



# **PROVENTIA GROUP CORPORATION**

**BUSINESS REVIEW  
JANUARY-MARCH 2023**

# PROVENTIA GROUP CORPORATION'S BUSINESS REVIEW

## JANUARY-MARCH 2023

### January-March 2023 in brief

- The Group's net sales increased by 11.7% from the previous year to EUR 13.2 (11.8) million.
- Operating profit was EUR 0.7 (0.2) million.
- Profit for the period was EUR 0.6 (0.2) million.

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

### President and CEO Jari Lotvonen:

During the first quarter of 2023, our net sales increased by nearly 12% year-on-year to EUR 13.2 million. The operating profit rate increased to 5.4% from the comparative period's 1.5%.

In the non-road machinery markets, the availability of components and materials improved, and our customers' production volumes started to increase during the first part of the year. The first serial production deliveries of exhaust aftertreatment systems to a global non-road machine manufacturer started at our Czech plant. The net sales of Powertrain Systems and Components increased by 25.7%, driven by our long-term investments in our OEM customers and in ensuring the delivery capacity of our production. We will continue to invest in our Czech plant and the development of its production technologies. The positive market trend was also reflected in the acquisition of new customers. We have a number of interesting cooperation projects underway in the engineering of emission control systems with new customers. At the same time, interest in our thermal insulation solutions has increased. We will continue pilot projects in battery systems for non-road machinery with our customers.

The net sales of Test Solutions decreased by 24.1% from the comparative period. Business profitability remains low. The higher engineering costs of current projects than expected and increased prices reduce the profitability of previously agreed projects. We are seeking cost savings by improving the efficiency of operations and focusing on the products required in the R&D and testing of batteries.

We will invest in developing close customer relationships in all our business areas, adopting a proactive service approach, and addressing the perspectives of sustainable development in everything we do. The positive beginning of the year, especially in the non-road machinery markets, increases our trust for the whole year, regardless of the economic and geopolitical uncertainties.

## KEY FIGURES

Sums in EUR	1-3/2023	1-3/2022	1-12/2022
Net sales	13,150,882	11,770,612	51,692,324
Change in net sales, %	11.7%	-0.9%	11.0%
Operating profit	716,403	174,192	1,902,521
Operating profit, %	5.4%	1.5%	3.7%
Earnings per share (EPS), undiluted	0.04	0.01	0.10
Earnings per share (EPS), diluted	0.04	0.01	0.09
Return on equity (ROE), %	9.5%	5.3%	7.7%
Equity ratio, %	62.3%	57.2%	65.3%
Return on capital employed (ROCE), %	14.2%	13.4%	11.7%
Interest-bearing liabilities	1,155,000	1,863,452	1,320,000
Net debt	-7,490,892	-13,760,135	-3,494,052
Investments	425,538	426,066	3,247,518

The formulas used to calculate the key figures are shown on page 7.

## NET SALES

The group's net sales in January–March 2023 was EUR 13.2 (11.8) million, showing an increase of 11.7% (decrease 0.9%). Net sales of the Powertrain Systems and Components business area increased by 25.7% to EUR 10.6 (8.5) million. The Test Solutions business area's net sales decreased by 24.1% from the comparative period to EUR 2.5 (3.3). The Powertrain Systems and Components business area accounted for 81.0% (72.0%) of total net sales, while the Test Solutions business area made up 19.0% (28.0%).

In January–March, Europe accounted for 77.1% (96.1%) of total net sales.

### Net sales by business area

Sums in EUR	1-3/2023	1-3/2022	Change, %	1-12/2022
Powertrain Systems and Components	10,646,493	8,471,596	25.7%	35,824,911
Test Solutions	2,504,389	3,299,016	-24.1%	15,867,413
<b>Total</b>	<b>13,150,882</b>	<b>11,770,612</b>	<b>11.7%</b>	<b>51,692,324</b>

### Net sales by market area

Sums in EUR	1-3/2023	1-3/2022	Change, %	1-12/2022
Europe	10,144,943	11,307,493	-10.3%	45,319,166
Other continents	3,005,939	463,118	549.1%	6,373,158
<b>Total</b>	<b>13,150,882</b>	<b>11,770,612</b>	<b>11.7%</b>	<b>51,692,324</b>

## PERFORMANCE AND FINANCIAL POSITION

In January–March 2023, the operating profit was EUR 0.7 (0.2) million, representing 5.4% (1.5%) of net sales. Profit was EUR 0.6 (0.2) million. Undiluted earnings per share were EUR 0.04 (0.01), while diluted earnings per share were EUR 0.04 (0.01).

## ANNUAL GENERAL MEETING

Proventia Group Corporation's Annual General Meeting was held on 31 March 2023. Proventia Group Corporation's distributable funds on 31.12.2022 were EUR 9,975,169.48. According to the Board of Directors' proposal, the Annual General Meeting decided that the profit for the period (EUR 15,942.62) be transferred to retained earnings, and that EUR 0.03 per share be distributed in dividends from retained earnings, totalling EUR 480,818.25, with the total number of shares being 16,027,275.

Harri Suutari, Tommi Salunen, Lauri Antila, Johnny Pehkonen, Kalle Kekkonen and Erja Sankari were elected members of the Board of Directors.

## FUTURE OUTLOOK

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

## ACCOUNTING PRINCIPLES

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

## CONSOLIDATED INCOME STATEMENT

Sums in EUR	1.1.2023- 31.3.2023	1.1.2022- 31.3.2022	1.1.2022- 31.12.2022
<b>Net sales</b>	13,150,882	11,770,612	51,692,324
Change in inventories of finished goods and work in progress	932,373	859,381	72,394
Other operating income	50,101	39,246	309,219
Materials and services	-8,410,114	-8,031,620	-31,870,832
Personnel expenses	-2,640,879	-2,240,223	-8,966,691
Depreciation and impairment	-631,504	-545,809	-2,282,817
Other operating expenses	-1,734,456	-1,677,394	-7,051,076
<b>Operating profit</b>	<b>716,403</b>	<b>174,192</b>	<b>1,902,521</b>
Financial income and expenses	63,220	120,588	14,848
<b>Profit before taxes</b>	<b>779,623</b>	<b>294,780</b>	<b>1,917,368</b>
Income tax	-162,188	-74,515	-377,943
<b>Profit for the period</b>	<b>617,435</b>	<b>220,266</b>	<b>1,539,425</b>

## CONSOLIDATED BALANCE SHEET

Sums in EUR	31.3.2023	31.3.2022	31.12.2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	3,244,898	2,461,441	3,260,814
Tangible assets	4,974,009	4,878,988	5,164,059
<b>Non-current assets, total</b>	<b>8,218,907</b>	<b>7,340,430</b>	<b>8,424,873</b>
<b>Current assets</b>			
Inventories	10,292,849	8,239,826	9,142,745
Non-current receivables			
Other receivables	49,565	48,173	49,565
Non-current receivables, total	49,565	48,173	49,565
Current receivables			
Sales receivables	5,604,716	5,211,475	3,600,814
Other receivables and accrued income	24,243,960	9,084,748	21,345,151
Current receivables, total	29,848,675	14,296,224	24,945,965
Cash and cash equivalents	8,645,892	15,623,587	4,814,052
<b>Current assets, total</b>	<b>48,836,980</b>	<b>38,207,811</b>	<b>38,952,326</b>
<b>TOTAL ASSETS</b>	<b>57,055,887</b>	<b>45,548,240</b>	<b>47,377,200</b>
<b>LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	1,090,281	1,090,281	1,090,281
Invested unrestricted equity reserve	7,015,266	6,762,795	7,015,266
Retained earnings	11,750,474	10,683,104	10,683,461
Profit for the period	617,435	220,266	1,539,425
<b>Shareholders' equity, total</b>	<b>20,473,455</b>	<b>18,756,446</b>	<b>20,328,433</b>
Obligatory provisions	967,461	823,298	948,637
<b>Debt</b>			
Non-current debt			
Loans from financial institutions	495,000	1,155,000	660,000
Non-current debt, total	495,000	1,155,000	660,000
Current debt			
Loans from financial institutions	660,000	708,452	660,000
Advances received	24,169,297	12,784,439	16,264,662
Trade payables	6,460,386	6,463,199	5,707,728
Other payables and deferred income	3,830,288	4,857,406	2,807,740
Current debt, total	35,119,971	24,813,496	25,440,130
<b>Debt, total</b>	<b>35,614,971</b>	<b>25,968,496</b>	<b>26,100,130</b>
<b>TOTAL LIABILITIES</b>	<b>57,055,887</b>	<b>45,548,240</b>	<b>47,377,200</b>

## KEY FIGURE CALCULATION FORMULAS

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