

PROVENTIA GROUP OYJ
BUSINESS REVIEW
JANUARY-MARCH 2024

PROVENTIA GROUP CORPORATION'S BUSINESS REVIEW JANUARY-MARCH 2024

IMPACT OF PROJECT BUSINESS SHOWN AS A DECREASE IN NET SALES AND PROFITABILITY

January-March 2024 in brief

- The Group's net sales were EUR 11.0 (13.5) million.
- Operating profit was EUR 0.4 (0.8) million.
- Profit for the period was EUR 0.1 (0.7) million.

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

PRESIDENT AND CEO JARI LOTVONEN:

The net sales for the first quarter of 2024 were lower than in the comparison period, amounting to 11.0 (13.5) million euros. The decrease in net sales was largely due to the project-based nature of the Test Solutions business. As the projects were still in their early stages during the first quarter, no significant revenue was recognized. As a result of the net sales decrease, the profit for the period remained at EUR 0.1 (0.7) million with an operating profit margin of 3.3 (6.0) percent. The cash flow for the first quarter was strong, and the group's cash reserves were 13.9 million euros at the end of March 2024, an increase of 2.6 million euros from the end of the previous fiscal year.

In the Off-road Machinery Systems and Components business, net sales decreased by 4.4 percent to 10.5 million euros from the previous year's 11.0 million euros. The decrease was due to

delivery volumes of retrofit systems being lower than in the corresponding period last year. In the OEM customer segment, deliveries of emission control systems were slightly higher than in the comparison period, and the demand for thermal insulation remained at the previous year's level. R&D and pilot projects for emission control and battery systems for customers proceeded as planned, and negotiations over new customers and projects have made good progress. In addition, we decided to expand our Czech plant by approximately 2,000 square meters, which ensures a sufficient production capacity for future needs. The expansion is expected to be completed in August 2025. After the review period, we signed a cooperation agreement with MAN Engines, a new engine manufacturer customer, for the development and manufacturing of emission control systems.

In the Test Solutions business, several projects belonging to the Proventia EVA (Evaluate, Validate, Approve) product family are either ongoing or about to start and will be recognized as revenue at the end of 2024 and in 2025. During the first quarter, projects were still in their initial phases, and no significant revenue was recognized. As a result, the net sales for the Test Solutions business decreased by 81.2 percent from the previous year. After the review period, we received an order from a new customer for Proventia EVA Safe, a module designed for battery misuse tests.

Geopolitical tensions and general uncertainty in the markets can be seen as caution in our customers' estimated delivery volumes. However, the entry of new OEM products into serial production during the rest of the year will balance the situation.

KEY FIGURES

EUR 1,000	1-3/2024	1-3/2023	1-12/2023
Net sales	10,954	13,475	54,296
Change in net sales, %	-18.7%	- *	5.4%
Operating profit	366	802	6,134
Operating profit, %	3.3%	6.0%	11.3%
Earnings per share (EPS), undiluted, EUR	0.00	0.04	0.29
Earnings per share (EPS), diluted, EUR	0.00	0.04	0.27
Return on equity (ROE), %	16.6%	- *	20.9%
Equity ratio, %	64.2%	53.6%	62.9%
Return on capital employed (ROCE), %	23.4%	- *	27.4%
Interest-bearing liabilities	520	1,155	660
Net debt	-13,408	-7,491	-10,672
Investments	868	519	3,321

* The key figure is not available for the period 1-3/2023 as IFRS calculations have not been prepared for the comparative period 1-3/2022.

The formulas used to calculate the key figures are shown on page 8.

NET SALES

The group's net sales in January–March 2024 were EUR 11.0 (13.5) million, showing a decrease of 18.7%. Net sales in the Off-road Machinery Systems and Components business area decreased by 4.4% to EUR 10.5 (11.0) million. The Test Solutions business area's net sales decreased by 81.2% from the comparative period to EUR 0.5

(2.5) million. The Off-road Machinery Systems and Components business area accounted for 95.7% (81.4%) of total net sales, while the Test Solutions business area generated 4.3% (18.6%).

In January–March, Europe accounted for 99.8% (77.6%) of total net sales.

NET SALES BY BUSINESS AREA

EUR 1,000	1-3/2024	1-3/2023	Change, %	1-12/2023
Off-road Machinery Systems and Components	10,484	10,970	-4.4%	42,557
Test Solutions	470	2,504	-81.2%	11,739
Total	10,954	13,475	-18.7%	54,296

NET SALES BY MARKET AREA

EUR 1,000	1-3/2024	1-3/2023	Change, %	1-12/2023
Europe	10,935	10,461	4.5%	50,138
Other continents	19	3,014	-99.4%	4,158
Total	10,954	13,475	-18.7%	54,296

PERFORMANCE AND FINANCIAL POSITION

In January–March 2024, the operating profit was EUR 0.4 (0.8) million, representing 3.3% (6.0%) of net sales. Profit was EUR 0.1 (0.7) million.

Undiluted earnings per share were EUR 0.00 (0.04), while diluted earnings per share were EUR 0.00 (0.04).

The group's cash reserves at the end of March 2024 stood at EUR 13.9 (8.6) million. Interest-bearing liabilities totaled EUR 0.5 (1.2) million at the end of the review period.

ANNUAL GENERAL MEETING

Proventia Group Corporation's Annual General Meeting was held on 15 April 2024. Proventia Group Corporation's distributable funds on 31.12.2023 were EUR 13,412,004.06. According to the Board of Directors' proposal, the Annual General Meeting decided that the profit for the period (EUR 3,655,852.83) be transferred to retained earnings, and that EUR 0.09 per share be distributed in dividends from retained earnings, totaling EUR 1,452,354.75, with the total number of shares being 16,137,275. The dividend was paid on 24 April 2024.

Harri Suutari (chairperson), Lauri Antila (vice chairperson), Tommi Salunen, Johnny Pehkonen, Kalle Kekkonen and Erja Sankari were re-elected members of the Board of Directors, and Cary Collar was elected as a new member of the Board of Directors.

EVENTS AFTER REVIEW PERIOD

After the review period, we signed a cooperation agreement with a new engine manufacturer customer, MAN Engines, for the development and manufacturing of emission control systems, and received an order from a new customer for Proventia EVA Safe, a cell designed for misuse tests of batteries.

OUTLOOK

Although the short-term market outlook is characterized by caution, long-term megatrends are favorable for all Proventia's business areas.

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%.

ACCOUNTING PRINCIPLES

Proventia Group prepared financial statements for 2023 for the first time in accordance with the International Financial Reporting Standards (IFRS). Business review figures apply the same calculation principles as the annual accounts dated 31 December 2023. The figures presented have been rounded from exact figures. The figures indicated in the business review are unaudited.

CONSOLIDATED INCOME STATEMENT (IFRS)

EUR 1,000	1-3/2024	1-3/2023	1-12/2023
Net sales	10,954	13,475	54,296
Other operating income	6	50	111
Materials and services	-5,635	-7,715	-28,591
Employee benefit expenses	-2,823	-2,670	-10,514
Depreciation and impairment	-919	-994	-4,012
Other operating expenses	-1,217	-1,344	-5,156
Operating profit	366	802	6,134
Financial income	143	195	250
Financial expenses	-373	-166	-707
Profit before taxes	136	831	5,678
Income tax	-58	-171	-1,009
Profit for the period	78	660	4,668
Profit attributable to owners of the parent company	78	660	4,668
Earnings per share calculated on profit attributable to owners of the parent company			
Undiluted earnings per share, EUR	0.00	0.04	0.29
Diluted earnings per share, EUR	0.00	0.04	0.27

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1,000	1-3/2024	1-3/2023	1-12/2023
Profit for the period	78	660	4,668
Items of other comprehensive income			
Items that may be reclassified to profit or loss at a later date			
Translation differences from foreign units	-9	8	-13
Other items of comprehensive income for the financial year, total	-9	8	-13
Comprehensive income for the financial year	69	669	4,655
Comprehensive income for the financial year attributable to owners of the parent company	69	669	4,655

CONSOLIDATED BALANCE SHEET (IFRS)

EUR 1,000	31.3.2024	31.3.2023	31.12.2023
ASSETS			
Non-current assets			
Intangible assets	3,534	3,245	3,357
Property, plant and equipment	5,482	4,974	5,504
Right-of-use assets	3,969	5,033	4,175
Non-current receivables	50	50	50
Deferred tax assets	242	291	285
Total non-current assets	13,277	13,593	13,370
Current assets			
Inventories	6,873	9,860	6,829
Sales receivables	5,125	5,570	5,900
Other receivables	813	530	869
Contract assets	1,856	1,934	2,212
Accrued income	944	827	780
Cash and cash equivalents	13,928	8,646	11,332
Total current assets	29,539	27,367	27,923
TOTAL ASSETS	42,815	40,960	41,294

EUR 1,000	31.3.2024	31.3.2023	31.12.2023
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital	1,090	1,090	1,090
Invested unrestricted equity reserve	7,277	7,015	7,277
Translation differences	7	33	12
Retained earnings	16,190	11,478	11,513
Profit for the period	78	660	4,668
Shareholders' equity, total	24,643	20,277	24,560
Non-current liabilities			
Financial liabilities	60	495	150
Lease liabilities	2,845	3,849	3,076
Provisions	1,027	1 001	1,003
Total non-current liabilities	3,932	5,345	4,229
Current liabilities			
Financial liabilities	460	660	510
Lease liabilities	1,234	1,251	1,202
Contract liabilities	4,428	3,136	2,230
Trade payables	4,424	6,460	4,641
Other liabilities	1,137	1,727	1,644
Deferred income	2,557	2,104	2,277
Total current liabilities	14,240	15,338	12,505
Total liabilities	18,173	20,683	16,734
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	42,815	40,960	41,294

KEY FIGURE CALCULATION FORMULAS

Key figure	Definition	Purpose of use
Operating profit, %	Operating profit as a percentage of net sales.	The operating profit rate is an indicator of the group's performance.
Return on equity (ROE), %	$\frac{(\text{profit before taxes} + \text{income taxes})}{\text{Average shareholders' equity during the period}} \times 100$	
Equity ratio, %	$\frac{\text{Shareholders' equity}}{(\text{balance sheet total} - \text{contract liabilities})} \times 100$	Return on equity, equity ratio, return on capital employed, interest-bearing liabilities and net debt are indicators of the group's ability to acquire funding and clear its debts, and they also illustrate the level of risks associated with funding and help to monitor the level of capital used in the group's business activities.
Return on capital employed (ROCE), %	$\frac{(\text{profit before taxes} + \text{financing costs})}{(\text{average shareholders' equity during the period} + \text{average interest-bearing liabilities during the period})} \times 100$	
Interest-bearing liabilities	Total long-term and short-term loans from financial institutions.	
Net debt	Interest-bearing liabilities – cash and cash equivalents	
Investments	Investments in tangible and intangible assets in accordance with the cash flow statement.	Investments represent the cash flow required for the company's investments.

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



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