



# FINANCIAL STATEMENTS RELEASE JANUARY–DECEMBER 2021



# PROVENTIA GROUP CORPORATION'S FINANCIAL STATEMENTS RELEASE JANUARY–DECEMBER 2021

## January–December 2021 in brief

- The Group's net sales increased by 18.3% from the previous year to EUR 46.6 (39.4) million.
- Operating profit was EUR 4.0 (2.6) million.
- Profit for the period was EUR 3.2 (1.8) million.
- The Group had 163 (142) employees at the end of December. Of these, 130 worked in Finland, 31 in the Czech Republic and 2 in the UK.

## October–December 2021 in brief

- The Group's net sales decreased by 4.1% from the previous year to EUR 11.5 (12.0) million.
- Operating profit was EUR 0.5 (0.9) million.
- Profit for the period was EUR 0.4 (0.9) million.

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

## President and CEO Jari Lotvonen:

“We grew strongly in 2021. Our net sales increased by 18.3% from the previous year, as a result of which our operating profit increased to EUR 4.0 million. Global challenges in the availability of components and extended delivery times cast a shadow over our growth. They caused bottlenecks in our customers' production activities, decelerating Proventia's deliveries. The shortage of components did not cause any significant disruptions in our production. We had prepared for the problems in the availability of components by increasing our stock levels, and we were able to complete all orders within the agreed schedule. In October–December, our net sales decreased by 4.1% from the corresponding period in the previous year. This decrease resulted from normal fluctuations in project activities and the lower customer demand due to the shortage of components.

Demand for our test solutions rose significantly, and net sales of our test solutions business grew by 23.5% from the previous year. Last year, we received several new orders regarding R&D and test solutions for electric vehicles and their batteries. Our customers included both vehicle manufacturers and companies operating in the battery industry. One of the largest projects in 2021 was the delivery of an electric vehicle R&D centre for Intertek in the UK. The testing centre was deployed during the final quarter of the year.

We signed a cooperation agreement with Keysight Technologies Inc., a US-based manufacturer of testing equipment, during the final quarter. Our partnership includes the development of a battery testing solution into a standard product and provides the product with a global sales channel. Proventia's recognition as a test solution supplier has increased significantly, and we had a record-high number of projects in progress at the end of the year.

Net sales of the Powertrain Systems and Components business area increased by 17.1%. We agreed a number of significant design and manufacturing agreements on emission control systems with leading global engine and non-road machine manufacturers. Product development for the new projects already started in 2021, and the projects will reach the serial production phase from 2023.

In the R&D of emission control systems, we have focused on improving the performance of selective catalytic reduction (SCR) system and started the development of smart control systems that help to optimise the operations of emission control systems even better than before. In addition, we have increased the use of simulation tools in R&D which shortens turn-around times in R&D projects.

As a result of new emission control projects and energy efficiency requirements, demand for thermal insulation solutions has also increased. During the final quarter, we entered into a cooperation agreement with German C2M Global on the marketing and sale of our thermal insulation components in Germany, Austria and Switzerland.

In electric powertrain products, we have focused on the R&D of batteries for hybrid non-road machinery. At the end of last year, we launched our first product on the market, the Proventia ePRO48 battery. We believe that the use of hybrid systems will also increase in non-road machinery in the next few years. The use of hybrid systems will improve the usability of non-road machinery and reduce carbon dioxide emissions.

Last year, we expanded our production in the Czech Republic by moving into larger production facilities. The manifold increase in the production capacity in the Czech Republic strengthens the company's delivery capability and improves its competitive position in the non-road machinery markets.

EAB Private Equity becoming Proventia's shareholder with its shareholding of approximately 20% alongside Head Invest, the main owner, marked a significant change in the company's ownership. The solid foundation built by two strong owners enables Proventia to develop and grow in global vehicle and non-road machinery markets. This also boosts the development of our responsibility activities in line with our strategy. We understand how important responsibility is for our business and we are committed to developing our operations following the principles of sustainable development.

Our company's markets are expected to develop positively. Challenges in the availability of components are expected to continue and decelerate growth in 2022. Long-term opportunities for growth remain strong. Growth is supported by international carbon neutrality goals for transport and stricter global emission restrictions for non-road machines, as well as their hybridisation."

## KEY FIGURES

Sums in EUR	10-12/2021	10-12/2020	1-12/2021	1-12/2020
Net sales	11,527,717	12,017,284	46,554,953	39,351,805
Change in net sales, %	-4.1%	8.1%	18.3%	-7.2%
Operating profit	545,293	923,564	4,040,233	2,603,584
Operating profit, %	4.7%	7.7%	8.7%	6.6%
Return on equity (ROE), %	18.8%	13.4%	18.8%	13.4%
Equity ratio, %	64.9%	53.1%	64.9%	53.1%
Return on capital employed (ROCE), %	22.9%	16.7%	22.9%	16.7%
Interest-bearing liabilities	2,076,596	4,816,764	2,076,596	4,816,764
Net debt	-4,177,233	-1,407,278	-4,177,233	-1,407,278
Investments	1,086,644	29,462	1,397,768	814,483

The formulas used to calculate the key figures are shown on page 13.

## NET SALES

The group's net sales in January–December 2021 was EUR 46.6 (39.4) million. Net sales increased by 18.3% from the previous year (-7.2%). Net sales of the Powertrain Systems and Components business area increased by 17.1% to EUR 37.2 (31.8) million. The Test Solutions business area's net sales increased by

23.5% from the comparative period to EUR 9.4 (7.6) million. The Powertrain Systems and Components business area accounted for 79.9% (80.7%) of total net sales, while the Test Solutions business area accounted for 20.1% (19.3%).

In January–December, Europe accounted for 98.1% (97.3%) of total net sales.

### Net sales by business area

Sums in EUR	1-12/2021	1-12/2020
Powertrain Systems and Components	37,177,590	31,761,529
Test Solutions	9,377,362	7,590,276
<b>Total</b>	<b>46,554,953</b>	<b>39,351,805</b>

### Net sales by market area

Sums in EUR	1-12/2021	1-12/2020
Europe	45,693,400	38,289,685
Other continents	861,553	1,062,120
<b>Total</b>	<b>46,554,953</b>	<b>39,351,805</b>

## PERFORMANCE AND FINANCIAL POSITION

In 2021, the operating profit was EUR 4.0 (2.6) million, representing 8.7% (6.6%) of net sales. Profit was EUR 3.2 (1.8) million. Undiluted earnings per share were EUR 0.23 (0.13), while diluted earnings per share were EUR 0.21 (0.12).

In 2021, cash flow from operating activities was EUR 1.9 (1.6) million. The group's liquid assets at the end of December 2021 stood at EUR 6.3 (6.2) million. The long-term loan of EUR 2 million, which was taken out during the outbreak of the coronavirus pandemic in 2020 to strengthen liquidity, was repaid in full in 2021. Interest-bearing liabilities totalled EUR 2.1 (4.8) million at the end of the year.

## RESEARCH AND DEVELOPMENT

Proventia invests in R&D to secure a competitive product and service range, also in the future. R&D ex-

penses totalled EUR 1.2 (1.1) million, comprising 2.6% (2.7%) of the group's net sales. R&D expenses of EUR 0.6 (0.2) million have been capitalised on the balance sheet as development expenses. R&D expenses recognised through profit or loss totalled EUR 0.6 (0.9) million.

## PERSONNEL

At the end of December 2021, Proventia had 163 (142) employees. Of these, 130 worked in Finland, 31 in the Czech Republic and 2 in the UK.

## IMPLEMENTING THE STRATEGY

Proventia's goal is to be the leading supplier of technology for the engine, non-road machine and automotive industries. With its innovative and high-quality solutions and services, the company aims to help its customers to develop products that save the environment and people's health by improving the

energy efficiency of vehicles and non-road machines and reducing their harmful emissions.

In the Test Solutions business area, the company focused on R&D environments for electric vehicles and their batteries in accordance with its strategy. The company entered into a cooperation agreement with Keysight Technologies, a manufacturer of testing equipment, which enables the development of a battery testing solution into a standard product and provides a global sales channel for the product.

In the Powertrain Systems and Components business area, the company continued to invest in the R&D and manufacturing of exhaust aftertreatment systems and thermal insulation components. During 2021, the company launched its first battery product for non-road hybrid machines.

The company strengthened its production capacity for powertrain systems and components by moving into larger production facilities in the Czech Republic. In the Test Solutions business area, the final assembly of modules takes place at the Oulu plant.

To ensure its ability to serve its expanding customer base, the company entered into new cooperation agreements in both business areas – Test Solutions, and Powertrain Systems and Components – on the marketing and sale of its products in selected market areas.

The company will continue to develop its innovation into new products and solutions for the electrifying automotive and non-road machinery industries. Potential technology and business acquisitions are part of the company's growth strategy.

The company increased its responsibility efforts and aims to actively reduce its carbon footprint.

The company seeks controlled and profitable growth in its business areas, together with both current and future customers.

## RISKS AND UNCERTAINTIES

At Proventia, risk management follows the ISO 31000 risk management standard. The risks described below

are examples, and they do not represent the whole range of short-term risk management.

- The global market situation and the continuing pandemic set challenges for deliveries and may have an impact on the availability of components, and cause delays in or put a stop to customers' production. The company prepares for any disruptions in the delivery of components by optimising its stock levels, intensifying the dialogue between sales, purchases and production, and identifying alternative suppliers.
- The loss of a single key customer for commercial reasons is a risk that may result in the loss of net sales accrued from the customer. The company is actively monitoring customer satisfaction and maintains customer relationships at several levels. In addition, the company aims to expand its customer base to reduce its dependence on individual customers.
- Future pandemics and epidemics may cause major disruptions in business activities. They may cause changes in demand and consumption structures. Travel and movement restrictions may result in sales challenges through fewer customer meetings. The company prepares for these challenges by allocating a sufficient funding buffer, developing distance sales tools and remote work arrangements, and creating an action plan for customer management under exceptional circumstances.
- The Russian occupation war in Ukraine and the unstable geopolitical situation are creating uncertainty in the global economy. The impact of the war on Proventia's business is so far unclear. Proventia has no direct customers or subcontractors in Ukraine or Russia.

Proventia's business risks have been described in more detail in the 2021 financial statements.

## RESPONSIBILITY

All of Proventia's business activities and products are strongly linked to climate change mitigation and the reduction of air pollution. During the financial year, the company strengthened its commitment to sustainable business and started to organise its responsibility activities. The company seeks to iden-

tify key focus areas in responsibility considering its business activities, set goals and build indicators, as well as define procedures for monitoring them. The company's goal is to build a responsibility programme that addresses environmental, social and governance (ESG) factors.

The company has defined guidelines, policies and plans for different areas of responsibility, and it complies with them in daily activities. The different areas of responsibility and the procedures related to them have been described in more detail in the 2021 financial statements.

### Quality and environmental certificates

Proventia is committed to complying with the principle of continuous improvement to develop its internal processes and products, and to reduce its environmental impact. The company wants to be known as a reliable supplier, which reacts to customer needs quickly and proactively. The quality of products and services is a key success factor in the company's operations. Through environmental management, the company continuously develops its operations in an environmentally friendlier direction using such measures as environmental processes and related audits.

Proventia has the following ISO certificates:

- Proventia Oy, Oulunsalo and Oulu: ISO 9001:2015, ISO 14001:2015
- Proventia Czech s.r.o.: ISO 9001:2015, ISO 14001:2015

## OUTLOOK

The company's markets are expected to develop positively. Challenges in the availability of components are expected to continue and decelerate growth in 2022. The company has strong opportunities for long-term growth in both Test Solutions and Powertrain Systems and Components business areas. Growth is supported by international carbon neutrality goals for transport and stricter global emission restrictions for non-road machines, as well as their hybridisation.

The need to test new technologies and power sources continues to increase in test solutions markets.

Proventia will continue to develop the solutions required in the R&D and testing of electric vehicles, their powertrains and batteries.

In the Powertrain Systems and Components business area, demand for emission control systems will continue to grow. In non-road machinery, the combustion engine technology will remain the primary power source far into the future. Renewable fuels, combined with effective emission control, will increase. Europe leads the way in emissions regulations, with the rest of the world being a few years behind. Emissions regulations will become even stricter globally.

The development of hybrid systems will improve the energy efficiency of non-road machines and reduce their carbon dioxide emissions. Proventia will be actively involved in their development, and alongside the current ePRO48 battery, it has started the development of the high-voltage ePRO500+ battery for hybrid non-road machines.

In 2022 net sales is expected to increase and operating profit is expected to remain at the 2021 level. In 2021, net sales were EUR 46.6 million, and operating profit was EUR 4.0 million. However, it is still difficult to make estimates, and the current market conditions are increasing uncertainties over the future.

## EVENTS AFTER THE REVIEW PERIOD

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

## ACCOUNTING PRINCIPLES

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

## CONSOLIDATED INCOME STATEMENT

Sums in EUR	1 October 2021– 31 December 2021	1 October 2020– 31 December 2020	1 January– 31 December 2021	1 January– 31 December 2020
Net sales	11,527,717	12,017,284	46,554,953	39,351,805
Change in inventories of finished goods and work in progress	31,942	-958,004	428,117	-746,815
Other operating income	105,188	253,202	106,153	394,981
Materials and services	-6,596,251	-6,728,224	-26,091,296	-22,149,762
Personnel expenses	-2,042,160	-1,894,364	-8,536,849	-6,747,496
Depreciation and impairment	-741,452	-551,184	-2,489,190	-2,520,902
Other operating expenses	-1,739,690	-1,215,146	-5,931,655	-4,978,226
<b>Operating profit</b>	<b>545,293</b>	<b>923,564</b>	<b>4,040,233</b>	<b>2,603,584</b>
Financial income and expenses	173,402	130,492	279,072	-161,852
<b>Profit before taxes</b>	<b>718,695</b>	<b>1,054,056</b>	<b>4,319,304</b>	<b>2,441,732</b>
Income tax	-345,987	-202,539	-1,159,716	-663,014
<b>Profit for the period</b>	<b>372,708</b>	<b>851,517</b>	<b>3,159,589</b>	<b>1,778,718</b>

## CONSOLIDATED BALANCE SHEET

Sums in EUR	31 December 2021	31 December 2020
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	2,488,316	3,013,976
Tangible assets	4,971,857	5,537,619
<b>Non-current assets, total</b>	<b>7,460,173</b>	<b>8,551,595</b>
<b>Current assets</b>		
Inventories	6,972,687	6,549,013
Non-current receivables		
Other receivables	48,173	50,781
Non-current receivables, total	48,173	50,781
Current receivables		
Sales receivables	4,626,370	4,261,905
Other receivables and accrued income	17,724,639	9,036,203
Current receivables, total	22,351,008	13,298,109
Cash and cash equivalents	6,253,829	6,224,041
<b>Current assets, total</b>	<b>35,625,698</b>	<b>26,121,944</b>
<b>TOTAL ASSETS</b>	<b>43,085,871</b>	<b>34,673,539</b>
<b>LIABILITIES</b>		
<b>Shareholders' equity</b>		
Share capital	1,090,281	1,090,281
Invested unrestricted equity reserve	6,762,795	4,562,371
Retained earnings	8,475,605	6,668,520
Profit for the period	3,159,589	1,778,718
Shareholders' equity, total	19,488,270	14,099,890
Obligatory provisions	800,912	746,790
<b>Debt</b>		
Non-current debt		
Loans from financial institutions	1,320,000	3,795,210
Non-current debt, total	1,320,000	3,795,210
Current debt		
Loans from financial institutions	756,596	1,021,554
Advances received	13,042,761	8,097,889
Trade payables	4,658,948	4,799,328
Other payables and deferred income	3,018,384	2,112,878
Current debt, total	21,476,689	16,031,649
<b>Debt, total</b>	<b>22,796,689</b>	<b>19,826,859</b>
<b>TOTAL LIABILITIES</b>	<b>43,085,871</b>	<b>34,673,539</b>



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Sums in EUR	Share capital	Invested unrestricted equity reserve	Retained earnings	Total
<b>Shareholders' equity, 1 Jan. 2021</b>	<b>1,090,281</b>	<b>4,562,371</b>	<b>8,447,239</b>	<b>14,099,890</b>
Acquisition of options		-878,176		-878,176
Distribution of assets from the invested unrestricted equity reserve		-1,951,939		-1,951,939
Share issue		5,030,540		5,030,540
Translation differences			28,366	28,366
Profit for the period			3,159,589	3,159,589
<b>Shareholders' equity, 31 Dec. 2021</b>	<b>1,090,281</b>	<b>6,762,795</b>	<b>11,635,193</b>	<b>19,488,270</b>
<b>Shareholders' equity, 1 Jan. 2020</b>	<b>1,090,281</b>	<b>4,562,371</b>	<b>6,698,371</b>	<b>12,351,023</b>
Translation differences			-29,851	-29,851
Profit for the period			1,778,718	1,778,718
<b>Shareholders' equity, 31 Dec. 2020</b>	<b>1,090,281</b>	<b>4,562,371</b>	<b>8,447,239</b>	<b>14,099,890</b>

## CONSOLIDATED CASH FLOW STATEMENT

Sums in EUR	1-12/2021	1-12/2020
<b>Cash flow from operating activities:</b>		
Profit before taxes	4,319,304	2,441,732
Adjustments:		
Planned depreciation and impairment	2,489,190	2,520,902
Financial income and expenses	-279,072	161,852
Other adjustments	82,488	-160,189
Cash flow before changes in working capital	6,611,911	4,964,298
Changes in working capital		
Changes in current non-interest-bearing trade receivables	-9,178,846	-5,741,215
Change in inventories	-423,674	314,963
Changes in current non-interest-bearing liabilities	5,715,757	2,390,092
Interest paid and payments on other operating financial expenses	246,568	-214,577
Direct taxes paid	-1,036,920	-162,618
Cash flow from operating activities (A)	1,934,796	1,550,942
<b>Cash flow from investing activities:</b>		
Investments in tangible and intangible assets	-1,440,793	-827,986
Sales gains from tangible and intangible assets	43,025	13,503
Repayment of capital loans	0	52,725
Dividends received from investments	32,504	0
Cash flow from investing activities (B)	-1,365,264	-761,758
<b>Cash flow from financing activities:</b>		
Share issue	5,030,540	0
Withdrawals of long-term and short-term loans	0	2,000,000
Repayments of long-term loans	-2,740,168	-338,003
Dividends paid and other distribution of profit	-2,830,115	0
Cash flow from financing activities (C)	-539,744	1,661,997
Changes in cash and cash equivalents (increase +, decrease -) (A+B+C)	29,788	2,451,182
Cash and cash equivalents at the beginning of the period	6,224,041	3,772,860
Cash and cash equivalents at the end of the period	6,253,829	6,224,041

## 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.



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