

PROVENTIA GROUP CORPORATION  
HALF-YEAR FINANCIAL REPORT  
JANUARY-JUNE 2024

# PROVENTIA GROUP CORPORATION'S HALF-YEAR FINANCIAL REPORT JANUARY-JUNE 2024

## SLOWER-THAN-EXPECTED GROWTH AND STRUCTURAL CHANGE IN THE TEST SOLUTIONS BUSINESS WERE REFLECTED IN NET SALES AND PROFITABILITY

### April-June 2024 in brief

- The Group's net sales decreased by 6.3% from the previous year to EUR 13.3 (14.2) million.
- Operating profit was EUR 1.4 (1.8) million.
- Profit for the period was EUR 1.1 (1.4) million.
- Earnings per share (undiluted) were EUR 0.07 (0.09).

### January-June 2024 in brief

- The Group's net sales decreased by 12.3% from the previous year to EUR 24.3 (27.7) million.
- Operating profit was EUR 1.7 (2.6) million.
- Profit for the period was EUR 1.2 (2.1) million.
- Earnings per share (undiluted) were 0.07 (0.13).
- The group had 213 (203) employees at the end of June.

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

## PRESIDENT AND CEO JARI LOTVONEN:

In the first half of the year, net sales remained at a lower level than in the comparison period, amounting to EUR 24.3 (27.7) million. This decrease resulted mainly from the project-based nature of the Test Solutions business. Projects were still largely in their early phases, and no significant revenue was recognized. In the OEM customer segment, emission control systems deliveries increased slightly from the previous year, although they were lower than expected. The operating profit for the first half of the year stood at EUR 1.7 (2.6) million, with the operating profit rate 7.1% (9.4%).

In Off-Road Machinery Systems and Components, net sales remained at the comparison period's level at EUR 22.2 (22.4) million. Demand did not grow as expected in the agricultural machine industry, which is a significant segment for us. Stock levels of agricultural machine retailers were high, as demand for machines fell globally among end customers. The production volumes of machine manufacturers fell short of estimates, resulting in emission control system and thermal component deliveries falling below expectations. The delivery volumes of retrofit systems were significantly lower than the previous year. New research and development projects in emission control and battery products proceeded as planned. We also continued our investments to develop our plant in the Czech Republic and to increase its production capacity.

Test Solutions' net sales for January-June decreased by 60% from the comparison period. The decrease in net sales results is a result of the structural change in the business model from a project-based to product-based business, as well as

the timing of customer project revenue recognition, which occurs mainly at the end of the year. In the Test Solutions business, several customer projects from the Proventia EVA (Evaluate, Validate, Approve) product family are in production. Among these customer projects is the first EVA H2 test laboratory, which we developed for testing the performance and durability of hydrogen fuel cells. This will be delivered to Intelligent Energy in the UK.

We have continued our sustainability activities, set our climate goals in accordance with the Science Based Targets initiative (SBTi) and prepared a roadmap to achieve these goals. Our

aim is to reduce our Scope 1 and Scope 2 emissions by 50% by 2030 and achieve zero net emissions by 2050. We have started to prepare for sustainability reporting in accordance with the Corporate Sustainability Reporting Directive (CSRD), which will apply to us from the 2025 financial year.

During the first half of the year, we conducted personnel and customer satisfaction surveys. The personnel survey produced an eNPS of 34 (17), and the customer satisfaction survey an NPS of 71 (51). Our agility, our ability to respond to customer needs and our plant in the Czech Republic were given especially high ratings in the customer satisfaction survey.

## KEY FIGURES

EUR 1,000	4-6/2024	4-6/2023	1-6/2024	1-6/2023	1-12/2023
Net sales	13,326	14,225	24,280	27,700	54,296
Change in net sales, %	-6.3%	- *	-12.3%	- *	5.4%
Operating profit	1,360	1,799	1,727	2,601	6,134
Operating profit, %	10.2%	12.6%	7.1%	9.4%	11.3%
Earnings per share (EPS), undiluted, EUR	0.07	0.09	0.07	0.13	0.29
Earnings per share (EPS), diluted, EUR	0.07	0.08	0.07	0.12	0.27
Return on equity (ROE), %	15.6%	- *	15.6%	- *	20.9%
Equity ratio, %	64.2%	57.5%	64.2%	57.5%	62.9%
Return on capital employed (ROCE), %	18.9%	- *	18.9%	- *	22.7%
Interest-bearing liabilities	4,128	5,779	4,128	5,779	4,939
Net debt	-7,912	2,821	-7,912	-1,968	-6,394
Investments	596	1,254	1,465	1,773	3,321

\* The key figure is not available for the period 1-6/2023 as IFRS calculations have not been prepared for the comparative period 1-6/2022.

The formulas used to calculate the key figures are shown on page 11.

## NET SALES

The group's net sales in January–June 2024 stood at EUR 24.3 (27.7) million. Net sales decreased by 12.3% from the comparative period. Net sales of the Off-road Machinery Systems and Components business area decreased by 1.0% to EUR 22.2 (22.4) million. The Test Solutions business area's

net sales decreased by 60.0% from the comparative period to EUR 2.1 (5.3) million. The Off-road Machinery Systems and Components business area accounted for 91.3% (80.8%) of total net sales, while the Test Solutions business area made up 8.7% (19.2%).

In January–June, Europe accounted for 98.6% (86.6%) of total net sales.

### NET SALES BY BUSINESS AREA

EUR 1,000	1-6/2024	1-6/2023	Change, %	1-12/2023
Off-road Machinery Systems and Components	22,156	22,391	-1.0%	42,557
Test Solutions	2,124	5,309	-60.0%	11,739
<b>Total</b>	<b>24,280</b>	<b>27,700</b>	<b>-12.3%</b>	<b>54,296</b>

### NET SALES BY MARKET AREA

EUR 1,000	1-6/2024	1-6/2023	Change, %	1-12/2023
Europe	23,948	23,980	-0.1%	50,138
Other continents	332	3,720	-91.1%	4,158
<b>Total</b>	<b>24,280</b>	<b>27,700</b>	<b>-12.3%</b>	<b>54,296</b>

## PERFORMANCE AND FINANCIAL POSITION

In January–June 2024, the operating profit was EUR 1.7 (2.6) million, representing 7.1% (9.4%) of net sales. Profit was EUR 1.2 (2.1) million.

Undiluted earnings per share were EUR 0.07 (0.13), while diluted earnings per share were EUR 0.07 (0.12).

During the first half of 2024, cash flow from operating activities was EUR 4.3 (6.1) million. The group's liquid assets at the end of June 2024 stood at EUR 12.0 (7.7) million. Interest-bearing liabilities including lease liabilities totalled EUR 4.1 (5.8) million at the end of the review period.

## RESEARCH AND DEVELOPMENT

R&D expenses totalled EUR 1.4 (2.4) million, representing 5.9% (8.8%) of the net sales. R&D

expenses of EUR 0.7 (0.5) million have been capitalized on the balance sheet as development expenses. R&D expenses recognized through profit or loss totalled EUR 0.7 (1.9) million.

## PERSONNEL

At the end of June 2024, Proventia had 213 (203) employees. Of these, 146 worked in Finland, 66 in the Czech Republic and 1 in the UK.

## IMPLEMENTING THE STRATEGY

In the OEM off-road machine customer segment, Proventia continued its investments in the R&D and manufacturing of exhaust aftertreatment systems, thermal components and batteries. The company continued its close R&D cooperation with both current and new customers, which include leading companies in the off-road machinery market. In addition, the company continued its

investments to develop the Czech plant and ensure the production capacity of its products for the coming years.

In its Test Solutions business, Proventia focuses on the marketing and sales of productised battery test solutions, or EVA products, in line with its strategy.

Proventia is actively monitoring customer satisfaction and seeks to systematically improve the customer experience. We participate in international conferences and trade fairs in the sector.

We are systematically monitoring the delivery reliability, quality and sustainability of our operations and those of our suppliers and seek to continuously optimise operations and costs by regularly evaluating and improving our processes.

## SHORT-TERM RISKS AND UNCERTAINTIES

Due to weak demand prospects, machine manufacturers' production volumes are expected to be lower this year, which will affect the development of net sales.

Uncertainties in electric vehicle markets may make manufacturers less eager to invest in R&D and test solutions for batteries which may reduce demand for the EVA product range.

Proventia's operations involve information security risks. Cyberthreats and attacks targeted at the company's critical systems may impede the company's operations and jeopardise its ability to operate.

Proventia's business risks have been described in more detail in the 2023 financial statements.

## OUTLOOK

Net sales and operating profit for 2024 are estimated to be lower than in 2023. (Previous estimate: 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 six-month interim report are unaudited.

## CONSOLIDATED INCOME STATEMENT (IFRS)

EUR 1,000	4-6/2024	4-6/2023	1-6/2024	1-6/2023	1-12/2023
Net sales	13,326	14,225	24,280	27,700	54,296
Other operating income	36	8	42	58	111
Materials and services	-6,810	-7,434	-12,446	-15,148	-28,591
Employee benefit expenses	-2,875	-2,751	-5,698	-5,421	-10,514
Depreciation and impairment	-919	-956	-1,838	-1,949	-4,012
Other operating expenses	-1,397	-1,295	-2,614	-2,639	-5,156
<b>Operating profit</b>	<b>1,360</b>	<b>1,799</b>	<b>1,727</b>	<b>2,601</b>	<b>6,134</b>
Financial income	113	77	256	272	250
Financial expenses	-111	-153	-484	-319	-707
<b>Profit before taxes</b>	<b>1,362</b>	<b>1,723</b>	<b>1,498</b>	<b>2,554</b>	<b>5,678</b>
Income tax	-233	-331	-291	-502	-1,009
<b>Profit for the period</b>	<b>1,130</b>	<b>1,392</b>	<b>1,208</b>	<b>2,053</b>	<b>4,668</b>
<b>Profit attributable to owners of the parent company</b>	<b>1,130</b>	<b>1,392</b>	<b>1,208</b>	<b>2,053</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	0.07	0.09	0.07	0.13	0.29
Diluted earnings per share, EUR	0.07	0.08	0.07	0.12	0.27

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1,000	4-6/2024	4-6/2023	1-6/2024	1-6/2023	1-12/2023
<b>Profit for the period</b>	<b>1,130</b>	<b>1,392</b>	<b>1,208</b>	<b>2,053</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	-45	-6	-54	3	-13
<b>Other items of comprehensive income for the financial year, total</b>	<b>-45</b>	<b>-6</b>	<b>-54</b>	<b>3</b>	<b>-13</b>
<b>Comprehensive income for the financial year</b>	<b>1,085</b>	<b>1,387</b>	<b>1,154</b>	<b>2,056</b>	<b>4,655</b>
<b>Comprehensive income for the financial year attributable to owners of the parent company</b>	<b>1,085</b>	<b>1,387</b>	<b>1,154</b>	<b>2,056</b>	<b>4,655</b>

## CONSOLIDATED BALANCE SHEET (IFRS)

EUR 1,000	30.6.2024	30.6.2023	31.12.2023
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	3,662	3,295	3,357
Property, plant and equipment	5,343	5,546	5,504
Right-of-use assets	3,657	4,710	4,175
Non-current receivables	50	50	50
Deferred tax assets	257	223	285
<b>Total non-current assets</b>	<b>12,969</b>	<b>13,823</b>	<b>13,370</b>
<b>Current assets</b>			
Inventories	8,959	9,054	6,829
Sales receivables	4,945	4,909	5,900
Other receivables	990	771	869
Contract assets	619	1,999	2,212
Accrued income	837	780	780
Cash and cash equivalents	12,040	7,747	11,332
<b>Total current assets</b>	<b>28,390</b>	<b>25,259</b>	<b>27,923</b>
<b>TOTAL ASSETS</b>	<b>41,359</b>	<b>39,082</b>	<b>41,294</b>

EUR 1,000	30.6.2024	30.6.2023	31.12.2023
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Share capital	1,090	1,090	1,090
Invested unrestricted equity reserve	7,377	7,015	7,277
Translation differences	-37	27	12
Retained earnings	14,752	11,490	11,513
Profit for the period	1,208	2,053	4,668
<b>Shareholders' equity, total</b>	<b>24,390</b>	<b>21,675</b>	<b>24,560</b>
<b>Non-current liabilities</b>			
Financial liabilities	0	330	150
Lease liabilities	2,538	3,581	3,076
Provisions	1,087	1,032	1,003
<b>Total non-current liabilities</b>	<b>3,626</b>	<b>4,943</b>	<b>4,229</b>
<b>Current liabilities</b>			
Financial liabilities	355	660	510
Lease liabilities	1,234	1,208	1,202
Contract liabilities	3,390	1,378	2,230
Trade payables	5,110	6,189	4,641
Other liabilities	1,217	978	1,644
Deferred income	2,037	2,051	2,277
<b>Total current liabilities</b>	<b>13,343</b>	<b>12,463</b>	<b>12,505</b>
<b>Total liabilities</b>	<b>16,969</b>	<b>17,407</b>	<b>16,734</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>41,359</b>	<b>39,082</b>	<b>41,294</b>



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR 1,000	Share capital	Invested unrestricted equity reserve	Translation differences	Retained earnings	Shareholders' equity, total
<b>Shareholders' equity, Jan 1, 2024</b>	1,090	7,277	12	16,181	24,560
Profit for the period				1,208	1,208
Translation differences			-54		-54
<b>Total items of comprehensive income for the financial year after taxes</b>	<b>0</b>	<b>0</b>	<b>-54</b>	<b>1,208</b>	<b>1,154</b>
Share issue		100			100
Share-based payments				28	28
Dividend				-1,452	-1,452
<b>Transactions with owners</b>	<b>0</b>	<b>100</b>	<b>0</b>	<b>-1,425</b>	<b>-1,324</b>
<b>Shareholders' equity, Jun 30, 2024</b>	<b>1,090</b>	<b>7,377</b>	<b>-42</b>	<b>15,964</b>	<b>24,390</b>

<b>Shareholders' equity, Jan 1, 2023</b>	1,090	7,015	25	11,948	20,078
Profit for the period				2,053	2,053
Translation differences			3		3
<b>Total items of comprehensive income for the financial year after taxes</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>2,053</b>	<b>2,056</b>
Share issue					0
Share-based payments				23	23
Dividend				-481	-481
<b>Transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-458</b>	<b>-458</b>
<b>Shareholders' equity, Jun 30, 2023</b>	<b>1,090</b>	<b>7,015</b>	<b>27</b>	<b>13,542</b>	<b>21,675</b>

<b>Shareholders' equity, Jan 1, 2023</b>	1,090	7,015	25	11,948	20,078
Profit for the period				4,668	4,668
Translation differences			3		3
<b>Total items of comprehensive income for the financial year after taxes</b>	<b>0</b>	<b>0</b>	<b>-13</b>	<b>4,668</b>	<b>4,655</b>
Share issue		262			262
Share-based payments				46	46
Dividend				-481	-481
<b>Transactions with owners</b>	<b>0</b>	<b>262</b>	<b>0</b>	<b>-435</b>	<b>-173</b>
<b>Shareholders' equity, Dec 31, 2023</b>	<b>1,090</b>	<b>7,277</b>	<b>12</b>	<b>16,181</b>	<b>24,560</b>

# CONSOLIDATED CASH FLOW STATEMENT

EUR 1,000	1-6/2024	1-6/2023	1-12/2023
<b>Cash flow from operating activities</b>			
Profit for the period	1,208	2,053	4,668
Adjustments			
Depreciation and impairment	1,838	1,949	4,012
Financial income and expenses	228	46	457
Income tax	291	502	1,009
Other adjustment items	59	94	72
Changes in working capital			
Increase/decrease in trade and other receivables	2,418	2,244	879
Increase/decrease in inventories	-2,130	-108	2,117
Increase/decrease in trade and other payables	1,025	-277	-589
Interest and other financial expenses paid	-470	-305	-693
Interest received	237	253	205
Income taxes paid	-368	-368	-368
<b>Cash flow from operating activities</b>	<b>4,335</b>	<b>6,083</b>	<b>11,769</b>
<b>Cash flow from investing activities</b>			
Investments in tangible and intangible assets	-1,465	-1,773	-3,321
Dividends received from investments	0	0	26
<b>Cash flow from investing activities</b>	<b>-1,465</b>	<b>-1,773</b>	<b>-3,295</b>
<b>Cash flow from financing activities</b>			
Repayment of financial liabilities	-305	-330	-660
Payments based on lease liabilities	-506	-567	-1,077
Dividend	-1,452	-481	-481
Share issue	100	0	262
<b>Cash flow from financing activities</b>	<b>-2,163</b>	<b>-1,378</b>	<b>-1,956</b>
<b>Changes in cash and cash equivalents, increase (+)/decrease (-)</b>	<b>708</b>	<b>2,933</b>	<b>6,518</b>
Cash and cash equivalents at the beginning of the period	11,332	4,814	4,814
Cash and cash equivalents at the end of the period	12,040	7,747	11,332

## OTHER ADJUSTMENT ITEMS IN CASH FLOW STATEMENT

EUR 1,000	1-6/2024	1-6/2023	1-12/2023
Change in translation differences	-54	3	-13
Share-based payments	28	23	46
Change in provisions	85	68	39
<b>Total</b>	<b>59</b>	<b>94</b>	<b>72</b>

## TUNNUSLUKUJEN LASKENTAKAAVAT

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>	$\frac{(\text{profit before taxes} + \text{financing costs})}{(\text{average shareholders' equity during the period} + \text{average interest-bearing liabilities during the period})} \times 100$	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>Investoinnit</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.



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