

# PROVENTIA GROUP CORPORATION BUSINESS REVIEW

JANUARY-SEPTEMBER 2024

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## THE BANKRUPTCY OF A SIGNIFICANT TEST SOLUTIONS CUSTOMER WEIGHED ON THE THIRD-QUARTER RESULTS

### July–September 2024 in brief

- The Group's net sales decreased by 5.7% from the previous year to EUR 10.7 (11.3) million.
- Operating profit was EUR -0.8 (0.8) million.
- Profit for the period was EUR -0.8 (0.4) million.
- Earnings per share (undiluted) were EUR -0.05 (0.02).

### January–September 2024 in brief

- The Group's net sales decreased by 10.4% from the previous year to EUR 35.0 (39.0) million.
- Operating profit was EUR 0.9 (3.4) million.
- Profit for the period was EUR 0.4 (2.4) million.
- Earnings per share (undiluted) were 0.03 (0.15).

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

## PRESIDENT AND CEO JARI LOTVONEN:

Net sales for the third quarter of 2024 decreased by 5.7% to EUR 10.7 (11.3) million. The profit for the period fell significantly from the comparative period to EUR -0.8 (0.4) million. The weak development in net sales and profitability was especially due to one of our customers in the Test Solutions business area filing for bankruptcy, which led to the discontinuation of two ongoing projects to this customer.

In the third quarter of the year, net sales of the Off-Road Machinery Systems and Components business were higher than in the comparison period, amounting to EUR 9.0 (8.8) million. In the OEM customer segment, the growth in delivery volumes has been slower than expected due to weak demand for off-road machines. Particularly agricultural machinery manufacturers have reduced their production this year, which has been reflected in the delivery volumes of Proventia's emission control systems and thermal insulation components. In the autumn, we started the serial production of two new emission control products at the Czech factory, and the deliveries of these new products are offsetting the weakened demand caused by the challenging market situation for off-road machines.

During 2024, we have concentrated the production of thermal insulation components to our Czech factory. This will improve our competitiveness in emission control and thermal component products in the future. The construction of the 2,000 m<sup>2</sup> expansion at our Czech plant started during the third quarter. The plant expansion should be completed earlier than expected, during the first half of 2025.

In battery operations, we announced our cooperation with the Norwegian battery cell manufacturer Morrow Batteries during the third quarter. The goal of the partnership is to develop a wholly European lithium-iron-phosphate (LFP) battery system for heavy off-road machine applications. The expanding battery product range provides growth opportunities for battery operations not only in the off-road machinery industry but also in other industrial sectors that have similar electrification demands to off-road machines.

Net sales for the Test Solutions business were EUR 1.7 (2.6) million in the third quarter of the year. Net sales decreased by 33.1% compared to the corresponding period of the previous year. EVA product family projects, which were still largely in the design and preparation phase during the first half of the year, moved into production in the summer. However, three of these projects were halted at the end of the review period as battery manufacturer customers belonging to the same group delivered us notices of suspension of work. After the review period, one of these customers informed us that it had filed for bankruptcy.

The continuation of these projects depends, for one project, on the customer's plan and, for the other two projects, on the outcomes of the bankruptcy and discussions with alternative customers. According to our assessment, it is not likely that the projects will continue during the rest of 2024. The suspended projects are estimated to amount to EUR 1.0 million loss, which has been recognized in the third quarter. We have reorganized resources in the Test Solutions business and brought forward the start of customer projects scheduled for 2025. Despite these actions, the Test Solutions business area's net sales are estimated to remain low, and the result is estimated to be negative in the last quarter.

During the third quarter, Sanna Raatikainen, general counsel, and Jari Granath, product manager for batteries, were appointed to our Management Team.

We are continuously working on securing significant new customers, and there is strong interest from our customers in our products. Therefore, we remain very confident about our growth prospects for the coming years.

## KEY FIGURES

EUR 1,000	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Net sales	10,690	11,338	34,970	39,038	54,296
Change in net sales, %	-5.7%	- *	-10.4%	- *	5.4%
Operating profit	-784	808	942	3,409	6,134
Operating profit, %	-7.3%	1.5%	2.7%	8.7%	11.3%
Earnings per share (EPS), undiluted, EUR	-0.05	0.02	0.03	0.15	0.29
Earnings per share (EPS), diluted, EUR	-0.04	0.02	0.03	0.14	0.27
Return on equity (ROE), %	11.2%	- *	11.2%	- *	20.9%
Equity ratio, %	62.4%	60.5%	62.4%	60.5%	62.9%
Return on capital employed (ROCE), %	14.4%	- *	14.4%	- *	22.7%
Interest-bearing liabilities	3,706	5,341	3,706	5,341	4,939
Net debt	-6,058	-1,228	-6,058	-1,228	-6,394
Investments	970	392	2,435	2,165	3,321

\* The key figure is not available for the periods 1-9/2023 or 7-9/2023, as IFRS comparative data has not been prepared for the corresponding periods of the financial year 2022.

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

## NET SALES

The group's net sales in January–September 2024 was EUR 35.0 (39.0) million. Net sales decreased by 10.4% from the comparative period. Net sales of the Off-road Machinery Systems and Components business area decreased by 0.1% to EUR 31.1 (31.2) million. The Test Solutions business area's

net sales decreased by 51.3% from the comparative period to EUR 3.8 (7.9) million. The Off-road Machinery Systems and Components business area accounted for 89.0% (79.9%) of total net sales, while the Test Solutions business area made up 11.0% (20.1%).

In January–September, Europe accounted for 97.5% (89.7%) of total net sales.

### NET SALES BY BUSINESS AREA

EUR 1,000	7-9/2024	7-9/2023	Change, %	1-9/2024	1-9/2023	Change, %	1-12/2023
Off-road Machinery Systems and Components	8,980	8,781	2.3%	31,136	31,171	-0.1%	42,557
Test Solutions	1,710	2,557	-33.1%	3,834	7,866	-51.3%	11,739
<b>Total</b>	<b>10,690</b>	<b>11,338</b>	<b>-5.7%</b>	<b>34,970</b>	<b>39,038</b>	<b>-10.4%</b>	<b>54,296</b>

### NET SALES BY MARKET AREA

EUR 1,000	7-9/2024	7-9/2023	Change, %	1-9/2024	1-9/2023	Change, %	1-12/2023
Europe	10,164	11,031	-7.9%	34,112	35,011	-2.6%	50,138
Other continents	526	307	71.5%	858	4,027	-78.7%	4,158
<b>Total</b>	<b>10,690</b>	<b>11,338</b>	<b>-5.7%</b>	<b>34,970</b>	<b>39,038</b>	<b>-10.4%</b>	<b>54,296</b>

## PERFORMANCE AND FINANCIAL POSITION

In January–September 2024, the operating profit was EUR 0.9 (3.4) million, representing 2.7% (8.7%) of net sales. Profit was EUR 0.4 (2.4) million. Undiluted earnings per share were EUR 0.03 (0.15), while diluted earnings per share were EUR 0.03 (0.14).

The group's liquid assets at the end of September 2024 stood at EUR 9.8 (6.6) million. Interest-bearing liabilities including lease liabilities totalled EUR 3.7 (5.3) million at the end of the review period.

## EVENTS AFTER REVIEW PERIOD

On 8 October 2024 Test Solutions business area battery manufacturer customer informed that it had filed for bankruptcy. The continuation of the two projects to be delivered to the customer in

question depends on the outcomes of the bankruptcy and the discussions with alternative customers.

## OUTLOOK

Net sales and operating profit for 2024 are estimated to be lower than in 2023. 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). The same accounting principles are followed in the business review as in the financial statements on 31 December 2023. The figures presented have been rounded from exact figures. The figures indicated in the business review are unaudited.

## CONSOLIDATED INCOME STATEMENT

EUR 1,000	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Net sales	10,690	14,757	34,970	39,038	54,296
Other operating income	9	-4	51	38	111
Materials and services	-7,162	-8,762	-19,608	-21,207	-28,591
Employee benefit expenses	-2,160	-2,161	-7,858	-7,859	-10,514
Depreciation and impairment	-917	-1,030	-2,755	-2,868	-4,012
Other operating expenses	-1,244	-1,118	-3,858	-3,732	-5,156
<b>Operating profit</b>	<b>-784</b>	<b>1,683</b>	<b>942</b>	<b>3,409</b>	<b>6,134</b>
Financial income	101	-79	357	177	250
Financial expenses	-263	-55	-747	-539	-707
<b>Profit before taxes</b>	<b>-946</b>	<b>1,548</b>	<b>552</b>	<b>3,047</b>	<b>5,678</b>
Income tax	188	-327	-103	-618	-1,009
<b>Profit for the period</b>	<b>-758</b>	<b>1,221</b>	<b>450</b>	<b>2,429</b>	<b>4,668</b>
<b>Profit attributable to owners of the parent company</b>	<b>-758</b>	<b>1,221</b>	<b>450</b>	<b>2,429</b>	<b>4,668</b>
<b>Earnings per share calculated on profit attributable to owners of the parent company</b>					
Undiluted earnings per share, EUR	-0.05	0.02	0.03	0.15	0.29
Diluted earnings per share, EUR	-0.04	0.02	0.03	0.14	0.27

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1,000	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
<b>Profit for the period</b>	<b>-758</b>	<b>1,221</b>	<b>450</b>	<b>2,429</b>	<b>4,668</b>
<b>Items of other comprehensive income</b>					
Items that may be reclassified to profit or loss at a later date					
Translation differences from foreign units	0	50	-56	-6	-13
<b>Other items of comprehensive income for the period, total</b>	<b>0</b>	<b>50</b>	<b>-56</b>	<b>-6</b>	<b>-13</b>
<b>Comprehensive income for the period</b>	<b>-758</b>	<b>1,271</b>	<b>394</b>	<b>2,422</b>	<b>4,655</b>
<b>Comprehensive income for the period attributable to owners of the parent company</b>	<b>-758</b>	<b>1,271</b>	<b>394</b>	<b>2,422</b>	<b>4,655</b>

# CONSOLIDATED BALANCE SHEET

EUR 1,000	30.9.2024	30.9.2023	31.12.2023
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	3,876	3,372	3,357
Property, plant and equipment	5,496	5,253	5,504
Right-of-use assets	3,344	4,399	4,175
Non-current receivables	50	50	50
Deferred tax assets	261	223	285
<b>Total non-current assets</b>	<b>13,026</b>	<b>13,297</b>	<b>13,370</b>
<b>Current assets</b>			
Inventories	9,983	9,261	6,829
Sales receivables	5,222	5,159	5,900
Other receivables	757	656	869
Contract assets	145	4,594	2,212
Accrued income	970	777	780
Cash and cash equivalents	9,764	6,568	11,332
<b>Total current assets</b>	<b>26,841</b>	<b>27,017</b>	<b>27,923</b>
<b>TOTAL ASSETS</b>	<b>39,867</b>	<b>40,313</b>	<b>41,294</b>

EUR 1,000	30.9.2024	30.9.2023	31.12.2023
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Share capital	1,090	1,090	1,090
Invested unrestricted equity reserve	7,377	7,277	7,277
Translation differences	-40	18	12
Retained earnings	14,772	11,501	11,513
Profit for the period	450	2,429	4,668
<b>Shareholders' equity, total</b>	<b>23,650</b>	<b>22,315</b>	<b>24,560</b>
<b>Non-current liabilities</b>			
Financial liabilities	0	240	150
Lease liabilities	2,231	3,286	3,076
Provisions	1,062	1,018	1,003
<b>Total non-current liabilities</b>	<b>3,294</b>	<b>4,545</b>	<b>4,229</b>
<b>Current liabilities</b>			
Financial liabilities	240	610	510
Lease liabilities	1,234	1,204	1,202
Contract liabilities	1,951	3,454	2,230
Trade payables	4,619	5,462	4,641
Other liabilities	775	818	1,644
Deferred income	4,104	1,904	2,277
<b>Total current liabilities</b>	<b>12,924</b>	<b>13,453</b>	<b>12,505</b>
<b>Total liabilities</b>	<b>16,217</b>	<b>17,998</b>	<b>16,734</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>39,867</b>	<b>40,313</b>	<b>41,294</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>	$\frac{(\text{profit before taxes} + \text{income taxes})}{\text{Average shareholders' equity during the period}} \times 100$	
<b>Equity ratio, %</b>	$\frac{\text{Shareholders' equity}}{(\text{balance sheet total} - \text{contract liabilities})} \times 100$	
<b>Return on capital employed (ROCE), %</b>	$\frac{(\text{profit before taxes} + \text{financing expences})}{(\text{Average shareholders' equity during the period} + \text{average interest-bearing liabilities during the period})} \times 100$	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>Interest-bearing liabilities</b>	Total long-term and short-term loans from financial institutions + Lease liabilities	
<b>Net debt</b>	Total long-term and short-term loans from financial institutions + Lease 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.

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.





Proventia Group Corporation  
Tietotie 1, 90460 Oulunsalo  
Tel. +358 20 781 0200  
info@proventia.com  
www.proventia.com