



# **PROVENTIA GROUP CORPORATION**

**BUSINESS REVIEW  
JANUARY-SEPTEMBER 2023**

# PROVENTIA GROUP CORPORATION'S BUSINESS REVIEW

## JANUARY-SEPTEMBER 2023

### Net sales decreased as expected, relative profitability improved

#### July-September 2023 in brief

- The Group's net sales decreased by 25.3% from the previous year to EUR 11.5 (15.4) million.
- Operating profit was EUR 0.7 (0.8) million.
- Profit for the period was EUR 0.3 (0.6) million.

#### January-September 2023 in brief

- The Group's net sales decreased by 1.8% from the previous year to EUR 38.5 (39.2) million.
- Operating profit increased to EUR 2.8 (1.4) million.
- Profit for the period was EUR 2.0 (1.0) million.

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

#### President and CEO Jari Lotvonen:

In the third quarter, the unstable world situation continued and the market was marked by an expectant mood. Compared to the third quarter of the previous year, our net sales decreased by 25.3%, which was largely due to the project-like nature of the Test Solutions business and the significant entries as income in the comparison period. Despite the decline in net sales, the operating profit margin for the third quarter increased from 5.2% to 6.0%. Net sales for January–September were almost at the previous year's level and, as a result of successful cost management, the operating profit margin increased from 3.5% to 7.2%.

We continued our strategy work in the third quarter and in this context, we also decided to change the name of the Powertrain Systems and Components business area to Off-road Machinery Systems and Components business area. This business includes Proventia's emission control systems, thermal components and batteries, all of which are primarily used for various machinery applications and their engines.

Net sales of the Off-road Machinery Systems and Components business increased by almost 18% in January–September compared to the previous year. Demand for emission control systems and thermal components in the OEM customer segment remained at a good level. Production volumes of the new product have increased at our Czech plant during the year, and the desired serial production volume will be reached in the coming months. Our production is also preparing for serial production of products coming to the market next year. We successfully commissioned the Czech factory's solar power plant, which now generates a significant part of the factory's electricity consumption. Customer pilot projects of battery systems for non-road machinery also continued as planned.

As expected, the net sales of the Test Solutions business decreased from the comparison period. In accordance with our strategy, we have focused on the test solutions of EVA product family and thereby improved the profitability of the business. The EVA product family, which is aimed at the development

and testing of batteries, has attracted interest in the market. As proof of this, we received a customer order worth EUR 1.9 million from the EVA solution in August. In addition, after the end of the review period, we have received orders for four EVA test solutions, totaling EUR 8.5 million. The systems will be delivered during 2024 and 2025.

We continued working on our sustainability programme, for example, by integrating sustainability aspects into our strategy and developing a sustainability policy that outlines our key sustainability principles and commitments that guide our operations.

## KEY FIGURES

Sums in EUR	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Net sales	11,472,154	15,365,624	38,468,787	39,192,664	51 692 324
Change in net sales, %	-25.3%	42.3%	-1.8%	11.9%	11,0%
Operating profit	687,720	796,905	2,753,470	1,357,603	1 902 521
Operating profit, %	6.0%	5.2%	7.2%	3.5%	3.7%
Earnings per share (EPS), undiluted	0.02	0.04	0.12	0.07	0.10
Earnings per share (EPS), diluted	0.02	0.04	0.12	0.06	0.09
Return on equity (ROE), %	11.7%	7.2%	11.7%	7.2%	7.7%
Equity ratio, %	68.9%	66.2%	68.9%	66.2%	65.3%
Return on capital employed (ROCE), %	16.4%	12.1%	16.4%	12.1%	11.7%
Interest-bearing liabilities	850,000	1,485,000	850,000	1,485,000	1,320,000
Net debt	-5,718,339	-1,068,725	-5,718,339	-1,068,725	-3,494,052
Investments	392,233	1,009,755	2,071,408	2,257,783	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–September 2023 was EUR 38.5 (39.2) million. Net sales decreased by 1.8% from the comparative period (11.9%). Net sales of the Off-road Machinery Systems and Components business area increased by 17.6% to EUR 30.6 (26.0) million. The Test Solutions business area's net sales decreased by 40.3% from the comparative period to EUR 7.9 (13.2) million. The Off-road Machinery Systems and Components business area accounted for 79.6% (66.4%) of total net sales, while the Test Solutions business area made up 20.4% (33.6%).

In January–September, Europe accounted for 89.7% (88.0%) of total net sales.

### Net sales by business area

Sums in EUR	1-9/2023	1-9/2022	Change, %	1-12/2022
Off-road Machinery Systems and Components	30,602,746	26,011,788	17.6%	35,824,911
Test Solutions	7,866,041	13,180,876	-40.3%	15,867,413
<b>Total</b>	<b>38,468,787</b>	<b>39,192,664</b>	<b>-1.8%</b>	<b>51,692,324</b>

## Net sales by market area

Sums in EUR	1-9/2023	1-9/2022	Change, %	1-12/2022
Europe	34,516,587	34,477,280	0.1%	45,319,166
Other continents	3,952,200	4,715,384	-16.2%	6,373,158
<b>Total</b>	<b>38,468,787</b>	<b>39,192,664</b>	<b>-1.8%</b>	<b>51,692,324</b>

## PERFORMANCE AND FINANCIAL POSITION

In January–September 2023, the operating profit was EUR 2.8 (1.4) million, representing 7.2% (3.5%) of net sales. Profit was EUR 2.0 (1.0) million. Undiluted earnings per share were EUR 0.12 (0.07), while diluted earnings per share were EUR 0.12 (0.06).

The group's liquid assets at the end of September 2023 stood at EUR 6.6 (2.6) million. Interest-bearing liabilities totalled EUR 0.9 (1.5) million at the end of the review period.

## EVENTS AFTER THE REPORTING PERIOD

In October 2023, the company received an order worth a total EUR 8.5 million for EVA battery test solutions.

## 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.

## ACCOUNTING PRINCIPLES

Proventia Group's business review has been prepared in accordance with Finnish accounting principles. There were no significant changes in the accounting principles during the review period. The figures presented have been rounded from exact figures. The figures indicated in the business review are unaudited.

## CONSOLIDATED INCOME STATEMENT

Sums in EUR	1.7.2023- 30.9.2023	1.7.2022- 30.9.2022	1.1.2023- 30.9.2023	1.1.2022- 30.9.2022	1.1.2022- 31.12.2022
<b>Net sales</b>	11,472,154	15,365,624	38,468,787	39,192,664	51,692,324
Change in inventories of finished goods and work in progress	-78,821	33,489	273,505	440,095	72,394
Other operating income	-20,443	17,032	37,615	90,050	309,219
Materials and services	-6,221,698	-10,473,348	-21,577,194	-24,733,746	-31,870,832
Personnel expenses	-2,429,621	-1,952,961	-7,796,003	-6,713,731	-8,966,691
Depreciation and impairment	-607,887	-573,155	-1,871,394	-1,673,899	-2,282,817
Other operating expenses	-1,425,964	-1,619,776	-4,781,847	-5,243,832	-7,051,076
<b>Operating profit</b>	<b>687,720</b>	<b>796,905</b>	<b>2,753,470</b>	<b>1,357,603</b>	<b>1,902,521</b>
Financial income and expenses	-283,595	5,043	-262,710	6,787	14,848
<b>Profit before taxes</b>	<b>404,125</b>	<b>801,948</b>	<b>2,490,760</b>	<b>1,364,389</b>	<b>1,917,368</b>
Income tax	-94,349	-168,074	-505,158	-322,838	-377,943
<b>Profit for the period</b>	<b>309,776</b>	<b>633,874</b>	<b>1,985,602</b>	<b>1,041,551</b>	<b>1,539,425</b>

## CONSOLIDATED BALANCE SHEET

Sums in EUR	30.9.2023	30.9.2022	31.12.2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	3,371,872	2,758,519	3,260,814
Tangible assets	5,253,015	5,285,539	5,164,059
<b>Non-current assets, total</b>	<b>8,624,888</b>	<b>8,044,057</b>	<b>8,424,873</b>
<b>Current assets</b>			
Inventories	9,360,947	8,357,040	9,142,745
Non-current receivables			
Other receivables	49,565	49,565	49,565
Non-current receivables, total	49,565	49,565	49,565
Current receivables			
Sales receivables	5,209,660	5,452,183	3,600,814
Other receivables and accrued income	29,583,954	18,737,678	21,345,151
Current receivables, total	34,793,614	24,189,861	24,945,965
Cash and cash equivalents	6,568,339	2,553,725	4,814,052
<b>Current assets, total</b>	<b>50,772,464</b>	<b>35,150,191</b>	<b>38,952,326</b>
<b>TOTAL ASSETS</b>	<b>59,397,352</b>	<b>43,194,248</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	7,277,066	7,015,266	7,015,266
Retained earnings	11,735,905	10,677,636	10,683,461
Profit for the period	1,985,602	1,041,551	1,539,425
<b>Shareholders' equity, total</b>	<b>22,088,854</b>	<b>19,824,734</b>	<b>20,328,433</b>
Obligatory provisions	974,239	925,572	948,637
<b>Debt</b>			
Non-current debt			
Loans from financial institutions	240,000	825,000	660,000
Non-current debt, total	240,000	825,000	660,000
Current debt			
Loans from financial institutions	610,000	660,000	660,000
Advances received	27,335,815	13,259,467	16,264,662
Trade payables	5,462,378	5,962,238	5,707,728
Other payables and deferred income	2,686,066	1,737,238	2,807,740
Current debt, total	36,094,259	21,618,942	25,440,130
<b>Debt, total</b>	<b>36,334,259</b>	<b>22,443,942</b>	<b>26,100,130</b>
<b>TOTAL LIABILITIES</b>	<b>59,397,352</b>	<b>43,194,248</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.

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.