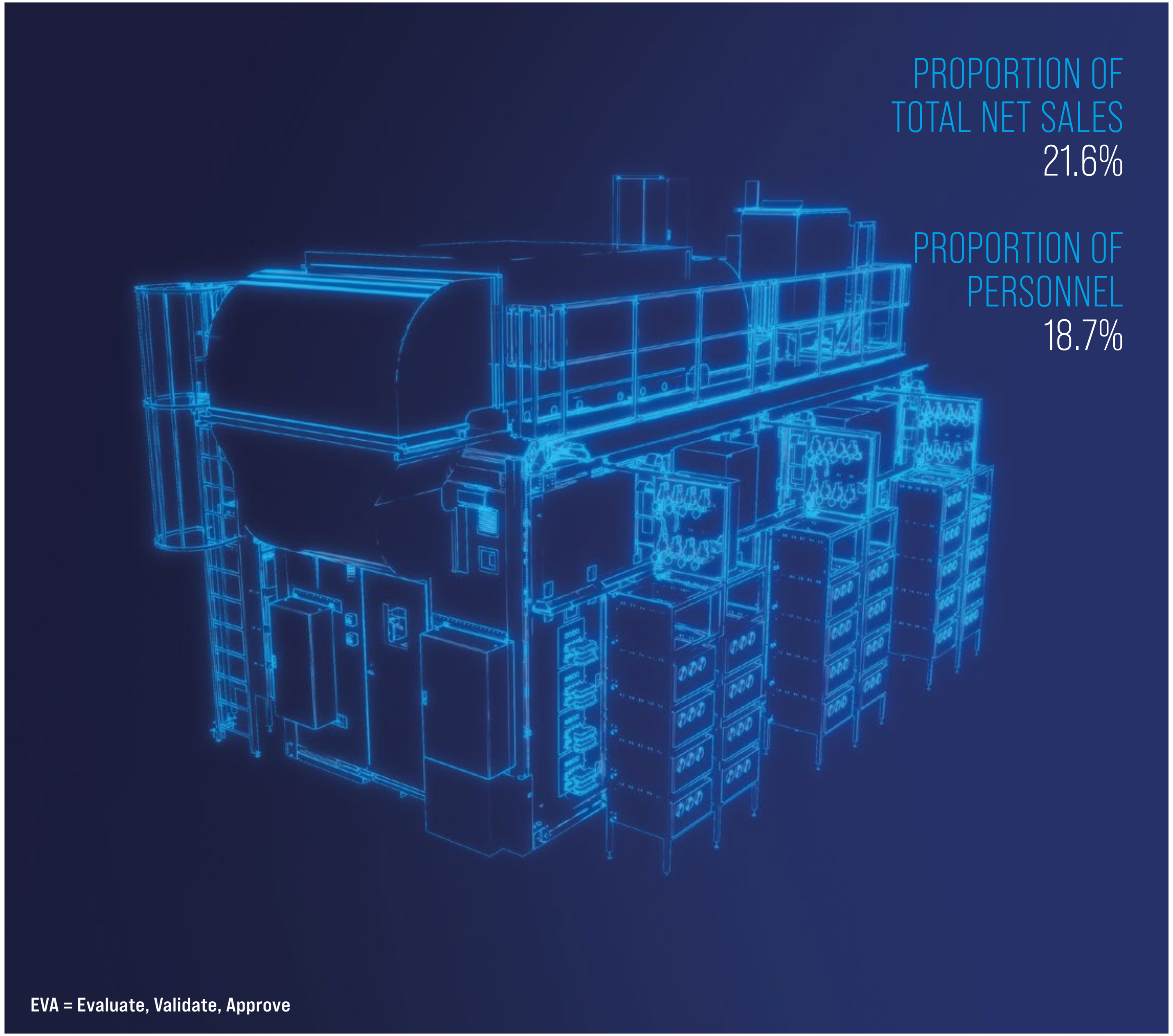
TEST SOLUTIONS

Proventia provides its customers with modular R&D and testing facilities for the testing and quality assurance of batteries and hydrogen fuel cells. Our customers include research and testing organizations, battery industry companies and manufacturers of cars and off-road machines.

Our modular and scalable solutions and quick deliveries produce added value and a competitive edge for our customers. Furthermore, our R&D and test solutions help speed up the development and testing of technologies and launch new battery and fuel cell products more quickly and safely.

During 2023, we invested in the productization of our battery solutions. The result was the EVA product range which consists of five products for the R&D and testing of batteries and hydrogen fuel cells. EVA Climatic modules test the performance of batteries in various conditions. EVA Life modules test the performance and service life of battery cells that are already in production. EVA Safe is a safe module for various safety and abuse testing of batteries. EVA Storage is a solution for the safe storage of batteries. EVA H2 is a test module for hydrogen fuel cell testing.

All our EVA products are highly productized test solutions with scalable volumes. We design and manufacture our EVA products at our Oulu plant. In the EVA Life and Climatic products, we are engaged in close cooperation with the test system provider Keysight Technologies.



EVA = Evaluate, Validate, Approve

SUSTAINABILITY 3

SUSTAINABLE PRACTICES

Sustainability as part of our strategy

To us, sustainability means our way of operating – how we address the environment, what we do in society at large, how we treat people and what management principles we follow here at Proventia. Our sustainable and responsible ways of working are based on our vision, mission and values. During 2023, we included various aspects of sustainable development in our strategy.

Both of our business areas support the development of cleaner power with lower emissions, regardless of the technology used to generate the power. We also seek to actively reduce our carbon footprint and thereby help our customers achieve their sustainability goals.

As the innovation leader in our industry, we provide an inspiring and encouraging working environment to promote the development of top technologies. We enable professional development for our employees and provide them with meaningful career paths.

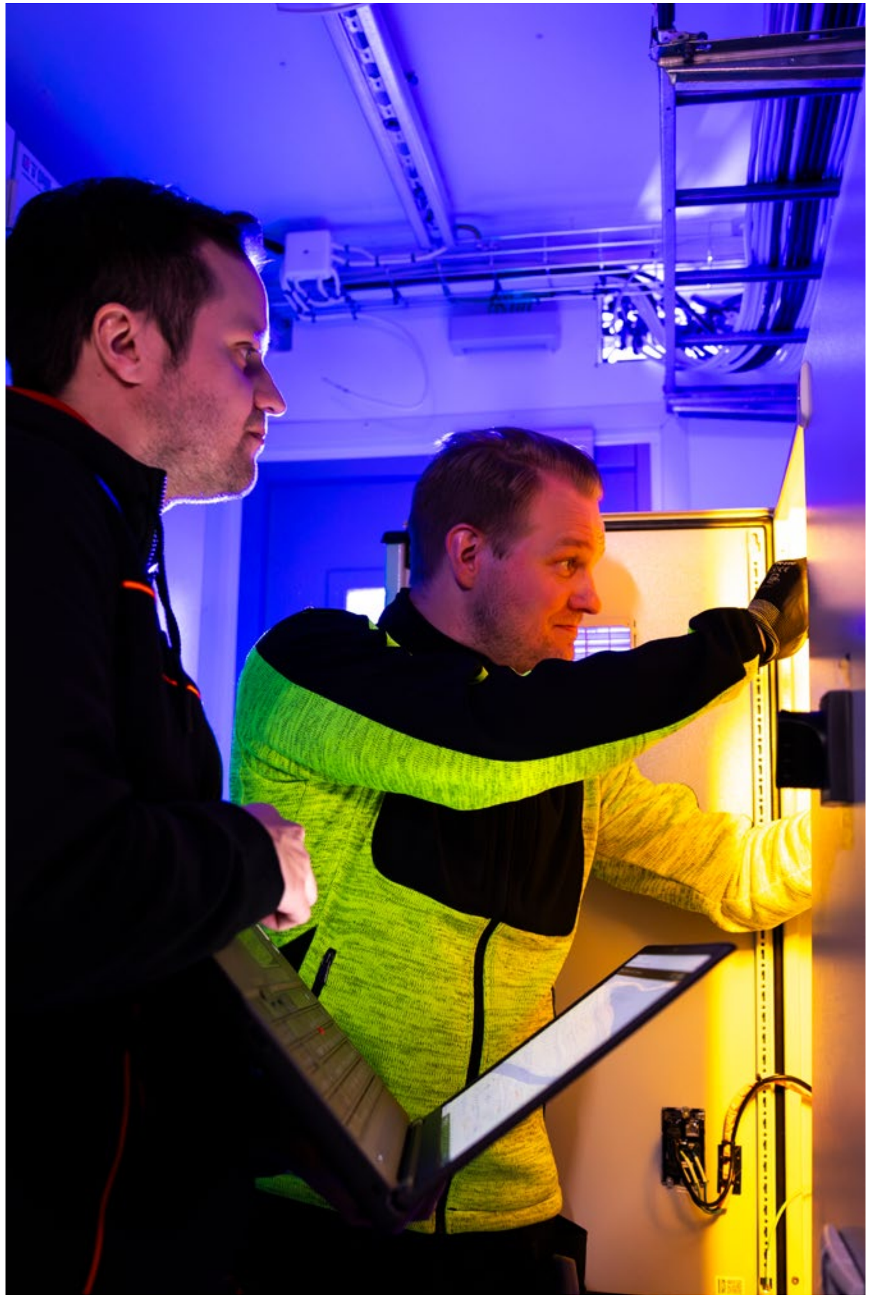
We abide by law and our Code of Conduct in all our operating environments. Responsibility, openness, honesty and trust are at the core of our Code of Conduct, guiding everything we do.

MANAGEMENT OF SUSTAINABLE DEVELOPMENT

Proventia's Board of Directors and management are committed to promoting sustainable development.

The environmental, social, and corporate governance (ESG) steering group discusses the company's sustainable development activities. Its purpose is to obtain information about sustainability, identify development needs, and monitor, guide and develop sustainability as part of the company's daily activities. Members of the ESG steering group are the CEO, CFO, Development Director, Production Director, Quality Manager and Communications Manager.

Proventia's management team discusses matters related to sustainable development as part of business operations and reports them to the Board of Directors.



OPERATING PRINCIPLES AND POLICIES

Our Sustainability Policy

We have formulated a sustainability policy, which was approved by the Board of Directors in September 2023. Our sustainability policy describes our approach to sustainable development. In our sustainability policy, we take into account ethical, environmental, social, and good governance perspectives, considering the expectations and needs of our customers, employees, suppliers, owners, and other stakeholders.

Our Code of Conduct

Proventia's Code of Conduct guides all our operations. We require all our employees and partners, along with all parties representing Proventia, to comply with the principles of our Code of Conduct. The Code of Conduct is an integral part of our onboarding program for new employees. Openness, reliability, innovation, environmental responsibility, equality and non-discrimination are the key principles of our Code of Conduct.

- We are committed to securing the safety and health of our personnel. Through our R&D and quality assurance, we seek to prevent any occupational safety and health risks associated with the use of our products and services.
- We emphasize objective selections in subcontractor and supplier relationships, focusing on quality, dependability, delivery reliability, sustainability and price.
- We want to be a good corporate citizen in all our areas of operation. In addition, we abide by national laws and agreements, as well as various international conventions and recommendations.
- We require Proventia's personnel and members of the Board of Directors to act in the best interests of the company, avoiding any situations where personal interests can be in conflict with those of the company.
- We respect industrial property rights, protect confidential material and

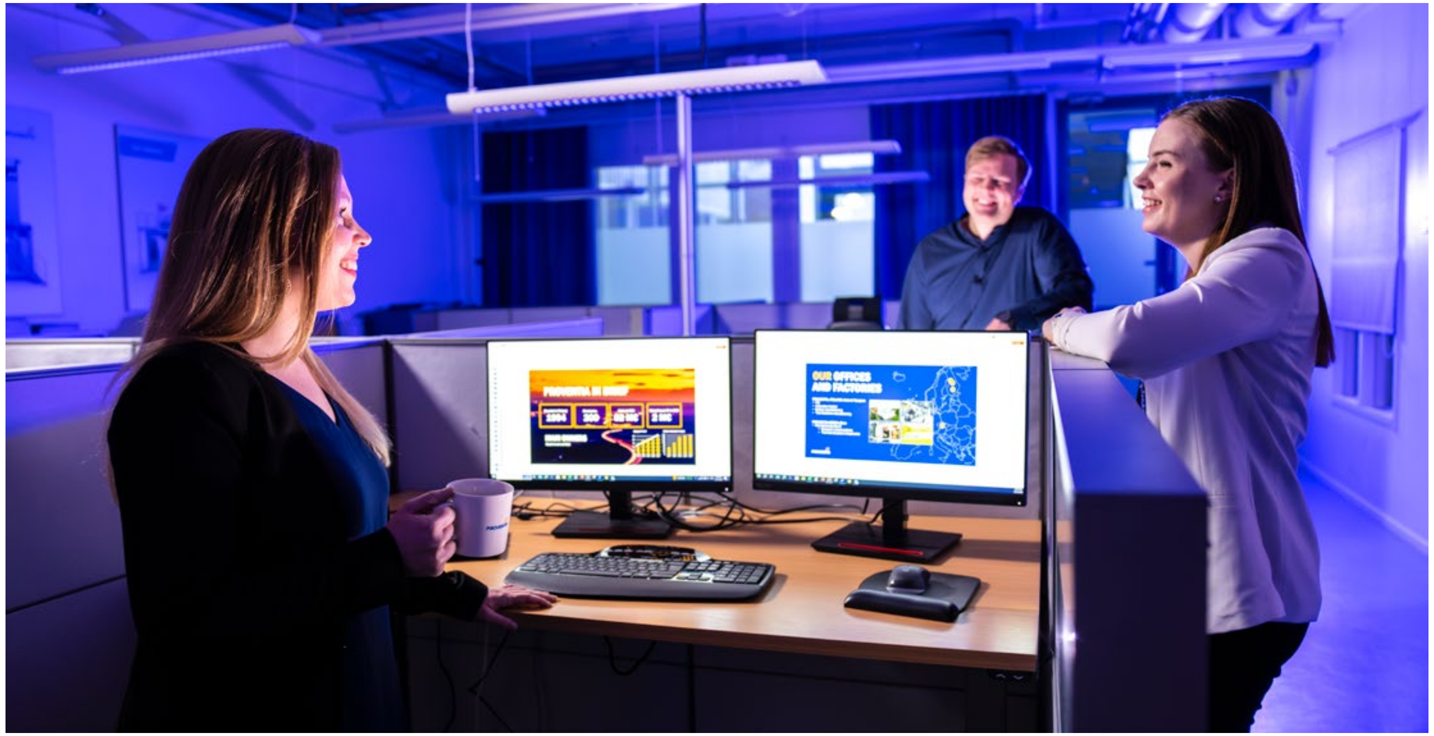
ensure the protection of personal data.
- Furthermore, we respect regulations concerning free and fair competition and are committed to complying with valid legislation on cartels and other competition law.
- We manage our stakeholder relations with integrity and in a fair and confidential manner.

Commitments

In 2023, we signed the UN's Global Compact initiative and are committed to adopting, supporting and applying its ten basic values related to human rights, working life principles, the environment and anti-corruption within our sphere of interest.

In addition to the Global Compact initiative, we comply with the following international declarations and conventions:

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



Whistleblowing channel

At the end of 2023, Proventia opened a whistleblowing channel. In addition to our employees, our external stakeholders can anonymously report any suspected misuse or other violations through it.

Notifications submitted through the whistleblowing channel will be processed confidentially. Everyone participating in processing are bound by a confidentiality obligation.

By the end of the year, no suspicions of misuse were reported through the channel.

We support the UN's Sustainable Development Goals

Proventia reviews its sustainability in accordance with the Sustainable Development Goals (SDGs) of the UN 2030 Agenda for Sustainable Development. Of the 17 SDGs, Proventia has selected three key goals for which the company offers solutions through its innovative products and services or which are important for the company in terms of its personnel, procurement chain and operations.

PROVENTIA SUPPORTS THE FOLLOWING SDGS:

13 CLIMATE ACTION

GOAL 13: Climate Action
Proventia develops products and solutions that help reduce the local and CO_2 emissions of transport and off-road machines and improve the energy efficiency of off-road machines and vehicles.

8 DECENT WORK AND ECONOMIC GROWTH

GOAL 8: Decent Work and Economic Growth
Proventia does its part to take care of its employees' mental and physical well-being. The company seeks to grow and develop with its customers, partners and subcontractors. Its operations are founded on responsible and profitable growth.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

GOAL 9: Industry, Innovation and Infrastructure
Proventia strengthens its customers' competitive edge and success with its solutions. The company develops innovation into new products and solutions for the vehicle and off-road machinery industries. The company cooperates actively with universities and universities of applied sciences.

OUR PERSPECTIVE ON SUSTAINABILITY

OUR SUSTAINABLE WAY OF OPERATING IS DIVIDED INTO THREE FOCUS AREAS – THE ENVIRONMENT, SOCIAL SUSTAINABILITY, AND GOOD CORPORATE GOVERNANCE.

ENVIRONMENT

Proventia combats climate change and its impact.

Environmental management

Our environmental activities are guided by our ISO 14001-certified environmental system which covers both our locations in Oulu in Finland and our Czech plant. Currently, 97% of our personnel work in locations certified by the environmental system. An independent body audits all certified locations as part of our audit program. With our environmental system, we can identify and manage the most significant environmental impact and risks in our individual locations. The Quality Manager is responsible for our environmental system.

We assess our environmental perspectives regularly as part of our environmental management system. We take environmental and climate impact into account in the management and development of our business operations. We work actively to reduce our carbon footprint and improve our recycling rate and energy efficiency. Testing, production, energy consumption and indirect emissions cause our most significant environmental impact. Indirect emissions come especially from purchasing, subcontracting, logistics and work-related travel.

The environment is an integral part of our business operations: we develop and manufacture products that enable our customers to make more energy-efficient and lower-carbon products with lower emissions. This enables us to reduce carbon dioxide emissions and local emissions, including particulate matter and nitrogen oxides, from transport and the use of off-road machines globally. The more our products are used, the bigger our environmental handprint is.

The environment plays a key role in our supplier assessments. We are working continuously to reduce the environmental impact arising from the activities of our suppliers and subcontractors.

Energy

In 2023, we invested in a solar panel system at our Czech plant. Even though the solar panels generate a significant part of the energy consumed at the Czech plant, we still have to purchase part of the energy required from local energy companies, especially during the darkest winter months.

We conducted an energy review in our location in Oulunsalo during 2023. A thesis entitled "Improving the energy efficiency of an emission laboratory" was also completed in 2023.

Emissions

During 2023, we continued to develop our carbon footprint calculation in terms of the whole Group's operations (Scope 1)

GREENER PRODUCTION USING SOLAR ENERGY

In February 2023, we decided to invest in a solar panel system at our Czech plant. The installation of solar panels was already making good progress in summer 2023, and 452 solar panels in total were installed on the roof of our plant. The system started to generate zero-emission electricity from the beginning of October. Even though the solar panels generate part of the energy consumed at the plant, we still have to purchase part of the energy required from local energy companies, especially during the darkest winter months. However, the use of solar energy has a significant impact on our plant's greenhouse gas emissions.

Our solar panel system generates some 200 MWh of energy annually, which equals savings of roughly 109 tonnes in carbon dioxide emissions.

"Energy efficiency and the environment are important to Proventia. The solar power investment will reduce the Scope 2 emissions of our Czech plant significantly and thereby also helps our customers achieve their emissions reduction goals," says Dominik Maxa, the CEO of the Czech plant.

and purchased energy (heating and electricity, Scope 2). Proventia's carbon dioxide emissions (Scope 1 and Scope 2) in 2023 were 1342 tCO_2e (2022: 613 tCO_2e), and emission intensity relative to net sales was 24.7 tCO_2e per EUR million (11.9 tCO_2e per EUR million). The significant increase in the number of product development projects and testing is a significant single factor in the increase in carbon dioxide emissions. The fuel used for testing is determined by factors independent of Proventia. We have also continued to develop the calculation of our indirect emissions (Scope 3).

Our carbon footprint calculation is based on the Greenhouse Gas (GHG) Protocol.

Waste and recycling

Waste related to our business operations is generated not only in our production but also at the end of our products' lifecycles when customers stop using them.

We monitor the volume and utilization of waste generated in our operations. We aim to increase our recycling rate by improving the efficiency of recycling and sorting. In 2023, our recycling rate was 73%.

Environmental projects

The GREEF project, which aims to help companies reduce the environmental impact of their operations and products and to drive companies towards the goals of low-carbon operations and growth in exports, continued until the end of 2023. The project covered a number of green industry themes related to low-carbon production and improved energy and material efficiency, among other aspects. Through the GREEF project, we started to use 3D printing to save material and resources. We have continued to develop our carbon footprint calculation and to harnessing green production into a competitive edge by including the sustainability perspective in our offers.

KEY ENVIRONMENTAL FIGURES IN 2023

Carbon footprint (Scope 1 and Scope 2):	1,342 tCO_2e
Emission intensity relative to net sales	24.7 tCO_2e/MEUR
Recycling rate	73%
Employees in ISO 14001-certified locations	97%

SOCIAL SUSTAINABILITY

Proventia operates in a socially sustainable way.

We address broadly the needs and wellbeing of our various stakeholders such as our employees, customers, partners and subcontractors. We also address the impact of our business operations on our local environment, including various communities and educational institutions.

An attractive workplace in the technology industry

As the innovation leader in our industry, we provide an inspiring and encouraging working environment to promote the development of top technologies. We enable professional development for our employees and provide them with meaningful career paths.

Wellbeing of employees

Personnel wellbeing is at the core of our social sustainability. We provide our employees with a safe, healthy and fair working environment. We also do our part to ensure the mental and physical wellbeing of our personnel. Promoting diversity, equality and non-discrimination is an integral part of our corporate culture. Our personnel also implement the principles of equality and non-discrimination in customer contact and stakeholder cooperation.

We monitor the wellbeing and job satisfaction of our employees through regular performance appraisals and annual surveys. The results of annual surveys are discussed in teams, and each team selects their development areas for the following year.

The sense of community, a culture of helping others, and coordination between work and leisure were highlighted in the responses to the 2023 survey. The Group's employee net promoter score (eNPS) was 17 in 2023 (2022: 24).

Based on the results of the annual survey, we have identified development targets for the entire company. The development actions for these selected areas have been initiated and will be actively continued throughout the year.

In addition to the eNPS, we monitor the number of training days, the employee turnover rate and the number of initiatives and invention disclosures.

Occupational safety and health

Occupational safety and health are important to Proventia. The company is committed to providing its employees with a safe and healthy working environment. The goal of our occupational safety and health activities is to improve safety and health in the workplace and to promote activities that maintain our employees' work ability and motivation.

Risks associated with working

OUR ORGANIZATION'S LOW HIERARCHY ENABLES AN ENVIRONMENT IN WHICH IT IS EASY FOR EMPLOYEES TO ASK FOR HELP AND ADVICE.

KEY FIGURES FOR SOCIAL SUSTAINABILITY IN 2023

Personnel eNPS	**17** (2022:24)
LTIFR	**0** (2022:3)
Customer satisfaction	**51** (2022:57)

conditions and methods are assessed annually, and the implementation of the development program is monitored by the occupational safety and health committee using various indicators such as the lost time injury frequency rate (LTIFR), the number of sick leave days, and hazard notifications.

Proventia's LTIFR was 0 in 2023 (2022: 3).

Occupational healthcare is provided in accordance with the statutory requirements set in each country at a minimum. Occupational healthcare services or insurance cover 100% of Proventia's personnel.

Corporate culture and community

We have a positive and encouraging corporate culture. Our organization's low hierarchy enables an environment in which it is easy for employees to ask for help and advice. Our flexibility supports coordination between work and leisure. Shared daily coffee and lunch breaks strengthen inclusion in our working community and help build a relaxed atmosphere. Proventia's employees are eager to participate in the Kilometrikisa cycling competition for workplaces, and we encourage our employees to stay active which also promotes ecological commuting.

We provide systematic activities for supervisors, including regular training and briefings. The CEO's regular reviews offer an overview of our company's current and future situation, increasing our employees' understanding of and commitment to our shared set of goals.

Customer relationships

We monitor customer satisfaction through an annual business-specific survey. The customer satisfaction survey highlighted Proventia's openness, comprehensive design services, innovation and ease of services collaboration. Proventia's NPS was 51 in 2023 (2022: 57).

Stakeholder relationships

We include our suppliers and partners in the development of our positive impact on the environment and society at large. Suppliers and subcontractors play a significant role in the achievement of our sustainability goals. We require our suppliers and subcontractors to comply with the same Code of Conduct we do.

We assess our suppliers and subcontractors in terms of price, quality, dependability, delivery reliability and sustainability, among other criteria.

We require our stakeholders to comply with national laws, as well as international regulations and policies concerning human rights and the environment. We encourage our stakeholders to address and promote sustainability with us.

We are engaged in close cooperation with universities and universities of applied sciences.

GOOD CORPORATE GOVERNANCE

Proventia abides by law and the Code of Conduct.

We abide by law and our Code of Conduct in all our operating environments. Responsibility, openness, honesty and trust are at the core of our Code of Conduct, guiding everything we do.

For Proventia, the culture of good corporate governance means sustainable financial development in the long term to ensure continuity. We want to ensure growth and profitability and fulfill our financial obligations towards all stakeholders. These obligations include wages, taxes, dividends and subcontracting fees.

The company operates openly and transparently in accordance with the Corporate Governance Code for Finnish listed companies. Good governance at Proventia includes a responsibility matrix, risk management policy, management systems, and the Board of Directors' rules of procedure and committees. The purpose of these systems is to ensure continuous development and the stable and systematic governance and management of the company.

SAQ 5.0

During 2023, we conducted the Sustainability Assessment Questionnaire (SAQ) 5.0, receiving the score of 69 (industry average: 32.00). SAQ 5.0 is a globally recognized sustainable development standard for the automotive industry. The questionnaire assesses operating methods and practices in terms of human rights and environmental sustainability, occupational safety and health, business ethics and compliance, the sustainable procurement of raw materials, and sustainable supplier management.

Proventia has the following ISO certificates:

Proventia Oy, Oulunsalo and Oulu:
ISO 9001:2015, ISO 14001:2015

Proventia Czech s.r.o., Kuřim:
ISO 9001:2015, ISO 14001:2015

LRQA CERTIFIED
ISO 9001 · ISO 14001

4

GOVERNANCE

MANAGEMENT TEAM

CEO
Jari Lotvonen
b. 1968, Automation engineer

CEO and a member of the Management Team since 2004

Joined Proventia in 2004

CFO
Tommi Aarnio
b. 1983, M.Sc. (Economics and Business Administration)

CFO since 2023

Member of the Management Team since 2023

Joined Proventia in 2023

Director, Development, HR & ICT
Kaisu Kivioja
b. 1968, Vocational Qualification in Business and Administration

Director of Development since 2023

Member of the Management Team since 2011

Joined Proventia in 2008

Vice President, Proventia Emission Control
Petri Saari
b. 1969, Mechanical Engineer

Vice President since 2007

Member of the Management Team since 2011

Joined Proventia in 2007

Director, Proventia Thermal Components
Aaro Heilala
b. 1982, M.Sc. (Engineering)

Director, Thermal Components since 2019

Member of the Management Team since 2019

Joined Proventia in 2017

Director, Proventia Test Solutions
Harri Kervinen
b. 1982, Motorsport engineer

Director, Test Solutions since 2016

Member of the Management Team since 2018

Joined Proventia in 2012

Director, Technology, Proventia Emission Control
Arno Amberla
b. 1974, M.Sc. (Engineering)

Director, Technology since 2009

Member of the Management Team since 2011

Joined Proventia in 2000

Director, Production, Proventia Emission Control
Tomi Palovaara
b. 1974, M.Sc. (Engineering)

Director, Production since 2015

Member of the Management Team since 2015

Joined Proventia in 2007

More information about our management team proventia.com/management

BOARD OF DIRECTORS

Chairperson of the Board of Directors
Harri Suutari
b. 1959, B.Sc. (Engineering)

Chairperson of the Board since 2018

Member of the Board of Directors
Lauri Antila
b. 1976, M.Sc. (Engineering)

Member of the Board since 2018

Main occupation:
CEO, Head Invest Oy

Member of the Board of Directors
Kalle Kekkonen
b. 1978, M.Sc. (Economics and Business Administration)

Member of the Board since 2022

Main occupation:
Managing Partner, EAB Private Equity, Evli Oyj

Member of the Board of Directors
Johnny Pehkonen
b. 1973, M.Sc. (Engineering)

Member of the Board since 2019

Main occupation:
Business Development Director, Brightplus

Member of the Board of Directors
Tommi Salunen
b. 1972, M.Sc. (Economics and Business Administration)

Member of the Board since 2018

Main occupation:
Founder and Chairman of the Board of Directors, Aava Advisors Ltd

Member of the Board of Directors
Erja Sankari
b. 1973, M.Sc. (Economics and Business Administration)

Member of the Board since 2023

Main occupation:
Executive Vice President and COO, iLOQ,

More information about our board of directors proventia.com/board_of_directors

MANAGEMENT

Proventia Group's parent company is Proventia Group Corporation ("the Company" or "Proventia"), 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.

Annual General Meeting

The Annual General Meeting exercises the highest decision-making power in the Company and decides on the matters required in the Limited Liability Companies Act and the Articles of Association.

Proventia's Annual General Meeting is held in the Company's domicile in Oulu or Helsinki and summoned by the Board of Directors. The AGM is held annually on a day specified by the Board of Directors within six months of the close of the financial year. The AGM can be summoned to discuss a certain matter when the Board of Directors deems it necessary or if it is required by law.

The AGM decides on:

- approving the financial statements and distributing profit;
- releasing the members of the Board of Directors and the CEO from liability; and
- selecting the members of the Company's Board of Directors and the auditor, and determining their fees.

The AGM is also responsible for:

- amending the Articles of Association;
- deciding on the purchase of treasury shares, share issues and option schemes; and
- authorizing the Board of Directors to decide on them.

Board of Directors

The AGM elects the Board of Directors annually which consists of three to eight members in accordance with the Articles of Association. One to three deputy members can also be elected to the Board of Directors. The Board of Directors' term continues until the end of the next AGM. The Company's AGM elects the Chair and Vice Chair of the Board of Directors. The Shareholders' Nomination Committee prepares proposals for the election of members of the Board of Directors for the AGM.

Diversity must be addressed when proposing and electing members for the next Board of Directors, including both genders and sufficient expertise and experience corresponding to the Company's needs. Members of the Board of Directors must have the competence required and the opportunity to allocate sufficient time to the position.

Tasks of the Board of Directors

According to the Limited Liability Companies Act (624/2006 as amended) and the Articles of Association, the Board of Directors sees to the Company's management and the appropriate organization of its operations and represents the Company. The Board of Directors has prepared written rules of procedure that define its key tasks and principles.

The Board of Directors is responsible for the following:

- confirming Proventia's strategy and monitoring its fulfilment;
- approving the Company's financial statements and business reviews, and monitoring the accuracy of accounting and the Company's finances;
- deciding on significant individual investments, business and property transactions, and strategically significant business expansions and contractions;
- confirming the Company's long-term strategic and financial goals;
- approving the budget and risk management principles;
- approving and confirming the rules of procedure of committees and the Company's internal guidelines;
- deciding on the incentive schemes of the CEO and the personnel;
- electing Proventia's CEO and deciding on their employment terms; and
- confirming the members of the management team and their employment terms as proposed by the CEO.

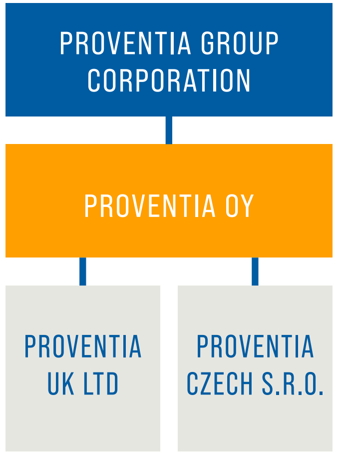
Audit Committee

To work more effectively, the Board of Directors has appointed the Audit Committee. The Board of Directors elects members and the Chair of the Audit Committee annually from among its members and confirms the Audit Committee's written rules of procedure. The Audit Committee consists of two members of the Board of Directors.

Shareholders' Nomination Committee

The Shareholders' Nomination Committee is a shareholder body which prepares proposals for the AGM regarding the election of members of the Board of Directors and their fees.

The key responsibility of the Shareholders' Nomination Committee is to ensure that the Board of Directors and its members have sufficient expertise and experience corresponding to the Company's needs and, to this end, prepare well-founded proposals for the AGM



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.

regarding the election and remuneration of members of the Board of Directors.

Each shareholder of the Company can also present proposals directly to the AGM.

The Shareholders' Nomination Committee consists of three (3) members appointed by the Company's three largest shareholders. In addition, the Chair of the Company's Board of Directors participates in the Nomination Committee's activities in the role of a specialist.

CEO

The Board of Directors appoints Proventia's CEO and decides on their employment terms as defined in the written CEO agreement. The CEO is responsible for implementing the goals, plans, guidelines and targets set by the Board of Directors in the Company. According to the Limited Liability Companies Act, the CEO is responsible for ensuring that the Company's accounting complies with law and assets are managed reliably. The Board of Directors assesses the CEO's work and the achievement of their goals.

Management team

Supporting the CEO's work, the Group's management team is responsible for the development and operations of the Group and the business areas in line with the goals set by the Board of Directors and the CEO. The management team assists the CEO in the preparation of the strategy, operating principles and other shared matters of the business areas and the Company. The CEO acts as the Chair of the Group's management team.

Auditing

Statutory auditing covers accounting, financial statements and management audits for the financial year. In addition to preparing an audit report annually, auditors report their audit findings regularly to the Board of Directors and participate in meetings of the Board of Directors and the Audit Committee.

According to the Articles of Association, the Company must have one auditor corresponding to the level of authorized public accountants. If the auditor is not an auditing firm as laid down by law, one deputy auditor will be elected. The auditor's term continues until the end of the AGM following the first election.

The Company's Audit Committee prepares a proposal for the election of an auditor and the auditor's fees for the AGM, and the AGM elects the Company's auditor and decides on their fees.

Internal control

The purpose of internal control at Proventia Group is to ensure the efficiency and productivity of the Company's operations, the reliability of financial and acting management reporting, and compliance with applicable laws, regulations and internal guidelines in the Group.

At Proventia, internal control is an integral part of business management and the ensured achievement of goals. The Group seeks to arrange internal control effectively to identify any deviations from goals as early as possible or prevent them altogether.

The Company's internal control consists of the internal control policy approved by the Board of Directors, decision making and approval practices, uniformly determined control points in various processes and their monitoring, as well as corrective measures. Risk assessment lays a solid foundation for internal control. Internal control ensures that the realization of identified risks is minimized.

The Company's Board of Directors is responsible for the organization of internal control, whereas the Audit Committee monitors the efficiency of internal control. The Group's management team is responsible for ensuring that effective control measures are in place. The Group's financial unit monitors the efficiency of control measures in conjunction with interruptions in financial reporting.

Risk management

Proventia Group's risk management is guided by the risk management policy. The goal of risk management is to create operating conditions where business-related risks are controlled comprehensively and systematically at all organizational levels. The principle is that risks are identified, their scope and significance are assessed, the actions mitigating risks are determined, and decisions are made on their implementation and on monitoring their effects.

Proventia uses a Group-level risk assessment and reporting model, and the Group conducts a comprehensive risk assessment annually to assess the probability of the most significant risks concerning the fulfillment of the Group's strategy and the achievement of its goals and their impact on business operations are assessed and risk management measures are identified. If required, risk assessments will be updated for interim reports, for example. The Group's CFO is in charge of risk management and reports the status of risk management to the CEO and the management team. The CEO provides the Company's Board of Directors with an annual risk management report.

Proventia's Board of Directors is responsible for determining the level of risk taking within the Group, deciding on the taking of strategic risks, monitoring the results of risk management and assessing their effectiveness.

5 FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

These financial statements must be retained until December 31, 2033.

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

Domicile: Oulu
Business ID: 1612236-0

IN BRIEF

THE GROUP'S NET SALES INCREASED BY

5.4%

FROM THE PREVIOUS YEAR TO

EUR 54.3 MILLION

(51.5 million)

OPERATING PROFIT WAS

6.1 MILLION

(1.9 million)

THE OPERATING PROFIT RATE WAS

11.3%

(3.7%)

PROFIT FOR THE PERIOD WAS

EUR 4.7 MILLION

(1.4 million)

CASH FLOW FROM OPERATING ACTIVITIES WAS

EUR 11.8 MILLION

(4.6 million)

NET DEBT WAS

EUR -10.7 MILLION

(-3.5 million)

THE NUMBER OF PERSONNEL AT THE END OF THE FINANCIAL YEAR WAS

198

(196)

BOARD OF DIRECTORS' REPORT FOR THE FINANCIAL YEAR JANUARY 1 – DECEMBER 31, 2023

REVIEW OF 2023

2023 was a good year for Proventia. The company's net sales increased as expected and were EUR 54.3 (51.5) million, driven especially by strong growth in Off-road Machinery Systems and Components, the largest business area. During the year, net sales in this business area grew by as much as 19.5% to EUR 42.6 (35.6) million. The strong final stretch and successful cost control during the final quarter of the year were key factors in achieving the good results. Proventia's operating profit rate was 11.3% (3.7%).

Off-road Machinery Systems and Components

Emission control, OEM: A record number of new projects

Demand for emission control systems was high in the original equipment manufacturer (OEM) customer segment. During the year, research and development projects entered serial production at Proventia's Czech plant, and delivery volumes increased as expected. The company also landed new projects from its current customers which adds visibility to R&D and production for years to come.

The understanding that combustion engines will remain a significant power source in heavy machinery far into the future strengthened during the year. However, they will operate more cleanly than before. Renewable carbon-neutral fuels are being developed continuously. In addition, local emissions, including particulate matter and nitrogen oxides, can efficiently be reduced further using emission control systems.

The OEM off-road machine market is preparing for the requirements of the future Tier 5 and Stage VI emission regulations, as a result of which Proventia has a record number of negotiations underway for new customers and projects. The company's R&D team is actively developing and testing next-generation products for several engine and off-road machine manufacturers.

Emission control, retrofit: Shifting the focus from heavy transportation to off-road machinery

For retrofit projects in urban transportation, 2023 was a peaceful year. Significant variation in demand from one financial year to the next is typical in this business field. Even though no clean air projects are currently in progress in the world's major cities, new project plans for heavy transportation are in sight, especially outside Europe. If realized, these projects may also generate significant net sales for Proventia.

In contrast, demand for retrofit systems for off-road machines increased in 2023. Modern exhaust aftertreatment systems allow older off-road machines to meet the strict emission regulations of today. Updated emission systems, combined with other refurbishment, enable the resource-smart use of machines until the end of their lifecycle. Proventia believes that, when sustainability thinking becomes the norm in the future, the use of retrofit systems will increase, especially in heavy high-value off-road machines.

Thermal components: Proventia expanded thermal component production to the Czech Republic

Net sales for thermal components increased, driven by the growing emission control business. Insulation for emission control systems and pipe and engine components accounted for a significant part of the net sales. Proventia prepared for growing demand by expanding the production of thermal components to its Czech plant.

Battery packs: Batteries for hybrid and hydrogen fuel cell applications

Proventia continued the development of battery systems with its partners. The company has developed a modular battery system which enables a flexible solution for various hybrid and fuel cell off-road machines. The company's investments in battery system simulations help its customers in overall machine design. The company's customers are already testing battery systems in a fuel cell off-road machine.

Test Solutions

A successful change of strategy

In the Test Solutions business area, 2023 was a year of a strategic change. Proventia decided to focus on the EVA test solutions required in the R&D, testing and quality assurance of batteries.

Focus on the EVA product range has improved the profitability of operations. As an indication of a successful change of strategy, the company landed orders of more than EUR 10 million for EVA test solutions during the latter half of the year.

Proventia expects the profitability of the Test Solutions business area to improve further, even though its net sales will be lower in 2024. The company is seeking profitable growth from 2025 onwards. In EVA products, the company will continue its productive cooperation with Keysight Technologies, the world's leading test equipment supplier.

Investments in sustainability and growth

During 2023, Proventia made significant investments in its Czech plant. The company invested in a solar panel system which started to generate zero-emission electricity for the plant from the beginning of October. In addition, the company invested in a new production line for thermal components, which responds to the growing demand for thermal components along with production in Oulu.

Proventia continued to develop its responsibility activities and added responsibility elements that are important to the company to its strategy. Customers have given the company good feedback in sustainability assessments, and Proventia believes that sustainable business will give it a competitive edge in the future.

Proventia adopted IFRS reporting

Proventia prepared its financial statements for 2023 for the first time in accordance with the International Financial Reporting Standards (IFRS). IFRS reporting supports the company's growth strategy and makes its financial figures more comparable both nationally and internationally. The adoption of the IFRS did not have a significant impact on profit for the period.

STRATEGY AND ITS IMPLEMENTATION IN 2023

At the core of Proventia's strategy is technological excellence, which the company implements through synergies in various areas of application and in the customer base. The company maintains the best expertise in its industry by providing an inspiring and encouraging working environment for the development of top technologies. The company understand the threats and opportunities presented by technological changes. The evolving legislation and the electrifying automotive and off-road machinery industries are offering new business opportunities for Proventia.

In the Off-road Machinery Systems and Components business, the company continued to invest in the R&D and manufacturing of exhaust aftertreatment systems and thermal components. In emission control products, the company is preparing for the next emission regulations. The company has continued to invest in the development of batteries for hybrid off-road machine applications. In R&D, the company has invested in battery system simulation expertise, among other areas.

In Test Solutions, the company focused on R&D and quality assurance systems for batteries and fuel cells in line with its strategy. In battery solutions, the company continued its close cooperation with Keysight Technologies, a manufacturer of testing equipment.

A comprehensive understanding of customer needs, proactive customer service and positive customer experiences form the basis of Proventia's success. The company monitors customer satisfaction and systematically seeks to improve the customer experience, taking business-specific characteristics into account. Proventia has actively participated in conferences and trade fairs in Europe and the United States.

In line with its manufacturing strategy, Proventia focuses on the final assembly of products and acquires components efficiently and responsibly from subcontractors. If necessary, the company manufactures critical components and assemblies independently. The primary goals of its production are high quality, cost efficiency, delivery reliability and agile responses to any changes in customer needs and markets, while addressing the perspective of sustainability.

Proventia has invested in thermal component production and has deployed a solar power system at its Czech plant. The company systematically monitors the delivery reliability and quality of its operations and suppliers and strives to optimize the flow of goods, time management and costs by continuously improving processes.

Growth strategy

Proventia seeks controlled and profitable growth in its business areas, together with current and future customers. Serving an expanding customer base also means a broader geographical presence for Proventia. Proventia turns innovation into new products and services for the needs of the electrifying vehicle and off-road machinery industries. Potential technology and business acquisitions are part of the company's growth strategy.

Proventia has actively developed next-generation emission control solutions for both existing and new engine and off-road machine manufacturers. During 2023, the company began to explore opportunities to establish operations in North America. In Test Solutions, the company has focused on the testing cells required for battery testing and has invested in both existing customers and new customer acquisition in the battery industry.

A good corporate citizen

Proventia complies with good corporate governance based on openness and transparency. The company develops its operations systematically in the long term, taking its stakeholders' interests into account. Proventia's Code of Conduct underlines responsibility and honesty.

During 2023, Proventia prepared a sustainability policy and included aspects of sustainable business in its strategy.

KEY FIGURES: PERFORMANCE AND FINANCIAL POSITION

Proventia Group's key figures are presented in the table below. Figures in accordance with the IFRS are presented for 2022 and 2023. Figures in accordance with the Finnish Accounting Standards (FAS) are presented for 2021.

PROVENTIA GROUP'S KEY FIGURES	IFRS 2023	IFRS 2022	FAS 2021
Net sales, EUR 1,000	54,296	51,490	46,555
Operating profit, EUR 1,000	6,134	1,886	4,040
Operating profit, %	11.3%	3.7%	8.7%
Return on equity (ROE), %	20.9%	7.3%	18.8%
Equity ratio, %	62.9%	55.4%	64.9%
Return on capital employed (ROCE), %	27.4%	11.8%	22.9%
Net debt, EUR 1,000	-10,672	-3,494	-4,177

PARENT COMPANY'S KEY FIGURES	FAS 2023	FAS 2022	FAS 2021
Net sales, EUR 1,000	2,975	2,655	2,229
Operating profit, EUR 1,000	-7	-9	-93
Operating profit, %	-0.2%	-0.3%	-4.2%
Return on equity (ROE), %	28.0%	0.1%	32.4%
Equity ratio, %	96.7%	97.2%	97.4%
Return on capital employed (ROCE), %	28.3%	0.1%	32.1%
Net debt, EUR 1,000	-933	-704	-1,996

THE KEY FIGURES HAVE BEEN CALCULATED AS FOLLOWS:

Return on equity, (ROE) %

$$\frac{\text{(Profit before taxes – income taxes)}}{\text{Average shareholders' equity during the period}} \times 100$$

Equity ratio, %

$$\frac{\text{Shareholders' equity}}{\text{(Balance sheet total – contract liabilities)}} \times 100$$

Return on capital employed (ROCE), %

$$\frac{\text{(Profit before appropriations and taxes + financing costs)}}{\text{(Average shareholders' equity during the period + average interest-bearing liabilities during the period)}} \times 100$$

Net debt

Interest-bearing liabilities – cash and cash equivalents

NET SALES AND THE DEVELOPMENT OF PROFIT

In 2023, Proventia's net sales increased by 5.4% from the previous year to EUR 54.3 (51.5) million. (The figures in brackets refer to the corresponding period in the previous year, unless otherwise indicated.) Net sales of the Off-road Machinery Systems and Components business area increased by 19.5% to EUR 42.6 (35.6) million. The Test Solutions business area's net sales decreased by 26.0% from the comparative period to EUR 11.7 (15.9) million. In 2023, operating profit increased by 225.2% to EUR 6.1 (1.9) million. Profit was EUR 4.7 (1.4) million. Undiluted earnings per share were EUR 0.29 (0.09), while diluted earnings per share were EUR 0.27 (0.08).

BALANCE SHEET, CASH FLOW AND FINANCING

At the end of 2023, the consolidated balance sheet total stood at EUR 41.3 (37.6) million. The Group's equity ratio was 62.9% (55.4%). The Group's cash flow from operating activities was EUR 11.8 (4.6) million. At the end of 2023, the Group's liquid assets amounted to EUR 11.3 (4.8) 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 December 31, 2023, the Group's interest-bearing liabilities stood at EUR 0.7 (1.3) million.

RESEARCH AND DEVELOPMENT

R&D expenses totalled EUR 3.6 million (EUR 3.4 million in 2022 and EUR 3.4 million in 2021), comprising 6.7% of the Group's net sales (6.6% in 2022 and 7.2% in 2021). R&D expenses of EUR 1.4 million have been capitalized on the balance sheet as development expenses (EUR 1.5 million in 2022 and EUR 0.6 million in 2021). R&D expenses recognized through profit or loss totalled EUR 2.2 million (EUR 1.9 million in 2022 and EUR 2.8 million in 2021).

INVESTMENTS

The Group's investments in tangible and intangible assets were EUR 3.3 (4.0) million.

PERSONNEL

During the financial year, the Group had an average of 198 employees (185 employees in 2022 and 158 employees in 2021). At the end of the financial year, the Group had 198 employees (196 employees in 2022 and 163 employees in 2021). Of these, 136 (149) worked in Finland, 60 (44) in the Czech Republic and 2 (3) 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.

BOARD OF DIRECTORS, MANAGEMENT AND AUDITORS

Harri Suutari (Chair), Lauri Antila, Tommi Salunen, Johnny Pehkonen, Kalle Kekkonen and Erja Sankari formed the company's Board of Directors.

The Board of Directors appointed the Audit Committee from among its members. Tommi Salunen has served as the Audit Committee's Chair, and Kalle Kekkonen as its member.

The Group's Management Team consists of the following roles and members: Jari Lotvonen, CEO; Tommi Aarnio, CFO; Kaisu Kivioja, Director, Development, HR & ICT; 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, Director, Production, Proventia Emission Control.

The auditing firm Ernst & Young Oy has served as the company's auditor, with Jari Karppinen, Authorized Public Accountant (APA), as its principal auditor.

SHARE CAPITAL

On December 31, 2023, Proventia Group Corporation's registered share capital was EUR 1,090,281.04 and its total number of shares was 16,137,275. 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 2023, the company had 111 shareholders.

SHARE-BASED PAYMENTS

The company has two option schemes, both of which are divided into three series. Each option entitles its holder to subscribe for one new share in the company. The company has a weighty financial reason to issue option rights, because they are intended to be part of the company's incentive and engagement scheme for its key personnel. 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 recognized in the invested unrestricted equity reserve.

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 2019–2027. The option scheme implemented in 2022 entitles the company's key personnel to subscribe for shares at a price of EUR 2.64 per share in 2025–2029.

Option schemes	Subscription price	Number of option rights	Subscription period
2016D	EUR 0.50 per share	397,934	Feb 28, 2019 to Feb 28, 2025
2016E	EUR 0.50 per share	397,932	Feb 28, 2020 to Feb 28, 2026
2016F	EUR 0.50 per share	397,934	Feb 28, 2021 to Feb 28, 2027
Option schemes	Subscription price	Number of option rights	Subscription period
2022G	EUR 2.64 per share	76,655	Oct 1, 2025 to Sep 30, 2027
2022H	EUR 2.64 per share	76,671	Oct 1, 2026 to Sep 30, 2028
2022I	EUR 2.64 per share	76,674	Oct 1, 2027 to Sep 30, 2029

ANNUAL GENERAL MEETING

Proventia Group Corporation's Annual General Meeting (AGM) was held on March 31, 2023. The AGM adopted the financial statements and consolidated financial statements for 2022 and discharged the members of the Board of Directors and the CEO from liability. In accordance with the Board of Directors' proposal, the AGM decided to distribute EUR 0.03 per share in dividends. As a result, the total amount of dividends was EUR 480,818.25, based on the total number of shares of 16,027,275. It was decided to transfer the profit for the period of EUR 15,942.62 to retained earnings in accordance with the Board of Directors' proposal. In addition, the AGM decided on the fees to be paid to the members and the Chair of the Board of Directors.

It was decided that the Board of Directors consists of six members. Harri Suutari, Lauri Antila, Tommi Salunen, Johnny Pehkonen and Kalle Kekkonen were re-elected members of the Board of Directors, and Erja Sankari was elected a new member. The Board selected Harri Suutari as its Chair.

The auditing firm Ernst & Young Oy was selected as the company's auditor, with Jari Karppinen, APA, as the principal auditor.

The Annual General Meeting of March 31, 2023 authorized 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 authorization can be used for financing business acquisitions or other business arrangements and investments, carrying out cooperation between companies or other similar arrangements, strengthening the company's financial and capital structure, or implementing option schemes or other incentive schemes. A maximum of 4,000,000 shares may be issued or subscribed for based on the authorization. The authorization includes the right to implement directed measures if a weighty financial reason exists in accordance with the Limited Liability Companies Act. The authorization is valid until the next Annual General Meeting, but for no longer than 18 months.

The Annual General Meeting of March 31, 2023 authorized 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 authorization concerns the acquisition of no more than 500,000 treasury shares in one or more installments. The authorization can be used for financing and carrying out business arrangements and investments, or for other purposes determined by the Board of Directors. The authorization is valid until the next Annual General Meeting, but for no longer than 18 months.

The Annual General Meeting of 31 March 2023 authorized 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 authorization concerns the transfer of no more than 500,000 treasury shares. The Board is authorized 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 authorization is valid until the next Annual General Meeting, but for no longer than 18 months.

At its meeting on September 21, 2022, Proventia Group Corporation's Board of Directors decided to use its authorizations and issue a maximum of 125,000 new shares in the company. There is a weighty financial reason for the directed issue in accordance with chapter 9, section 4 of the Limited Liability Companies Act, because the issue is part of the company's engagement scheme. The subscription period for the issue ended on July 31, 2023. During the issue, 110,000 shares were subscribed. The shares were paid and the subscription price was recognized in the company's invested unrestricted equity reserve.

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 Chair 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.

In 2022, the Nomination Committee consisted of Lauri Antila, Kalle Kekkonen and Harri Suutari. It convened four times during the financial year.

RISKS AND UNCERTAINTIES

The principle of risk management

Risk management is part of 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 organizational 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 unfavorable consequences that may arise from significant changes in the operating environment, the markets and the competitive situation and that, when realized, 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 unfavorable consequences that may arise from defects in management and internal processes. Operative risks also include quality and environmental risks, which mean the unfavorable 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 unfavorable 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 unfavorable 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 unfavorable changes taking place in the financial market that may have an impact on the Group's performance, equity and liquidity. Financial risks also include the credit risk, which means the inability of a counterparty to fulfil its obligations, and the liquidity risk, which means the risk associated with the availability of financing. In addition, financial risks include the interest rate, cash flow, exchange rate and bank bankruptcy risk. The Group's financing activities and financial risk management have been centralized in the parent company. Financial risks are discussed in more detail in the notes to the financial statements (4.2 Financial risk management).

Accident risks

Accident risks include occupational and corporate safety risks, which mean the unfavorable 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 unfavorable 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 unfavorable 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.

Riskit	Varautuminen
Changes in emissions legislation	Changes in international emissions legislation are partly difficult to predict. Proventia actively monitors developments in emissions legislation and engages in a continuous dialogue with its customers on emission limits and related technology solutions.
Production interruptions due to damage caused by equipment breakdown, fire or extreme weather, for example	Proventia has action plans in place in case of significant equipment failures, damage and extreme weather events.
Cybersecurity risks	Proventia's IT partner takes care of strong information system protection. Proventia seeks to minimize risks related to information security through its information security guidelines and by providing continuous training for its personnel. Proventia carries out tests and assessments to identify cybersecurity risks and ensure appropriate preparedness.
Risks related to the availability of components	Proventia engages in a continuous dialogue with its suppliers and actively maintains plans between sales, purchasing and production, in addition to identifying alternative suppliers.

Insurance

The Group is prepared for property, interruption, transportation 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.

SUSTAINABILITY

Proventia's sustainable ways of working, sustainability management, operating principles and policies, as well as ESG indicators and performance, are described in more detail in the company's annual report for 2023.

OTHER INFORMATION

Proventia Group Corporation has no capital loans. In the 2021 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 recognized financial instruments at fair value as defined in chapter 5, section 2a, subsection 5 of the Accounting Act.

EVENTS AFTER THE FINANCIAL YEAR

After the end of the financial year, Jari Mäntylä has been appointed as Director of the Test Solutions business area.

OUTLOOK

Proventia's markets are expected to develop favourably in the Off-road Machinery Systems and Components business. Stricter emission regulations, electrification, hydrogen and renewable fuels support Proventia's long-term strategy and growth. Proventia is actively involved in developing new technologies to reduce local and carbon dioxide emissions of off-road machines, regardless of the technology used as a power source.

The off-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, together with exhaust aftertreatment systems, will also enable the use of internal combustion engines in the future. Proventia invests heavily in its customers and the development of their products, as well as in increasing production capacity at the Czech plant. Several emission control systems designed for customers will proceed to serial production from 2024 onwards which will be reflected in higher net sales in the coming years.

With the green transition, the increasing use of hybrid and fuel cell applications will grow the need for battery technology in off-road machinery. Proventia will continue to invest in the development of its battery technology suitable for off-road machinery.

In the Test Solutions market, the need for battery testing and quality assurance continues to grow. Proventia expects the profitability of the Test Solutions business area to improve further, even though its net sales will be lower in 2024 because of the focus on battery products. Proventia is seeking profitable growth in the Test Solutions business from 2025 onwards.

GUIDANCE

Net sales are expected to increase slightly in 2024 from the 2023 level, while the operating profit is expected to remain at the 2023 level. In 2023, net sales were EUR 54.3 million, and the operating profit rate was 11.3%.

THE BOARD OF DIRECTORS' PROPOSAL FOR DISTRIBUTION OF PROFIT

Proventia Group Corporation's distributable funds total EUR 13,412,004.06. The Board of Directors proposes that the profit for the period of EUR 3,655,852.83 be transferred to retained earnings, and that EUR 0.09 per share be distributed in dividends from retained earnings, totalling EUR 1,452,354.75, with the total number of shares being 16,137,275.

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

CONSOLIDATED INCOME STATEMENT

EUR 1,000	Note	2023	2022
Net sales	2.1	54,296	51,490
Other operating income	2.2	111	309
Materials and services	2.3	-28,591	-31,746
Employee benefit expenses	2.4	-10,514	-8,930
Depreciation and impairment	2.6	-4,012	-3,733
Other operating expenses	2.5	-5,156	-5,505
Operating profit		**6,134**	**1,886**
Financial income		250	627
Financial expenses	2.7	-707	-754
Profit before taxes		**5,678**	**1,760**
Income tax	2.8	-1,009	-324
Profit for the period		**4,668**	**1,436**
Profit attributable to owners of the parent company		**4,668**	**1,436**
Earnings per share calculated on profit attributable to owners of the parent company			
Undiluted earnings per share, EUR		0.29	0.09
Diluted earnings per share were, EUR		0.27	0.08

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1,000	2023	2022
Profit for the period	**4,668**	**1,436**
Items of other comprehensive income		
Items that may be reclassified to profit or loss at a later date		
Translation differences from foreign units	-13	4
Other items of comprehensive income for the financial year, total	**-13**	**4**
Comprehensive income for the financial year	**4,655**	**1,440**
Comprehensive income for the financial year attributable to owners of the parent company	**4,655**	**1,440**

CONSOLIDATED BALANCE SHEET

EUR 1,000	Note	Dec 31, 2023	Dec 31, 2022
ASSETS			
Non-current assets			
Intangible assets	3.1	3,357	3,261
Property, plant and equipment	3.2	5,504	5,164
Right-of-use assets	3.3	4,175	5,301
Non-current receivables		50	50
Deferred tax assets	2.8	285	300
Total non-current assets		**13,370**	**14,076**
Current assets			
Inventories	3.4	6,829	8,947
Sales receivables	3.5, 4.3	5,900	3,559
Other receivables	3.5, 4.3	869	354
Contract assets	3.5	2,212	5,286
Accrued income	3.5	780	1,406
Cash and cash equivalents	4.3	11,332	4,814
Total current assets		27,923	24,367
TOTAL ASSETS		**41,294**	**38,443**

EUR 1,000	Note	Dec 31, 2023	Dec 31, 2022
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital		1,090	1,090
Invested unrestricted equity reserve		7,277	7,015
Translation differences		12	25
Retained earnings		11,513	10,512
Profit for the period		4,668	1,436
Shareholders' equity, total	4.1	**24,560**	**20,078**
Non-current liabilities			
Financial liabilities	4.3	150	660
Lease liabilities	4.3	3,076	4,103
Provisions	3.7	1,003	964
Total non-current liabilities		**4,229**	**5,727**
Current liabilities			
Financial liabilities	4.3	510	660
Lease liabilities	4.3	1,202	1,252
Contract liabilities	3.6	2,230	2,210
Trade payables	3.6, 4.3	4,641	5,708
Other liabilities	3.6, 4.3	1,644	1,053
Deferred income	3.6	2,277	1,755
Total current liabilities		**12,505**	**12,638**
Total liabilities		**16,734**	**18,365**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**41,294**	**38,443**

CONSOLIDATED CASH FLOW STATEMENT

EUR 1,000	Note	2023	2022
Cash flow from operating activities			
Profit for the period		4,668	1,436
Adjustments			
Depreciation and impairment	2.6	4,012	3,733
Financial income and expenses	2.7	457	126
Income tax	2.8	1,009	324
Other adjustment items		72	115
Changes in working capital			
Increase/decrease in trade and other receivables		879	865
Increase/decrease in inventories		2,117	-2,222
Increase/decrease in trade and other payables		-589	1,052
Interest and other financial expenses paid		-703	-754
Interest received		215	601
Income taxes paid		-368	-639
Cash flow from operating activities		**11,769**	**4,637**
Cash flow from investing activities			
Investments in tangible and intangible assets		-3,321	-4,030
Dividends received from investments		26	26
Cash flow from investing activities		**-3,295**	**-4,004**

EUR 1,000	Note	2023	2022
Cash flow from financing activities			
Repayment of financial liabilities	4.3	-660	-757
Payments based on lease liabilities	4.3	-1,077	-613
Dividend		-481	-955
Share issue		262	252
Cash flow from financing activities		**-1,956**	**-2,073**
Changes in cash and cash equivalents, increase (+)/decrease (-)		**6,518**	**-1,440**
Cash and cash equivalents, Jan 1	4.3	4,814	6,254
Cash and cash equivalents, Dec 31	4.3	11,332	4,814

OTHER ADJUSTMENT ITEMS IN CASH FLOW STATEMENT

EUR 1,000		2023	2022
Change in translation differences		-13	4
Share-based payments		46	35
Change in provisions		39	76
Total		72	115

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR 1,000	Share capital	Invested unrestricted equity reserve	Translation differences	Retained earnings	Shareholders' equity, total
Shareholders' equity, Jan 1, 2023	**1,090**	**7,015**	**25**	**11,948**	**20,078**
Profit for the period				4,668	4,668
Translation differences			-13		-13
Total items of comprehensive income for the financial year after taxes	**0**	**0**	**-13**	**4,668**	**4,655**
Share issue		262			262
Share-based payments				46	46
Dividend				-481	-481
Transactions with owners	**0**	**262**	**0**	**-435**	**-173**
Shareholders' equity, Dec 31, 2023	**1,090**	**7,277**	**12**	**16,181**	**24,560**

EUR 1,000	Share capital	Invested unrestricted equity reserve	Translation differences	Retained earnings	Shareholders' equity, total
Shareholders' equity, Jan 1, 2022	**1,090**	**6,763**	**21**	**11,432**	**19,306**
Profit for the period				1,436	1,436
Translation differences			4		4
Total items of comprehensive income for the financial year after taxes	**0**	**0**	**4**	**1,436**	**1,440**
Share issue		252			252
Share-based payments				35	35
Dividend				-955	-955
Transactions with owners	**0**	**252**	**0**	**-921**	**-668**
Shareholders' equity, Dec 31, 2022	**1,090**	**7,015**	**25**	**11,948**	**20,078**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

1.1. GENERAL INFORMATION ABOUT THE GROUP

Proventia Group Corporation (“the parent company”) is a Finnish limited liability company and the parent company of Proventia Group (“Proventia” or “the Group”). Proventia Group Corporation is domiciled in Oulu, and its head office’s registered address is Tietotie 1, 90460 Oulunsalo. The Group’s subsidiaries are Proventia Oy, Proventia Czech s.r.o. and Proventia UK Limited.

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. Head Invest Oy is domiciled in Oulu, and its registered address is Kasarmintie 13 D, 90130 Oulu.

Proventia Group is an internationally operating Finnish technology company, which provides solutions and services in the engine, machine and vehicle industries to combat climate change and to solve the air pollution problem. Proventia develops and manufactures modular test centres for the R&D of batteries and electric vehicles, as well as systems and components that reduce the emissions of off-road machines and improve their energy efficiency. Proventia takes people, the environment and future generations into account in all of its operations, with zero emissions being the company’s vision.

1.2. ACCOUNTING PRINCIPLES

These Proventia Group’s consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved in the EU and their interpretation guidelines (IFRIC). Comparative data from previous years, converted to be in compliance with the IFRS, and any changes in them compared to FAS reporting are presented in Note 6.

These consolidated financial statements have been prepared in euro, which is Proventia Group’s presentation currency and the parent company’s functional currency. The figures presented in these financial statements have been rounded which means that the sum total of individual figures may differ from the presented sums. Items of Group companies included in these financial statements are measured in the currency of each company’s primary financial operating environment. These consolidated financial statements are presented in EUR thousand, unless otherwise mentioned. These consolidated financial statements have been prepared based on the original acquisition cost.

The consolidated financial statements of December 31, 2023 are the first financial statements of Proventia Group Corporation prepared in accordance with the IFRS. The IFRS were adopted on January 1, 2022. The consolidated financial statements of December 31, 2023 include comparative data from the financial year closed on December 31, 2022. These consolidated financial statements present an additional opening balance sheet of January 1, 2022 because of the first adoption of the IFRS. Proventia Group Corporation has previously applied the Finnish Accounting Standards (FAS). Note 6. The note on the adoption of the IFRS presents the impact of the adoption on the Group’s reported financial position and results.

Conversion of foreign currency items

Items of Group companies included in these financial statements are measured in the currency of each company’s primary financial operating environment (functional currency).

Business transactions denominated in a foreign currency have been converted into the functional currency using the exchange rate valid on the transaction date. Exchange rate gains and losses resulting from payments related to such business transactions and the conversion of monetary assets and liabilities denominated in a foreign currency according to the exchange rate valid on the transaction date have been recognized through profit or loss.

In these consolidated financial statements, the income statements of foreign subsidiaries have been converted into euro using the average exchange rate during the financial year, and their balance sheets have been converted using the exchange rate valid on the closing date.

Translation differences resulting from the elimination of foreign subsidiaries and the conversion of equity items accrued after acquisitions have been recognized in other items in the statement of comprehensive income.

Consolidation principles

Intra-Group shareholdings have been eliminated using the acquisition cost method, and translation differences have been recognized at the same time. All intra-Group transactions, receivables, liabilities, unrealized profit and internal profit distributions are eliminated when preparing the consolidated financial statements. Proventia has no goodwill on the balance sheet of December 31, 2023

1.3. ACCOUNTING PRINCIPLES REQUIRING THE MANAGEMENT’S DISCRETION AND KEY UNCERTAINTIES RELATED TO ESTIMATES

The preparation of consolidated financial statements in accordance with the IFRS requires the management’s discretion, future estimates and assumptions that have an impact on the reported assets and liabilities, other information, including conditional assets and liabilities, as well as the recognition of expenses in the income statement. Even though forecasts, assumptions and estimates are based on the management's previous experience and best knowledge of events and activities at the time under review, the realized situation may differ from them.

Revenue from contracts with customers

The recognition of revenue recognized over time is based on the realized share of the estimated total cost of the product or service (progress in satisfying the performance obligation). The Group's management uses discretion when estimating total project costs. Project cost estimates are monitored and updated continuously, if required.

Deferred tax assets

Deferred tax assets are recognized when it is likely that the company has sufficient taxable income in the future to use deferred tax assets in excess of deferred tax liabilities. The Group's management uses discretion when deciding whether deferred tax assets are recognized from unused taxable losses. The estimation of future taxable cash flows is based on Proventia Group's strategy, estimates and the assessment of uncertainties. The Group's management monitors the Group's financial position and estimates future development on the closing date of each reporting period. Deferred tax assets are recognized up to the amount according to which it is likely that taxable income is generated in the future on the basis of which unused taxable losses can be used.

R&D costs

Development costs that meet the capitalization criteria are recognized on the balance sheet. The capitalization of development costs is based on the management's discretion, according to which the technical and financial feasibility of projects has been ensured.

Provisions

Proventia recognizes provisions for work subject to warranties, the amount of which is based on similar costs realized previously. Provisions are reviewed regularly and adjusted to correspond to the best estimate on the date under review, if required. Realized costs may differ from estimates.

Share-based payments

Proventia recognizes costs arising from share-based payments in its income statement. Regarding share options, the Group's management makes estimates of certain factors required for the option pricing model, including volatility, the number of options probably falling within the scope of subscription rights, and the probable date on which options can be exercised.

2. FINANCIAL DEVELOPMENT

Accounting principles

Discretion, estimates and assumptions significant for accounting and related revenue from contracts with customers are presented in this note.

Proventia recognizes income derived from the sale of products and services, after the deduction of discounts, as well as value added tax and other taxes based directly on the amount of sales in net sales. Product returns and refunds are handled through the customer complaint process and recognized as adjustments to net sales.

Proventia focuses on two business areas: Test Solutions, and Off-road Machinery Systems and Components. Proventia's net sales consists of income from the sale of products and services.

2.1. REVENUE FROM CONTRACTS WITH CUSTOMERS

Determining transaction prices and allocating them to performance obligations

Transaction prices are based on customer-specific contracts. Revenue is recognized according to the amount to which the Group expects to be entitled in exchange for the products and services it offers. If different performance obligations are specified in agreements, Proventia will allocate the fixed contractual transaction price to different performance obligations based on their separate sales prices. Payments typically fall due in 14–60 days.

Recognition principles

In accordance with the IFRS 15 standard, revenue from contracts entered into with customers is recognized when products and services are transferred under the customer's control corresponding to the payment amount to which Proventia expects to be entitled in exchange for its products and services. The recognition of revenue takes place at a point in time or over time.

Recognition of revenue at a point in time

The date on which revenue is recognized depends mainly on the terms of delivery used in Proventia's sales transactions and any supplementary terms and conditions. As Proventia uses different terms of delivery for different types of sales transactions, the dates of their recognition also differ. The terms of delivery and the supplementary agreement terms and conditions are indicated in the sales agreement or invoice. In general, terms of delivery can be used to determine the point at which significant risks and rewards of the ownership of products are transferred from the seller to the buyer. Instead of or in addition to the terms of delivery provided in the collection of terms of delivery maintained by the International Chamber of Commerce (Incoterms), more detailed delivery terms can be agreed in the sales agreement.

Recognition of revenue over time

With regard to fixed-priced contracts related to project sales, the share of the entire product or service provided that has been realized by the end of the reporting period is recognized as revenue (progress in satisfying the performance obligation). This share is determined based on the share of realized costs from the total amount of expected costs.

Contract assets and liabilities

If the invoiced amount of a project sales agreement recognized as income over time is smaller than the revenue recognized based on the progress in satisfying the performance obligation on the reporting date, the difference will be presented as contract asset in accrued income on the balance sheet under contract assets. If the invoiced amount of a project sales agreement is larger than the revenue recognized based on the progress in satisfying the performance obligation on the reporting date, the difference will be presented as a contract liability in current liabilities on the balance sheet under contract liabilities.

CONTRACT ASSETS AND LIABILITIES

EUR 1,000	2023	2022
Contract assets	2,212	5,286
Contract liabilities	2,230	2,210

Contract assets include revenue recognized from incomplete sales projects to be recognized as income over time, netted with project-specific liabilities based on a contract. Contract liabilities include prepayments for incomplete projects to be recognized as income over time, netted with project-specific asset items based on a contract, prepayments for warranty and maintenance agreements, as well other advances received.

Distribution of net sales

Proventia focuses on two business areas: Test Solutions, and Off-road Machinery Systems and Components. The Group's net sales in 2023 were EUR 54.3 (51.5) million. The Off-road Machinery Systems and Components business area's net sales in 2023 were EUR 42.6 million, or 78.4% of the Group's net sales. In 2022, the corresponding figures were EUR 35.6 million and 69.2%. The Test Solutions business area's net sales in 2023 were EUR 11.7 million, or 21.6% of the Group's net sales In 2022, the corresponding figures were EUR 15.9 million and 30.8%.

NET SALES BY BUSINESS AREA

EUR 1,000	2023	2022
Off-road Machinery Systems and Components	42,557	35,623
Test Solutions	11,739	15,867
Total	**54,296**	**51,490**

NET SALES BY INCOME RECOGNITION TYPE

EUR 1,000	2023	2022
At a point in time	39,053	32,349
Over time	15,243	19,141
Total	**54,296**	**51,490**

NET SALES BY MARKET AREA

EUR 1,000	2023	2022
Europe	50,138	45,117
Other continents	4,158	6,373
Total	**54,296**	**51,490**

2.2. OTHER OPERATING INCOME

Accounting principles

Other operating income includes grants received and sales gains from fixed assets, among other items. Public grants are recognized through profit or loss for the periods for which the expenses intended to cover them have been recognized, when it is reasonably certain that the conditions related to the grants can be fulfilled and the grants will be received.

Proventia Group has received public grants from Business Finland. Public grants received for the acquisition of fixed assets have been recognized to reduce the acquisition cost of fixed assets. Their recognition through profit or loss has been registered in the form of decreased depreciation on the acquired asset item.

OTHER OPERATING INCOME

EUR 1,000	2023	2022
Grants received	46	192
Sales gains from fixed assets	7	2
Other operating income	58	116
Total	**111**	**309**

2.3. MATERIALS AND SERVICES

Accounting principles

Materials and services consist of direct operating expenses, including purchases related to the making of products, external services, and changes in inventories. The measurement of inventories is presented in more detail in Note 3.4. Inventories.

MATERIALS AND SERVICES

EUR 1,000	2023	2022
Substances, supplies and goods		
Purchases during the financial year	26,274	30,124
Change in inventories	569	-1,284
External services	1,749	2,906
Total	**28,591**	**31,746**

2.4. NUMBER OF EMPLOYEES AND EMPLOYEE BENEFIT EXPENSES

Accounting principles

Total fees paid by Proventia Group to its personnel consist of basic wages, increments, annual holiday pay, bonuses and fringe benefits. Proventia's personnel are within the scope of the bonus scheme, which is based on the achievement of the company's shared goals. Share-based payments are described below in Note 5.1. Share-based payments. Information about remuneration paid to the management is presented in Note 5.2. on related party transactions.

Proventia Group's current pension arrangements are payment-based pension schemes, and their payments are recognized as expenses in the income statement during the period which each charge concerns.

Number of employees	2023	2022
Average number for the period	198	185
Number of employees at the end of the period	198	196

BREAKDOWN OF EMPLOYEE BENEFIT EXPENSES

EUR 1,000	2023	2022
Salaries and fees	8,545	7,258
Share-based payments	46	35
Pension expenses	1,662	1,414
Other statutory indirect expenses	261	223
Total	**10,514**	**8,930**

2.5. OTHER OPERATING EXPENSES

Other operating expenses include expenses that do not arise directly from Proventia's business operations. Other operating expenses mainly consist of voluntary personnel, facility and equipment, marketing and administrative, as well as IT expenses. Facility and equipment expenses include short-term and low-value leases. Leases are discussed in more detail in Note 3.3. Leases.

Other operating expenses also include the amounts recognized from expected credit losses. More information about expected credit losses is presented in Note 3.5. Sales and other current receivables.

OTHER OPERATING EXPENSES

EUR 1,000	2023	2022
Facility expenses	567	442
IT, device and equipment expenses	1,213	1,079
Travel expenses	773	1,055
Sales and marketing expenses	537	642
Administrative services and other administrative expenses	1,560	1,594
Other expense items	506	692
Total	**5,156**	**5,505**

AUDITORS' FEES

EUR 1,000	2023	2022
Auditing	112	84
Tax consultancy services	53	161
Other services	8	19
Total	**173**	**264**

2.6. DEPRECIATION AND IMPAIRMENT

Accounting principles

Depreciation on asset items has been determined based on their expected useful lives. All asset items are depreciated using the straight-line depreciation method. Proventia Group reviews depreciation periods and methods at the close of each financial year. If the useful life of an asset item differs from a previous estimate, the depreciation period will be adjusted accordingly. If the useful life cannot be reliably estimated, the depreciation period can be 10 years at maximum.

Useful economic lives of asset items:

- Development expenses 5 years
- Intellectual property rights 5 years
- Renovation costs from leased facilities 5 years
- Machinery and equipment 3–10 years
- Office fixtures and furniture 3–10 years

The useful lives and residual values of asset items are discussed in more detail in Notes 3.1. Intangible assets; 3.2. Property, plant and equipment; and 3.3. Leases.

DEPRECIATION BY ASSET GROUP

EUR 1,000	2023	2022
Development expenses	766	666
Intellectual property rights	203	209
Renovation costs from leased facilities	45	42
Buildings and structures	1,215	1,326
Machinery and equipment	1,458	1,489
Depreciation, total	**3,689**	**3,733**
Impairment of non-current assets	323	0
Depreciation and impairment, total	**4,012**	**3,733**

2.7. FINANCIAL INCOME AND EXPENSES

Accounting principles

Financial income and expenses are recognized for the period during which they were generated.

EUR 1,000	2023	2022
Financial income		
Dividend income	26	26
Other interest and financial income	17	24
Exchange rate gains	207	578
Financial income, total	**250**	**627**
Financial expenses		
Interest and other financial expenses	-379	-257
Exchange rate losses	-327	-497
Financial expenses, total	**-707**	**-754**
Financial income and expenses, total	**-457**	**-126**

2.8. INCOME TAX

Accounting principles

Income tax consists of tax on the taxable profit for the period and deferred tax. In tax expenses, Proventia Group recognizes payment-based taxes calculated based on the Group companies' taxable profit for the period in accordance with the regulations and valid tax rates of each country, tax adjustments for previous financial years, and changes in deferred tax liabilities and assets.

Deferred tax is recognized from temporary differences between the carrying amount and taxable value using the tax rate valid on the closing date or an established tax rate to be effective later. Deferred tax assets are only recognized up to the extent of probable future taxable income, against which temporary differences can be used. The conditions for recognizing deferred tax assets are always reassessed on each reporting date.

Confirmed losses deductible in taxation are taken into consideration as tax assets insofar as the company is likely to be able to use them in the future.

Proventia only deducts deferred tax assets and liabilities from each other when the company has a legally enforceable right to net deferred tax assets and liabilities based on the taxable profit for the period with each other.

TAX IN THE INCOME STATEMENT

EUR 1,000	2023	2022
Income tax	-994	-378
Deferred tax	-15	54
Total	**-1,009**	**-324**

RECONCILIATION OF TAX IN THE INCOME STATEMENT THROUGH PROFIT OR LOSS BEFORE TAXES

EUR 1,000	2023	2022
Profit/loss before taxes	5,678	1,760
Income tax based on Finland's tax rate, 20%	-1,136	-352
Non-deductible expenses and tax-exempt income	87	0
Effect of different tax rates	36	0
Other differences	19	-26
Income tax in the income statement	**-994**	**-378**

DEFERRED TAX ASSETS IN 2023

EUR 1,000	Jan 1, 2023	Recognized in the income statement	Dec 31, 2023
Leases	11	10	21
Revenue from contracts with customers	108	-29	79
Inventories	-17	-8	-25
Financial instruments	8	5	13
Warranty provision	190	8	198
Total	**300**	**-15**	**285**

DEFERRED TAX ASSETS IN 2022

EUR 1,000	Jan 1, 2022	Recognized in the income statement	Dec 31, 2022
Leases	0	11	11
Revenue from contracts with customers	93	14	108
Inventories	-18	1	-17
Financial instruments	10	-2	8
Warranty provision	160	30	190
Total	**246**	**54**	**300**

3. CAPITAL EMPLOYED

3.1. INTANGIBLE ASSETS

Accounting principles

Proventia Group's intangible assets include capitalized development costs and intellectual property rights.

Intangible assets are recognized on the balance sheet at the original acquisition cost when the acquisition cost can be determined reliably and it can be expected that the intangible assets generate financial gain for the Group. Depreciation and any impairment are deducted from the acquisition costs of intangible assets. Intangible assets that have a known or estimated useful economic life are recognized in the income statement as expenses during their useful life using the straight-line depreciation method. Assets that have not yet been entered into use are recognized as prepayments for intangible assets in accordance with their nature. Proventia has no goodwill on the balance sheet.

The estimated useful economic lives and depreciation periods of intangible assets are:

- Development expenses 5 years
- Intellectual property rights 5 years

The useful life of intangible assets is reviewed at the close of the reporting period. If expectations differ from previous estimates, any changes will be handled as changes in the accounting estimate. Intangible assets are reviewed for impairment whenever there are signs that their value may have decreased.

Development costs are capitalized in intangible assets on the balance sheet when they are likely to generate corresponding financial benefits, the completion of the assets is technically possible, an asset is available for use or sale, the costs to be capitalized can be determined reliably, and the Group has sufficient technical and financial resources to complete development activities. Proventia recognizes costs associated with research as expenses for the period when research was conducted.

EUR 1,000	Development expenses	Intellectual property rights	Total
Dec 31, 2023			
Carrying amount, Jan 1, 2023	2,390	505	2,895
Increase	1,407	117	1,524
Decrease	-323	0	-323
Depreciation and impairment	-766	-203	-969
Carrying amount, Dec 31, 2023	**2,708**	**419**	**3,127**
Dec 31, 2023			
Acquisition cost	9,663	2,721	12,384
Accumulated depreciation and impairment	-6,955	-2,302	-9,258
Carrying amount, Dec 31, 2023	**2,708**	**419**	**3,127**
Dec 31, 2022			
Carrying amount, Jan 1, 2022	1,563	495	2,058
Increase	1,492	220	1,712
Decrease	0	0	0
Depreciation and impairment	-666	-209	-875
Carrying amount, Dec 31, 2022	**2,390**	**505**	**2,895**
Dec 31, 2022			
Acquisition cost	9,674	2,604	12,278
Accumulated depreciation and impairment	-7,284	-2,099	-9,384
Carrying amount, Dec 31, 2022	**2,390**	**505**	**2,895**

3.2. PROPERTY, PLANT AND EQUIPMENT

Accounting principles

At Proventia Group, property, plant and equipment consist of renovation costs associated with leased facilities, machinery and equipment, as well as prepayments for tangible assets.

Property, plant and equipment are recognized on the balance sheet at acquisition cost less depreciation according to plan and any impairment. Assets estimated to generate a profit during several financial years, including machinery and equipment, as well as office fixtures and furniture, are capitalized in property, plant and equipment. Property, plant and equipment are recognized at the original acquisition cost less accumulated depreciation and any impairment losses. The cost of a tangible asset includes not only its purchase price but also the variable costs of its acquisition and manufacture, i.e. direct costs associated with making the asset operational, including transportation and installation costs.

On the closing date of each reporting period, the Group assesses whether there are any signs of a decrease in the value of a tangible asset item. If there are such signs, the Group will assess the amount that can be accrued from the asset item in question. Impairment losses are recognized when the carrying amount of an asset item exceeds the amount that can be accrued from it.

Tangible assets are depreciated during their useful economic lives as follows using the straight-line depreciation method:

- Machinery and equipment 3–10 years
- Office fixtures and furniture 3–10 years
- Renovation costs from leased facilities 5 years

Profit and losses from the divestment and decommissioning of property, plant and equipment are presented in other operating income and expenses. Sales gains and losses are calculated as a difference of the net income received and the balance sheet value.

EUR 1,000	Machinery and equipment	Renovation costs from leased facilities	Prepayments for tangible assets	Total
Dec 31, 2023				
Carrying amount, Jan 1, 2023	5,441	90	0	5,530
Increase	1,589	15	17	1,621
Decrease	0	0	0	0
Depreciation and impairment	-1,372	-45	0	-1,417
Carrying amount, Dec 31, 2023	**5,658**	**59**	**17**	**5,735**
Dec 31, 2023				
Acquisition cost	16,293	503	17	16,814
Accumulated depreciation and impairment	-10,635	-445	0	-11,079
Carrying amount, Dec 31, 2023	**5,658**	**59**	**17**	**5,735**
Dec 31, 2022				
Carrying amount, Jan 1, 2022	5,343	60	0	5,402
Increase	1,477	72	0	1,549
Decrease	-13	0	0	-13
Depreciation and impairment	-1,366	-42	0	-1,408
Carrying amount, Dec 31, 2022	**5,441**		**0**	**5,530**
Dec 31, 2022				
Acquisition cost	14,704	489	0	15,193
Accumulated depreciation and impairment	-9,263	-399	0	-9,662
Carrying amount, Dec 31, 2022	**5,441**	**90**	**0**	**5,530**

3.3. LEASES

Accounting principles

Right-of-use assets on the balance sheet consist of Proventia's leased facilities, machinery, IT equipment and vehicles. A typical facility lease is 5–10 years. Certain leases include options to extend the lease period. At the start of the lease agreement, the Group assesses whether exercising the option is reasonable and therefore probable. The Group will reassess whether options should be exercised if the conditions under its control change or a significant event takes place. The Group has not recognized any options exercised based on leases. In addition, the Group has leases that concern passenger cars and other vehicles (mainly forklifts), as well as equipment. The typical duration of leases is 1–4 years. In car lease agreements, the Group processes other than lease components (such as servicing) as separate.

When an agreement enters into force, the Group assesses whether it is a lease or whether it includes a lease. An agreement is a lease or includes a lease if it provides the right to use a specific asset item for a specific period in exchange for a payment.

For leases, a right-of-use asset and a corresponding lease liability are recognized on the balance sheet starting from the date from which the leased asset is available to the Group. Lease payments are recognized as repayments of lease liabilities and the related interest is recognized as expenses. Right-of-use assets are depreciated during their useful lives or in accordance with the lease period, whichever is shorter. The estimated useful lives of right-of-use assets are determined following the same principle as the useful lives of owned properties and equipment. In addition, any impairment losses and adjustments resulting from the redetermination of lease liabilities have an impact on right-of-use assets.

Lease liabilities are recognized at the current value of future lease payments using the incremental borrowing rate as the discount rate so that the value of a right-of-use asset corresponds to the amount of the lease liability on the start date of the lease.

Lease liabilities are measured using the effective interest rate method. Lease liabilities will be redetermined when future lease payments change due to a change in an index or interest rate, if the estimate of the payable residual value guarantee changes, or if the assessment of exercising an option to extend or end a lease changes. When a lease liability is redetermined as described above, a corresponding adjustment will be made in the carrying amount of the right-of-use asset or the impact of the change will be recognized through profit or loss if the carrying amount of the right-of-use asset has decreased to zero.

The Group applies exemptions concerning short-term leases of at most 12 months and low-value assets of no more than EUR 5,000. Expenses related to leases of short-term and low-value assets are recognized as expenses in other operating expenses allocated evenly over the lease period.

ITEMS RECOGNIZED ON THE BALANCE SHEET

EUR 1,000	Buildings	Machinery and equipment	Total
Dec 31, 2023			
Carrying amount, Jan 1, 2023	5,155	147	5,301
Increase	176	0	176
Decrease	0	-1	-1
Depreciation and impairment	-1,215	-87	-1,302
Carrying amount, Dec 31, 2023	**4,115**	**60**	**4,175**
Dec 31, 2023			
Acquisition cost	6,657	270	6,927
Accumulated depreciation and impairment	-2,542	-210	-2,752
Carrying amount, Dec 31, 2023	**4,115**	**60**	**4,175**
Dec 31, 2022			
Carrying amount, Jan 1, 2022	5,671	301	5,972
Increase	850	31	881
Decrease	-41	-61	-102
Depreciation and impairment	-1,326	-124	-1,450
Carrying amount, Dec 31, 2022	**5,155**	**147**	**5,301**
Dec 31, 2022			
Acquisition cost	6,481	271	6,751
Accumulated depreciation and impairment	-1,326	-124	-1,450
Carrying amount, Dec 31, 2022	**5,155**	**147**	**5,301**

ITEMS RECOGNIZED IN THE INCOME STATEMENT

EUR 1,000	2023	2022
Depreciation on right-of-use assets		
Buildings	1,215	1,326
Machinery and equipment	87	124
Total	**1,302**	**1,450**

3.4. INVENTORIES

Accounting principles

Proventia's inventories consist of finished products, the components and spare parts required for making products, work in progress and raw materials.

Inventories are measured at the lower of acquisition cost and selling price. Acquisition costs include purchasing expenses, production costs and other expenses arising from setting inventories in their current condition. In addition, acquisition costs consist of indirect costs, including production-related depreciation, maintenance costs and equipment, which remain relatively unchanged regardless of the production volume. Purchasing expenses include the purchase price, transportation costs and other costs directly attributable to the acquisition of services.

Inventories are measured at the average purchase price. The impairment of inventories is assessed regularly. A percentage-based impairment provision is recognized for individual inventory items that have remained in stock for a long time.

EUR 1,000	Dec 31, 2023	Dec 31, 2022
Substances and supplies	3,932	4,705
Work in progress	963	634
Finished products	1,551	1,623
Prepayments on inventories	383	1,984
Total	**6,829**	**8,947**

3.5. SALES AND OTHER CURRENT RECEIVABLES

Accounting principles

Sales and other current receivables consist of sales receivables, other current receivables, contract assets and accrued income. Sales and other receivables come from typical business-related transactions and are non-interest-bearing receivables. The payment term of sales receivables is typically 14–60 days. Sales receivables result from the sale of products or services in normal business operations. Sales receivables are recognized at the original fair value on the transaction date. Other receivables are recognized in accordance with the original cost and typically include tax receivables and other short-term accruals that are not classified as financial instruments. Contract assets include revenue recognized from incomplete sales projects to be recognized as income over time, netted with project-specific liabilities based on a contract.

EUR 1,000	Dec 31, 2023	Dec 31, 2022
Sales receivables	5,900	3,559
Other receivables	869	354
Contract assets	2,212	5,286
Accrued income	780	1,406
Total	**9,762**	**10,606**

Proventia recognizes a deductible item from sales receivables for expected credit losses in accordance with IFRS 9. The Group's sales receivables do not include any significant financing component. The Group uses a provision matrix to determine expected credit losses from sales receivables. The provision matrix is based on the rate of previously identified neglect during the validity of sales receivables and has been adjusted with future estimates. Any changes in the parameters of the provision matrix are analysed and updated on each reporting date. The deductible item is presented under sales receivables on the balance sheet. Changes in credit losses from uncertain receivables are presented under operating expenses in the income statement.

EUR 1,000	Dec 31, 2023	Dec 31, 2022
Sales receivables	5,965	3,601
Expected credit losses	-64	-42
Total	**5,900**	**3,559**

Conditions related to receivables from related party transactions are available in Note 5.2.

3.6. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Accounting principles

Trade payables and other liabilities consist of liabilities associated with regular business operations, including purchases, personnel expenses, tax debt and deferred income. Other current liabilities also include contract liabilities. Contract liabilities include prepayments for incomplete projects to be recognized as income over time, netted with project-specific asset items based on a contract, prepayments for warranty and maintenance agreements, as well other advances received.

Liabilities are recognized at the acquisition cost or amortized cost. Proventia's deferred income includes expenses that have not yet been invoiced. Trade payables usually fall due in 30-90 days.

EUR 1,000	Dec 31, 2023	Dec 31, 2022
Financial liabilities	510	660
Lease liabilities	1,202	1,252
Trade payables	4,641	5,708
Other current liabilities	1,644	1,053
Contract liabilities	2,230	2,210
Deferred income	2,277	1,755
Total	**12,505**	**12,638**

3.7. PROVISIONS

Accounting principles

Provisions are recognized when the Group has a legal or actual obligation as a result of a previous transaction, the fulfillment of a payment obligation is probable and the amount of the obligation can be estimated reliably. The amount recognized as a provision is the current value of the expenses that the fulfillment of the obligation is expected to require at the close of the reporting period in accordance with the management's best estimate.

Proventia recognizes provisions for sales subject to warranties. A percentage-based warranty provision is calculated for net sales of products subject to warranties. The warranty period is one year in Proventia's general warranty terms and two to four years in special warranty terms. The warranty provision will be on the balance sheet for the duration of the warranty and will be cleared from the balance sheet during the reporting period when the warranty expires. The amount of the warranty provision is determined based on historical knowledge arising from experiences of the realization of warranty expenses. The percentage is estimated by comparing actual warranty expenses with net sales subject to warranties. Warranty provisions require decisions based on judgment. Provisions are reviewed regularly and adjusted to correspond to the best estimate on the date under review, if required. Realized costs may differ from estimates.

Proventia recognizes a provision for onerous (loss-generating) contracts when the necessary costs required for the fulfillment of obligations exceed the benefits gained from the contract. Loss provisions are reduced at the ratio of the recognition of onerous contracts as income.

EUR 1,000	Dec 31, 2023	Dec 31, 2022
Warranty provisions	990	949
Provisions from onerous contracts	13	15
Total	**1,003**	**964**

4. CAPITAL STRUCTURE AND FINANCIAL RISKS

4.1. SHAREHOLDERS' EQUITY

Accounting principles

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 December 31, 2023, Proventia Group Corporation's registered share capital was EUR 1,090,281.04 and its total number of shares was 16,137,275. 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 December 31, 2023, Head Invest Oy's holding of shares and votes in Proventia Group Oy was 51.24%. Proventia Group is consolidated into Head Invest Oy's financial statements.

Invested unrestricted equity reserve

At its meeting on September 21, 2022, Proventia Group Corporation's Board of Directors decided to use its authorizations and issue a maximum of 125,000 new shares in the company through a directed share issue. The subscription period for the issue ended on July 31, 2023. During the issue, 110,000 shares were subscribed. At its meeting held on August 30, 2023, Proventia Group Corporation's Board of Directors decided to approve the share subscriptions. The shares were paid and the subscription price was recognized in the company's invested unrestricted equity reserve.

Translation differences

Translation differences include those resulting from the conversion of the shareholders' equity of foreign subsidiaries on the acquisition date and figures consolidated on the reporting date. The change in translation differences is presented in the statement of comprehensive income.

Number of shares	Total number of registered shares
Jan 1, 2022	15,921,195
Directed share issue	106,080
Dec 31, 2022	16,027,275
Directed share issue	110,000
Dec 31, 2023	16,137,275

4.2. FINANCIAL RISK MANAGEMENT

Accounting principles

In its business operations, Proventia is exposed to various financial risks, including liquidity, credit, interest and currency risks. The Group follows a harmonized financial policy in its financial risk management. Proventia has set appropriate practices and procedures for financial risk management. Financial risks are identified, measured and managed in accordance with the financial policy. The Group aims to minimize financial risks whenever this is financially reasonable.

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 giving only 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.

The translation risk consists of net investments made in subsidiaries outside the eurozone. The Group's translation risks outside the eurozone concern investments made in its subsidiaries in the Czech Republic and the UK. The tables below present the Group's net investments in its subsidiaries.

EUR 1,000	CZK	GBP
Net investment, Dec 31, 2023	332	40

EUR 1,000	CZK	GBP
Net investment, Dec 31, 2022	183	23

The following tables present the results of the sensitivity analysis to calculate the impact of a 10% weakening or strengthening of the functional currencies of the Group companies against the euro on the Group's equity.

IMPACT ON SHAREHOLDERS' EQUITY, DEC 31, 2023

EUR 1,000	CZK	GBP
Strengthening 10%	33	4
Weakening 10%	-33	-4

IMPACT ON SHAREHOLDERS' EQUITY, DEC 31, 2022

EUR 1,000	CZK	GBP
Strengthening 10%	18	2
Weakening 10%	-18	-2

The transaction risk consists of foreign currency-denominated receivables and liabilities on the balance sheet. The tables below present the Group's transaction risk and the results of the sensitivity analysis to calculate the impact of foreign currencies on profit or loss if foreign currencies strengthened or weakened by 10% against the euro.

THE GROUP'S TRANSACTION RISK, DEC 31, 2023

EUR 1,000	CZK	GBP
Transaction risk, Dec 31, 2023	181	595

THE GROUP'S TRANSACTION RISK, DEC 31, 2022

EUR 1,000	CZK	GBP
Transaction risk, Dec 31, 2022	-21	4 152

The tables below present the results of the sensitivity analysis to calculate the impact of foreign currencies on profit or loss before taxes, if foreign currencies strengthened or weakened by 10% against the euro.

IMPACT ON PROFIT OR LOSS BEFORE TAXES, DEC 31, 2023

EUR 1,000	CZK	GBP
Strengthening 10%	18	60
Weakening 10%	-18	-60

IMPACT ON PROFIT OR LOSS BEFORE TAXES, DEC 31, 2022

EUR 1,000	CZK	GBP
Strengthening 10%	-2	415
Weakening 10%	2	-415

4.3. FINANCIAL ASSETS AND LIABILITIES

Accounting principles

A financial instrument is any agreement which establishes a financial asset item for a single company and simultaneously a financial liability or an equity instrument for another company.

Financial assets

Financial assets significant for Proventia include sales and other receivables, as well as cash and cash equivalents. IFRS 9 defines that financial assets be measured at amortized cost, fair value through other items in the statement of comprehensive income or fair value through profit or loss. Proventia recognizes all of its financial assets at amortized cost. Sales and other receivables are measured at amortized cost less any impairment losses. Proventia has applied the simplified approach set in IFRS 9 for expected credit losses to the measurement of sales receivables, according to which a deductible item is recognized for all sales receivables throughout the validity period on the basis of expected credit losses. Expected credit losses are recognized as expenses in other operating expenses. More information about expected credit losses is presented in Note 3.5. Sales and other current receivables.

Cash and cash equivalents consist of bank deposits, some of which are denominated in foreign currencies. Changes in the values of bank deposits denominated in foreign currencies result from the conversion of assets according to the exchange rate valid on the closing date. Exchange rate gains and losses are recognized in financial income and expenses through profit or loss. The company has a revolving credit facility of EUR 4.0 million, of which EUR 0.0 million was in use at the end of the reporting period.

Financial liabilities

Financial liabilities significant for Proventia include bank loans, lease liabilities, trade payables and other non-interest-bearing liabilities. IFRS 9 defines that financial liabilities be measured at amortized cost, fair value through other items in the statement of comprehensive income or fair value through profit or loss. Proventia recognizes all of its financial liabilities at amortized cost.

Lease liabilities and trade payables are included in liabilities measured at amortized cost. Trade payables and other liabilities are recognized in current liabilities when they will be paid within 12 months of the closing date and if the company does not have any unconditional right to postpone their payment by at least 12 months from the close of the financial year. Lease liabilities are processed in accordance with IFRS 16.

As euro-denominated management fees for bank loans have been small, they have been recognized as expenses in conjunction with loan withdrawals.

Dec 31, 2023 EUR 1,000	At fair value through profit or loss	At amortized cost	Carrying amount	Fair value
Non-current financial assets				
Other receivables		50	50	50
Total non-current financial assets		**50**	**50**	**50**
Current financial assets				
Sales receivables		5,900	5,900	5,900
Other receivables		869	869	869
Cash and cash equivalents		11,332	11,332	11,332
Total current financial assets		**18,101**	**18,101**	**18,101**
Total financial assets		**18,151**	**18,151**	**18,151**
Non-current financial liabilities				
Non-current financial liabilities		150	150	150
Non-current lease liabilities		3,076	3,076	3,076
Total non-current financial liabilities		**3,226**	**3,226**	**3,226**
Current financial liabilities				
Current financial liabilities		510	510	510
Current lease liabilities		1,202	1,202	1,202
Trade payables		4,641	4,641	4,641
Other non-interest-bearing liabilities		1,644	1,644	1,644
Total current financial liabilities		**7,998**	**7,998**	**7,998**
Financial liabilities, total		**11,224**	**11,224**	**11,224**

Dec 31, 2022 EUR 1,000	At fair value through profit or loss	At amortized cost	Carrying amount	Fair value
Non-current financial assets				
Other receivables		50	50	50
Total non-current financial assets		**50**	**50**	**50**
Current financial assets				
Sales receivables		3,559	3,559	3,559
Other receivables		354	354	354
Cash and cash equivalents		4,814	4,814	4,814
Total current financial assets		**8,727**	**8,727**	**8,727**
Total financial assets		**8,777**	**8,777**	**8,777**
Non-current financial liabilities				
Non-current financial liabilities		660	660	660
Non-current lease liabilities		4,093	4,093	4,093
Total non-current financial liabilities		**4,753**	**4,753**	**4,753**
Current financial liabilities				
Current financial liabilities		660	660	660
Current lease liabilities		1,252	1,252	1,252
Trade payables		5,708	5,708	5,708
Other non-interest-bearing liabilities		1,053	1,053	1,053
Total current financial liabilities		**8,673**	**8,673**	**8,673**
Financial liabilities, total		**13,426**	**13,426**	**13,426**

5. OTHER NOTES

5.1. SHARE-BASED PAYMENTS

Accounting principles

The company has two option schemes, both of which are divided into three series. Each option entitles its holder to subscribe for one new share in the company. The company has a serious financial reason to issue option rights, because they are intended to be part of the company's incentive and engagement scheme for its key personnel. Option rights include regular conditions related to the validity of employment relationships and restrictions on transferability. In the FAS financial statements, expenses arising from option schemes were not recognized in the income statement. In accordance with the IFRS, the fair value of option rights must be recognized as expenses in the income statement during the vesting period of the option rights.

Option rights are processed in accordance with IFRS 2 so that they are measured at fair value at the time of their issuance and recognized as expenses in the income statement (employee benefit expenses) as evenly sized items during their vesting period. The vesting period means the period during which all conditions set for the establishment of the relevant right must be met. The vesting period has been defined so that it starts at the beginning of a scheme or when a person has obtained the option rights and ends when the share subscription period starts. When the subscription period starts, the company cannot withdraw the options (except when an employment relationship is terminated or if a person is discharged on individual grounds). As a result, options are considered to have been earned by the beginning of the subscription period.

Scheme	Option scheme 2016D	Option scheme 2016E	Option scheme 2016F	Option scheme 2022G	Option scheme 2022H	Option scheme 2022I	Total
Type	Option	Option	Option	Option	Option	Option	
Quantity	397,934	397,932	397,934	76,655	76,671	76,674	1,423,800
Subscription rights relative to shares	1	1	1	1	1	1	
Original subscription price, EUR	0.50	0.50	0.50	2.64	2.64	2.64	
Current subscription price, EUR	0.50	0.50	0.50	2.64	2.64	2.64	
Issuance date	Aug 31, 2016	Aug 31, 2016	Aug 31, 2016	Nov 4, 2022	Nov 4, 2022	Nov 4, 2022	
Start of the subscription period	Feb 28, 2019	Feb 28, 2020	Feb 28, 2021	Oct 1, 2025	Oct 1, 2026	Oct 1, 2027	
Expiry date	Feb 28, 2025	Feb 28, 2026	Feb 28, 2027	Sep 30, 2027	Sep 30, 2028	Sep 30, 2029	

Changes during the period	Option scheme 2016D	Option scheme 2016E	Option scheme 2016F	Option scheme 2022G	Option scheme 2022H	Option scheme 2022I	Total
Quantity, Jan 1, 2022	397,934	397,932	397,934				1,193,800
Issued				66,659	66,669	66,672	200,000
Quantity, Dec 31, 2022	397,934	397,932	397,934	66,659	66,669	66,672	1,393,800
Quantity, Jan 1, 2023	397,934	397,932	397,934	66,659	66,669	66,672	1,393,800
Issued				9,996	10,002	10,002	30,000
Quantity, Dec 31, 2023	397,934	397,932	397,934	76,655	76,671	76,674	1,423,800

5.2. RELATED PARTY TRANSACTIONS

Accounting principles

Parties are considered related if one party can exercise control, significant influence or joint control over the other party in decision making regarding its finances or business operations.

Proventia's related parties include its subsidiaries and the parent company Head Invest Oy, as well as its subsidiaries other than Proventia Group companies (Proventia Oy, Proventia Czech s.r.o. and Proventia UK). Related parties also include members of Proventia Group's Board of Directors and the Management Team, the CEO, the family members of the aforementioned individuals, and companies that they control.

In addition, Proventia's related parties include the members of Head Invest Oy's Board of Directors, their immediate family members, as well as companies that they control. Business transactions between Proventia and Head Invest Group have been presented as related party transactions. Such related party transactions include purchases of administrative services and leases of facilities from Head Invest Oy. Proventia has leased its facilities in Oulunsalo from Head Invest Oy until 2028. Related party transactions have been carried out on typical market terms.

The following are presented as notes as required by IAS 24:

- Board members' salaries and fees
- CEO's and Management Team members' salaries and fees
- Related party transactions (rents and administrative service fees paid to Head Invest Oy)
- Sales and other receivables from related parties
- Lease and other liabilities to related parties

BOARD MEMBERS' SALARIES AND FEES

EUR 1,000	2023	2022
Board members' salaries and fees	152	135
Total	**152**	**135**

CEO'S AND MANAGEMENT TEAM MEMBERS' SALARIES AND FEES

EUR 1,000	2023	2022
Salaries and other short-term benefits	1,010	839
Share-based payments	26	4
Total	**1,036**	**843**

RELATED PARTY TRANSACTIONS

EUR 1,000	2023	2022
Sales of products and services to Head Invest Group companies and purchases from them		
Products and services sold	27	28
Products and services purchased	-86	-81
Facility rents	-343	-314
Sales of products and services to other related parties and purchases from them		
Products and services purchased	25	0

EUR 1,000	Dec 31, 2023	Dec 31, 2022
Open balances with Head Invest Group companies		
Lease liabilities	1,304	1,581
Total non-current liabilities	**1,304**	**1,581**
Lease liabilities	325	310
Trade payables	-7	-7
Total current liabilities	**319**	**303**

5.3. GUARANTEES AND CONTINGENT LIABILITIES

Proventia Group's liabilities consist of business mortgages, a revolving credit facility, bank guarantees and debts with mortgages or pledges as securities.

PLEDGES AND CONTINGENT LIABILITIES

EUR 1,000	2023	2022
Securities and mortgages for own liabilities		
Business mortgages	13,300	13,300
Revolving credit facilities		
Total amount of granted credit facilities	4,000	4,000
In use	0	0
Commercial bank guarantees	0	755
Liabilities for which mortgages or pledges have been given as securities		
Loans from financial institutions	660	1,320
Total	660	1,320

5.4. GROUP STRUCTURE

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 December 31, 2023, 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.

5.5. KEY EVENTS AFTER THE CLOSING DATE

No key events after the financial year.

6. NOTES ON THE ADOPTION OF THE IFRS

Proventia has decided to adopt the IFRS in the Group's financial reporting. Proventia Group Corporation has prepared its consolidated financial statements for the financial year closed on December 31, 2023 following the IFRS, including comparative data in accordance with the IFRS for the 2022 financial year. The Group adopted the IFRS on January 1, 2022. Previously, Proventia prepared its financial statements in accordance with the FAS. Proventia has prepared the following financial information in accordance with the IFRS to provide comparative data about the consolidated statement of comprehensive income and the consolidated balance sheet of December 31, 2022. In addition, the consolidated balance sheet effective on the IFRS adoption date is presented.

Proventia has applied the following first-time adoption exemptions:

- Lease liabilities have been measured at the current value of outstanding rents on the adoption date.
- Right-of-use assets have been measured to be equal to lease liabilities on the adoption date.
- Interest on Proventia's additional credit has been used in discounting, and the same discount rate has been applied to all leases with similar characteristics.

The impact of the adoption of the IFRS on Proventia's consolidated income statement for January 1, 2022 – December 31, 2022 and consolidated balance sheets of January 1, 2022 and December 31, 2022 is summarized below.

1) Leases

As a result of the adoption of IFRS 16, all significant leases will be entered on the balance sheet. Right-of-use assets have been measured to be equal to lease liabilities on the adoption date. The

Group has applied the standard's exemptions to short-term and low-value (less than EUR 5,000) leases. Regarding leases identified in accordance with IFRS 16, right-of-use assets whose value corresponds to the amount of liabilities related to leases, adjusted with any rent prepayments or accumulated unpaid rents, have been capitalized in tangible right-of-use assets on the balance sheet on the IFRS adoption date. The value of the original capitalized right-of-use assets corresponds to the amount of lease liabilities, which has been calculated as the current value of rents payable over the lease period.

According to the standard, the right to use the leased assets and the lease liabilities corresponding to the payment of rents are recognized on the balance sheet. In accordance with FAS reporting, payments of rent were recognized in other operating expenses divided evenly over the lease period, and payments of rent after the close of the financial year were presented as off-balance sheet commitments. In the IFRS financial statements, lease expenses are adjusted from other operating expenses to repayments of lease liabilities and interest expenses. Depreciation is recognized on right-of-use assets recognized on the balance sheet.

The impact of leases is presented in column 1 of the adjustment tables in the income statement and on the balance sheet.

2) Revenue from contracts with customers

In FAS reporting, non-recurring engineering (NRE) projects and tooling projects were recognized as income in accordance with completed work stages. In IFRS reporting, NRE and tooling projects are recognized as income over time. For projects recognized as income over time, project-specific receivables in accordance with the fulfillment of the performance obligation and project-specific liabilities pertaining to payments allocated to performance obligations in customer agreements are recognized during the project. In the IFRS financial statements, project-specific assets and liabilities have been netted, and project-specific assets or liabilities are presented under projects recognized as income over time, depending on the ratio between the fulfillment of Proventia's performance obligations and payments made by customers. In the FAS financial statements, Proventia did not net assets and liabilities, which means that the adoption of the IFRS caused changes in project-specific assets and liabilities on the balance sheet.

When reviewing its projects, Proventia also identified onerous (loss-generating) agreements in accordance with IAS 37. A provision was recognized for these projects until the end of the period under review.

The impact of revenue from contracts with customers is presented in column 2 of the adjustment tables in the income statement and on the balance sheet.

3) Inventories, indirect production expenses

According to the FAS, Proventia included purchase prices and transportation costs in the acquisition costs of inventories. The acquisition costs of work in progress and finished products also included production expenses, including indirect cost from materials and work.

As a result of the adoption of the IFRS, the acquisition costs of work in progress and finished products consists of direct costs plus indirect production expenses. Direct expenses include purchase costs, work and any other direct expenses. Indirect expenses include the share of production from general fixed costs, including production depreciation, maintenance costs and equipment. These expenses remain relatively unchanged regardless of the production volume. Indirect expenses are not included in Proventia's stocks of raw and other materials, as they are only subject to material costs.

The impact of inventories and indirect production expenses is presented in column 3 of the adjustment tables in the income statement and on the balance sheet.

4) Share-based payments

Proventia has two option schemes (2016 and 2022), both of which are divided into three series. Each option entitles its holder to subscribe for one new share in the company. The 2016 option scheme gives the right to subscribe to Proventia Group Corporation's shares at EUR 0.50 per share and the 2022 scheme at EUR 2.64 per share. Option rights include regular conditions related to the validity of employment relationships and restrictions on transferability. Option rights are intended to be part of Proventia's incentive and engagement schemes.

Proventia did not recognize any options in the FAS financial statements on their issuance date. According to the IFRS, options must be measured at fair value on their issuance date and recognized as expenses. The vesting periods of the option schemes have been defined so that they start at the beginning of a scheme or when a person has obtained the option rights and end when the share subscription period starts. The fair value of options has been determined based on the Black–Scholes pricing model.

A total of 1,193,800 options were issued based on the 2016 option scheme. No new options will be issued based on the 2016 scheme. As the vesting periods for options under the 2016 scheme ended before the adoption date, the 2016 option scheme was recognized in full in the shareholders' equity of December 31, 2021 on the transitional balance sheet. The 2016 option scheme did not result in any adjustments to the opening balance sheet of January 1, 2022 or subsequent periods.

The maximum number of options to be issued based on the 2022 option scheme is 342,298, of which 200,000 had been issued by December 31, 2022. Proventia recognized an expense of EUR 7,000 in employee benefit expenses and profit in its financial statements of December 31, 2022. No deferred tax was recognized as a result of the adjustment.

Proventia Group Corporation carried out a personnel issue in the fall of 2022. It did not result in any expenses in the FAS financial statements. According to IFRS 2, an issue can be regarded as personnel rewarding in which the value of the benefit is the 10% discount from the fair value of shares received by employees.

Proventia recognized an expense of EUR 28,000 from the personnel issue in employee benefit expenses and profit in its financial statements of December 31, 2022. No deferred tax was recognized as a result of the adjustment.

The impact of share-based payments is presented in column 4 of the adjustment tables in the income statement and on the balance sheet.

5) Financial instruments, credit loss provision from sales receivables

Proventia did not recognize any systematic credit loss provision from sales receivables in its FAS financial statements. Historically, credit losses have been very small. IFRS 9 requires the systematic recognition of impairment from expected credit losses. As Proventia's sales receivables do not include any significant financing components, expected credit losses are recognized using a simplified procedure in accordance with IFRS 9, in which expected credit losses are recognized throughout the lifecycle of financial asset items.

IFRS 9 has a minor impact on the measurement of the Group's financial assets. Based on the simplified model permitted by the standard, the Group recognizes a deductible item from sales receivables for expected credit losses. The Group's sales receivables do not include any significant financing component.

The Group uses a provision matrix to determine expected credit losses from sales receivables. The provision matrix is based on the rate of previously identified neglect during the validity of sales receivables and has been adjusted with future estimates. Any changes in the parameters of the provision matrix are analysed and updated on each reporting date. The deductible item is presented under provisions on the balance sheet. Changes in credit losses from uncertain receivables are presented under other expenses in the income statement.

The impact of financial instruments, credit loss provision from sales receivables is presented in column 5 of the adjustment tables in the income statement and on the balance sheet.

6) Income tax, deferred tax assets from warranty provisions

Proventia recognizes contractual warranty provisions. A typical warranty is valid for one year. The amount of a warranty provision is determined based on knowledge arising from experiences of the realization of warranty expenses, and it is calculated as a percentage of product sales. This percentage is estimated by comparing actual warranty expenses with net sales.

Warranty provisions are not deductible in taxation based on payments on the recognition date, but only after the realization of warranty expenses. Proventia did not recognize any deferred tax assets from warranty provisions in the FAS financial statements. In the IFRS financial statements, deferred tax assets have been recognized from warranty provisions.

The impact of income tax, deferred tax assets from warranty provisions is presented in column 6 of the adjustment tables in the income statement and on the balance sheet.

RECONCILIATION CALCULATION FOR SHAREHOLDERS' EQUITY, 2022

EUR 1,000	Reference	Dec 31, 2022	Jan 1, 2022
Shareholders' equity, FAS		**20,328**	**19,488**
IFRS adjustments			
Leases	1)	-43	
Revenue from contracts with customers	2)	-431	-374
Inventories	3)	67	72
Share-based payments	4)	0	0
Financial instruments	5)	-33	-41
Deferred tax	6)	190	160
Total adjustments		**-251**	**-182**
Shareholders' equity, IFRS		**20,078**	**19,306**

RECONCILIATION CALCULATION FOR PROFIT FOR THE PERIOD, 2022

EUR 1,000	Reference	2022
Profit for the period, FAS		**1,539**
IFRS adjustments		
Leases	1)	-43
Revenue from contracts with customers	2)	-57
Inventories	3)	-5
Share-based payments	4)	-35
Financial instruments	5)	8
Deferred tax	6)	30
Total adjustments		**-103**
Profit for the period, IFRS		**1,436**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, JANUARY 1 – DECEMBER 31, 2022

EUR 1,000	FAS 1/2022-12/2022	1) Leases	2) Revenue from contracts with customers	3) Inventories	4) Share-based payments	5) Financial instruments	Deferred	Total impact of IFRS adjustments	IFRS 1/2022–12/2022
Net sales	51,692		-202					-202	51,490
Other operating income	309								309
Materials and services	-31,798		59	-6				52	-31,746
Employee benefit expenses	-8,967		71		-35			37	-8,930
Depreciation and impairment	-2,283	-1,450						-1,450	-3,733
Other operating expenses	-7,051	1,537				10		1,546	-5,505
Operating profit	**1,903**	**87**	**-72**	**-6**	**-35**	**10**	**0**	**-16**	**1,886**
Financial income	627							0	627
Financial expenses	-613	-141						-141	-754
Profit before taxes	**1,917**	**-54**	**-72**	**-6**	**-35**	**10**	**0**	**-158**	**1,760**
Income tax	-378	11	14	1	0	-2	30	54	-324
Profit for the period	**1,539**	**-43**	**-57**	**-5**	**-35**	**8**	**30**	**-103**	**1,436**
Profit attributable to owners of the parent company	**1,539**	**-43**	**-57**	**-5**	**-35**	**8**	**30**	**-103**	**1,436**
Items of other comprehensive income									
Items that may be reclassified to profit or loss at a later date									
Translation difference	**0**	0	0	0	0	0	0	0	4
Other items of comprehensive income for the financial year, total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**4**
Comprehensive income for the financial year	**1,539**	**-43**	**-57**	**-5**	**-35**	**8**	**30**	**-103**	**1,440**
Comprehensive income for the financial year attributable to owners of the parent company	**1,539**	**-43**	**-57**	**-5**	**-35**	**8**	**30**	**-103**	**1,440**

CONSOLIDATED BALANCE SHEET, DECEMBER 31, 2022

EUR 1,000	FAS Dec 31, 2022	1) Leases	2) Revenue from contracts with customers	3) Inventories	4) Share-based payments	5) Financial instruments	6) Deferred tax	Total impact of IFRS adjustments	IFRS Dec 31, 2022
ASSETS									
Non-current assets									
Intangible assets	3,261							0	3,261
Property, plant and equipment	5,164							0	5,164
Right-of-use assets	0	5,301						5,301	5,301
Non-current receivables	50							0	50
Deferred tax assets	0	11	108	-17		8	190	300	300
Total non-current assets	**8,474**	**5,312**	**108**	**-17**	**0**	**8**	**190**	**5,601**	**14,076**
Current assets									
Inventories	9,143		-280	84				-196	8,947
Sales receivables	3,601					-42		-42	3,559
Other receivables	354							0	354
Contract assets	19,585		-14,298					-14,298	5,286
Accrued income	**1,406**							0	1,406
Cash and cash equivalents	**4,814**							0	4,814
Total current assets	**38,903**	**0**	**-14,578**	**84**	**0**	**-42**	**0**	**-14,536**	**24,367**
TOTAL ASSETS	**47,377**	**5,312**	**-14,471**	**67**	**0**	**-33**	**190**	**-8,935**	**38,443**

CONSOLIDATED BALANCE SHEET, DECEMBER 31, 2022

EUR 1,000	FAS Dec 31, 2022	1) Leases	2) Revenue from contracts with customers	3) Inventories	4) Share-based payments	5) Financial instruments	6) Deferred tax	Total impact of IFRS adjustments	IFRS Dec 31, 2022
SHAREHOLDERS' EQUITY AND LIABILITIES									
Share capital	1,090							0	1,090
Invested unrestricted equity reserve	7,015							0	7,015
Translation differences	25							0	25
Retained earnings	10,659		-374	72	35	-41	160	-147	10,512
Profit for the period	1,539	-43	-57	-5	-35	8	30	-103	1,436
Shareholders' equity, total	**20,328**	**-43**	**-431**	**67**	**0**	**-33**	**190**	**-251**	**20,078**
Non-current liabilities									
Financial liabilities	660	0						0	660
Lease liabilities	0	4,103						4,103	4,103
Provisions	949		15					15	964
Total non-current liabilities	**1,609**	**4,103**	**15**	**0**	**0**	**0**	**0**	**4,118**	**5,727**
Current liabilities									
Financial liabilities	660							0	660
Lease liabilities	0	1,252						1,252	1,252
Contract liabilities	16,265		-14,055					-14,055	2,210
Trade payables	5,708							0	5,708
Other liabilities	1,053							0	1,053
Deferred income	1,755							0	1,755
Total current liabilities	**25,440**	**1,252**	**-14,055**	**0**	**0**	**0**	**0**	**-12,802**	**12,638**
Total liabilities	**27,049**	**5,356**	**-14,040**	**0**	**0**	**0**	**0**	**-8,684**	**18,365**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**47,377**	**5,312**	**-14,471**	**67**	**0**	**-33**	**190**	**-8,935**	**38,443**

CONSOLIDATED BALANCE SHEET, JANUARY 1, 2022

EUR 1,000	FAS Jan 1, 2022	1) Leases	2) Revenue from contracts with customers	3) Inventories	4) Share-based payments	5) Financial instruments	6) Deferred tax	Total impact of IFRS adjustments	IFRS Jan 1, 2022
ASSETS									
Non-current assets									
Intangible assets	2,488							0	2,488
Property, plant and equipment	4,972							0	4,972
Right-of-use assets	0	5,969						5,969	5,969
Non-current receivables	48							0	48
Deferred tax assets	0		93	-18		10	160	246	246
Total non-current assets	**7,508**	**5,969**	**93**	**-18**	**0**	**10**	**160**	**6,215**	**13,723**
Current assets									
Inventories	6,973		-339	91				-248	6,724
Sales receivables	4,626					-51		-51	4,575
Other receivables	221							0	221
Contract assets	17,033		-10,750					-10,750	6,283
Accrued income	**470**							0	470
Cash and cash equivalents	**6,254**							0	6,254
Total current assets	**35,578**	**0**	**-11,089**	**91**	**0**	**-51**	**0**	**-11,049**	**24,528**
TOTAL ASSETS	**43,086**	**5,969**	**-10,995**	**72**	**0**	**-41**	**160**	**-4,835**	**38,251**

CONSOLIDATED BALANCE SHEET, JANUARY 1, 2022

EUR 1,000	FAS Jan 1, 2022	1) Leases	2) Revenue from contracts with customers	3) Inventories	4) Share-based payments	5) Financial instruments	6) Deferred tax	Total impact of IFRS adjustments	IFRS Jan 1, 2022
SHAREHOLDERS' EQUITY AND LIABILITIES									
Share capital	1,090							0	1,090
Invested unrestricted equity reserve	6,763							0	6,763
Translation differences	21							0	21
Retained earnings	11,614		-374	72	0	-41	160	-182	11,432
Shareholders' equity, total	**19,488**	**0**	**-374**	**72**	**0**	**-41**	**160**	**-182**	**19,306**
Non-current liabilities									
Financial liabilities	1,320							0	1,320
Lease liabilities	0	4,585						4,585	4,585
Provisions	801		87					87	888
Total non-current liabilities	**2,121**	**4,585**	**87**	**0**	**0**	**0**	**0**	**4,672**	**6,793**
Current liabilities									
Financial liabilities	757							0	757
Lease liabilities	0	1,384						1,384	1,384
Contract liabilities	13,043		-10,708					-10,708	2,334
Trade payables	4,659							0	4,659
Other liabilities	823							0	823
Deferred income	2,195							0	2,195
Total current liabilities	**21,477**	**1,384**	**-10,708**	**0**	**0**	**0**	**0**	**-9,324**	**12,152**
Total liabilities	**23,598**	**5,969**	**-10,622**	**0**	**0**	**0**	**0**	**-4,653**	**18,945**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**43,086**	**5,969**	**-10,995**	**72**	**0**	**-41**	**160**	**-4,835**	**38,251**

PARENT COMPANY'S FINANCIAL STATEMENTS (FAS)

PARENT COMPANY'S INCOME STATEMENT

Sums in EUR	Note	Jan 1, 2023 – Dec 31, 2023	Jan 1, 2022 – Dec 31, 2022
Net sales	1	2,975,344	2,655,171
Other operating income	2	0	1,600
Materials and services		0	0
Personnel expenses	3	-1,045,156	-757,910
Depreciation and impairment	4	-116,652	-99,838
Other operating expenses	5	-1,820,549	-1,808,283
Operating loss		**-7,014**	**-9,260**
Financial income and expenses	6	3,622,300	25,202
Profit before appropriations and taxes		**3,615,286**	**15,943**
Appropriations	7	70,000	0
Income tax	8	-29,434	0
Profit for the period		**3,655,853**	**15,943**

PARENT COMPANY'S BALANCE SHEET

Sums in EUR	Note	Dec 31, 2023	Dec 31, 2022
ASSETS			
Non-current assets			
Intangible assets	9	278,501	289,096
Tangible assets	9	43,102	31,841
Investment	10	5,421,157	5,421,157
Non-current assets, total		**5,742,760**	**5,742,095**
Current assets			
Non-current receivables	11		
Loan receivables		3,500,000	3,500,000
Other receivables		88,699	0
Non-current receivables, total		3,588,699	3,500,000
Current receivables	12		
Sales receivables		593,777	852,405
Other receivables and accrued income		4,137,049	589,376
Current receivables, total		4,730,826	1,441,781
Cash and cash equivalents		932,622	703,810
Current assets, total		**9,252,147**	**5,645,592**
TOTAL ASSETS		**14,994,907**	**11,387,686**

Sums in EUR	Note	Dec 31, 2023	Dec 31, 2022
LIABILITIES			
Shareholders' equity	13		
Share capital		1,090,281	1,090,281
Invested unrestricted equity reserve		7,277,066	7,015,266
Retained earnings		2,479,086	2,943,961
Profit for the period		3,655,853	15,943
Shareholders' equity, total		**14,502,285**	**11,065,451**
Debt			
Current debt	14		
Trade payables		171,520	103,357
Other payables and deferred income		321,101	218,878
Current debt, total		492,622	322,236
Debt, total		**492,622**	**322,236**
TOTAL LIABILITIES		**14,994,907**	**11,387,686**

PARENT COMPANY'S CASH FLOW STATEMENT

Sums in EUR	2023	2022
Cash flow from operating activities:		
Profit (loss) before taxes	3,685,286	15,943
Adjustments:		
Planned depreciation	116,652	99,838
Financial income and expenses	-3,622,300	-25,202
Cash flow before changes in working capital	179,638	90,578
Changes in working capital		
Changes in current non-interest-bearing trade receivables	-3,406,121	-540,027
Changes in current non-interest-bearing liabilities	170,386	2,583
Interest paid and payments on other operating financial expenses	89,701	-798
Cash flow from operating activities (A)	-2,967,452	-447,664
Cash flow from investing activities:		
Investments in tangible and intangible assets	-117,317	-167,268
Dividends received from investments	3,532,599	26,000
Cash flow from investing activities (B)	3,415,282	-141,268
Cash flow from financing activities:		
Share issue	261,800	252,470
Dividends paid and other distribution of profit	-480,818	-955,272
Cash flow from financing activities (C)	-219,018	-702,801
Changes in cash and cash equivalents (increase +, decrease -) (A+B+C)	228,812	-1,291,732
Cash and cash equivalents at the beginning of the period	703,810	1,995,543
Cash and cash equivalents at the end of the period	932,622	703,810

PARENT COMPANY'S ACCOUNTING PRINCIPLES

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

Net sales

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

Valuation of non-current assets

Non-current assets are recognized 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 recognized 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
Capitalized 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 closing date.

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

1. Net sales by business area	2023	2022
Other net sales	2,975,344	2,655,171
Total	**2,975,344**	**2,655,171**

2. Other operating income	2023	2022
Other operating income	0	1,600
Total	**0**	**1,600**

3. Number of employees and personnel expenses	2023	2022
Average number for the period	12	12
Number of employees at the end of the period	**12**	**10**

Breakdown of personnel expenses		
Salaries and fees	883,236	642,963
Pension expenses	141,030	101,082
Other statutory indirect expenses	20,891	13,865
Total	**1,045,156**	**757,910**

4. Depreciation and impairment	2023	2022
Intellectual property rights	91,694	75,978
Other capitalized long-term expenditure	16,998	16,998
Machinery and equipment	7,960	6,862
Total	**116,652**	**99,838**

5. Other operating expenses	2023	2022
Facility expenses	342,453	318,422
Maintenance, IT, device and equipment expenses	698,661	585,850
Travel expenses	12,108	21,484
Sales and marketing expenses	149,094	93,969
Administrative services and other administrative expenses	356,965	523,295
Other expense items	261,267	265,262
Total	**1,820,549**	**1,808,283**

6. Financial income and expenses	2023	2022
Dividend income		
From Group companies	3,506,599	0
From others	26,000	26,000
Other interest and financial income		
From Group companies	88,699	0
From others	1,405	49
Financial income, total	**3,622,703**	**26,049**

Interest and other financial expenses		
To others	-403	-847
Financial expenses, total	**-403**	**-847**
Financial income and expenses, total	**3,622,300**	**25,202**

7. Appropriations	2023	2022
Group contribution	70,000	0
Total	**70,000**	**0**

8. Income tax	2023	2022
Income tax	1,056	0
Deferred tax	28,378	0
Total	**29,434**	**0**

9. Changes in non-current assets	2023	2022
Intellectual property rights		
Acquisition cost, Jan 1	1,050,456	918,968
Increase	98,096	131,488
Acquisition cost, Dec 31	1,148,553	1,050,456
Accumulated depreciation according to plan	-807,457	-731,479
Depreciation for the period	-91,694	-75,978
Carrying amount, Dec 31	249,401	242,999

Other capitalized long-term expenditure	2023	2022
Acquisition cost, Jan 1	86,772	86,772
Acquisition cost, Dec 31	86,772	86,772
Accumulated depreciation according to plan	-40,675	-23,677
Depreciation for the period	-16,998	-16,998
Carrying amount, Dec 31	29,100	46,098
Intangible assets, total	**278,501**	**289,096**

Machinery and equipment	2023	2022
Acquisition cost, Jan 1	224,282	188,503
Increase	1,832	35,779
Acquisition cost, Dec 31	226,114	224,282
Accumulated depreciation according to plan	-192,441	-185,579
Depreciation for the period	-7,960	-6,862
Carrying amount, Dec 31	25,712	31,841

Prepayments for tangible assets	2023	2022
Acquisition cost, Jan 1	0	0
Increase	17,390	0
Carrying amount, Dec 31	17,390	0
Tangible assets, total	**43,102**	**31,841**

10. Investment	2023	2022
Shares and holdings in Group companies		
Acquisition cost, Jan 1	5,421,156	5,421,157
Acquisition cost, Dec 31	5,421,154	5,421,156
Shares and holdings, total	5,421,154	5,421,156
Investments, total	**5,421,155**	**5,421,156**

Holdings in other companies	2023	2022
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 %
Other shares held by the parent company		
Optatech Oy	15.26%	15.26%

11. Non-current receivables	2023	2022
Non-current receivables		
Loan receivables from Group companies	3,500,000	3,500,000
Other receivables from Group companies	88,699	0
Non-current receivables, total	**3,588,699**	**3,500,000**

12. Current receivables	2023	2022
Sales receivables		
From Group companies	593,777	852,385
From others	0	20
Total	593,777	852,405
Other receivables		
From Group companies	3,506,599	0
Total	3,506,599	0
Accrued income		
From Group companies	605,000	535,000
From others	25,450	25,998
Deferred tax assets	0	28,378
Total	630,450	589,376
Current receivables, total	**4,730,826**	**1,441,781**

13. Changes in shareholders' equity	2023	2022
Share capital, Jan 1	1,090,281	1,090,281
Share capital, Dec 31	1,090,281	1,090,281
Invested unrestricted equity reserve, Jan 1	7,015,266	6,762,795
Share issue	261,800	252,470
Invested unrestricted equity reserve, Dec 31	7,277,066	7,015,266
Retained earnings, Jan 1	2,959,904	3,899,233
Dividend	-480,818	-955,272
Retained earnings, Dec 31	2,479,086	2,943,961
Profit for the period	3,655,853	15,943
Earnings, Dec 31	6,134,939	2,959,904
Unrestricted equity, Dec 31	13,412,004	9,975,169
Shareholders' equity, total	14,502,285	11,065,451
Distributable funds at the end of the period	13,412,004	9,975,169

14. Current liabilities	2023	2022
Trade payables		
To others	171,520	103,357
Total	171,520	103,357
Other current liabilities		
To others	123,333	120,974
Total	123,333	120,974
Deferred income		
To Group companies	266	0
To others	197,503	97,904
Total	197,769	97,904
Total current liabilities	**492,622**	**322,236**

15. Pledges and contingent liabilities	2023	2022
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	243,299	219,190
To be paid later	295,610	341,811
Total	538,909	561,001
Other contractual liabilities (incl. VAT)		
To be paid during the next financial year	433,623	424,795
To be paid later	1,662,223	2,053,176
Total	2,095,847	2,477,972

Other contractual liabilities consist of rental liabilities related to facilities.

SIGNATURES TO THE FINANCIAL STATEMENTS

Oulu, 13 March 2024

Harri Suutari
Chair of the Board

Lauri Antila
Board member

Kalle Kekkonen
Board member

Johnny Pehkonen
Board member

Tommi Salunen
Board member

Erja Sankari
Board member

Jari Lotvonen
CEO

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

Oulu, 14 March 2024

Ernst & Young Oy
Authorized Public Accountants
Jari Karppinen
APA

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, 2023. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including material accounting policy information, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- The consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with IFRS Accounting Standards as adopted by the EU.
- The financial statements give a true and fair view of the parent 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 the 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 consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as 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 14. March 2024

Ernst & Young Oy
Authorized Public Accountant Firm

Jari Karppinen
Authorized Public Accountant

Proventia Group Oyj
Tietotie 1, 90460 Oulunsalo
Tel. 020 781 0200
sales@proventia.com | info@proventia.com
www.proventia.com