



Tamturbo Oyj
Half-yearly report
January-June 2023

Tamturboσ

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TAMTURBO OYJ HALF-YEARLY REPORT 1.1. – 30.6.2023 (UNAUDITED)

Figures in parentheses refer to the corresponding period of the previous year, unless otherwise stated.

This half-yearly report is available in the company's website News section on address www.tamturbo.com/news/

MORE NEW GLOBAL CUSTOMERS

January-June 2023 shortly:

- Net sales increased by 18% to 2.7 million euros (comparison period January-June 2022 turnover was 2.3 million euros)
- The company received new orders for 5.0 million euros. Order intake grew by 196% compared to the corresponding period of the previous year.
- Order backlog at the end of June was 7.4 million euros, which is over four times more than at the end of the comparison period.
- EBITDA was -2.6 million euros (-2.0)
- The net result was -3.0 million euros (-2.7)

CEO Igor Nagaev :

"In the opening half of this year, Tamturbo turnover has maintained its upward trajectory, which is harmonious with our enduring objectives and the prevailing robust phase of growth for our company.

During the first half, we initiated collaboration and secured inaugural orders from three new global customers. Two of these operate within the technology sector, while the third one is firmly established in the food industry. These additions to our clientele have significantly fortified our existing customer base. Tamturbo's current customers already have more than 1,500 factories worldwide, where thousands of compressors are installed. It provides a significant foundation for our global growth.

During the first 6 months of 2023, we received a total of 5.0 million euros in new orders. Order intake grew by 196% compared to the corresponding period of the previous year. The total order backlog increased significantly from the end of 2022.

During the first half of this year, we significantly invested in improving product margins. Although sales margin after the material costs improved compared to the same period last year, our overall profitability weakened. We continuously strive to enhance profitability by reducing product costs through volume advantages and cost optimization, improving manufacturing and customer project processes, while maintaining strict control of operational expenses and customer pricing.

Tamturbo's principal markets encompass the United States and Europe. Our primary emphasis remains on further amplifying our market presence in the US and EU regions, and concurrently, expediting our market penetration in South America and the Middle East. Within our portfolio of orders, a substantial 60% stem from repeat customers who have once again selected our equipment, with the remaining 40% attributed to new customers. This distribution underscores the pronounced degree of satisfaction our customers experience with the reliability and performance of our products and solutions.

As energy costs rise, the investment recovery period for Tamturbo's solutions shortens, providing an opportunity to align expenses with product pricing. To balance growth, customer service, and margin improvement, we focus on enhancing our sales and customer support setup."



Key figures

	1-6/2023 (*)	1-6/2022 (*)	1-12/2022
Net sales, thousand euros	2 726	2 312	5 102
Change in net sales %	18 %	146 %	111 %
EBITDA, thousand euros	-2 550	-2 010	-3 917
EBIT, thousand euros	-2 790	-2 243	-4 384
Net profit, thousand euros	-2 693	-2 293	-5 015
Cash flow operations, thousand euros	-2 938	-2 800	-4 872
Equity ratio	44 %	59 %	49 %
Order backlog, thousand euros	7 382	3 131	4 604
Order intake, thousand euros	4 979	1 680	5 743
Net Gearing %	-15 %	11 %	-26 %
Earnings per share, euro	-0,18	-0,21	-0,34

(* unaudited)

Sales

Tamturbo's net sales for the first half of the year was 2.7 million euros and increased by 18% from the turnover for the first half of 2022 (2.3). The increase in turnover was due to the successful progress of the company's go-to-market strategy and the completion of several larger projects during the first half of 2023.

The new orders received during the first half of the year totaled EUR 5.0 million. Order intake grew by 196% compared to the corresponding period of the previous year. The company's total order backlog remained strong throughout the first half of the year, and the total value of the order backlog at the end of June was 7.4 million euros, which is an increase of 4.3 million euros from the end of the comparison period. The time from order to delivery and turnover is 6-21 months, depending on the customer and the content of the order. The order backlog at the moment is reflected in the turnover during the second half of the current year and the year 2024.

Operating result and profitability

Gross margin after the material costs has improved compared to comparison period. The group's EBITDA for the review period, however, weakened from the previous year and was EUR -2.6 million (-2.0). Profitability was weakened by increased costs, the development of manufacturing, sales and support organization, and the resources used for project activities. The group's operating result for the period under review weakened accordingly from the previous year and was -2.8 million euros (-2.2). An item affecting comparability in 2023 were the arrangement costs related to the subscription rights round (43 thousand euros).

Cash flow and financing

The cash flow from the operations for the first half of the year was EUR -2.9 million (-2.8) and the financing cash flow was EUR 3.2 million (5.7).

From May 10 to June 7, 2023, the company organized a subscription rights offering, in which the company collected a total of more than 3.35 million euros in gross assets from the company's owners and investors. The funds received from the share issue will primarily be used to implement the company's strategy aimed at international growth and to increase the working capital required by growth. The option loan of 232 thousand euros issued in 2019 was paid back in full to the lenders.

Short-term loans were repaid by 0 euros (164 thousand). The company's interest-bearing liabilities were EUR 3,1 million (3,5) at the end of the first half of the year. At the end of the half year, the company's liquid assets were lower than the interest-bearing loans, and the net gearing ratio was -15% (11%). At the end of the review period, the company had cash assets of 2.3 million euros (4.2).

Product development and investments

Product development expenses during the first half of the year totaled 637 thousand euros, which is an increase of 36% from the first half of 2022 (469). A total of EUR 64 thousand (69) was capitalized in the balance sheet of the half-year's product development costs, and the total amount of capitalized product development costs was EUR 4.8 million (4.9) at the end of the half-year.

In the first half of the year, capitalizations for fixed assets and other long-term expenses were 64 thousand euros (0 euros in the comparison period).

Personnel

At the end of June 2023, Tamturbo employed a total of 46 people (32), of which 1 (2) was part-time. Of the personnel, 44 (31) worked in Finland and 2 in the United States (1). Personnel expenses for the first half of the year totaled EUR 1.7 million (1.4).

Implementation of the strategy

The industrial world is undergoing an unprecedented change towards more environmentally sustainable operations. More and more customers see Tamturbo's compressors as an efficient and reliable way to simultaneously reduce both CO₂ emissions and Total Cost of Ownership. The compressors designed by Tamturbo are

100% oil-free, more energy efficient than traditional technology, and almost completely maintenance-free, which enables significant environmental and cost savings for our customers. Our compressors are the best source in the markets for completely oil-free air – there is not a single drop of oil in the compressed air, nor in the entire compressor structure, which brings additional benefits to the environment, costs, and occupational safety.

At the same time, rising energy prices and growing concern about climate change significantly increase the superiority of Tamturbo's solutions compared to traditional industrial compressor technologies. Our innovative energy recovery systems continue to increase our competitive advantage and the demand for our solutions.

Tamturbo's strong growth is driven by the opening of new large multinational key customer relationships, and growing organically within these customers. Our global customers typically have dozens or even hundreds of factories around the world. Each factory has several compressors in its installed base, so the business potential of even one customer is significant. Tamturbo's current customers already have more than 1,500 factories worldwide, where thousands of compressors are installed. Tamturbo's goal is to replace as many of these as possible with our completely oil-free compressors that save costs and the environment.

During the first half of the year, we have initiated collaborations and secured inaugural orders from three new global customers. Two of these operate within the technology sector, while the third one is firmly established in the food industry.

In addition to the huge business potential, global customers are also the best and most demanding customer references, which lowers the threshold for other new customers to invest in Tamturbo's solutions.

Sales to different factories of the global customers are carried out through Tamturbo's own sales organization or a local sales partner, and each customer is supported by an active and service-oriented partner who knows and understands the customer's needs and operating environment.

Responsibility

During the second half of the year, Tamturbo launched a collaboration and project with an experienced ESG specialist company. The goal of the project was to start outlining the company's responsibility program by finding out both the CO₂ emissions of the company's own operations (carbon footprint) and the climate benefits of Tamturbo's products and services, i.e. the emission reduction potential for our customers (carbon handprint). In addition, the goal was to find out the company's compliance with EU taxonomy legislation.

The first phase of the project was completed in early 2023. In the first phase, a life cycle assessment (LCA analysis) was performed for Tamturbo's largest and best-selling product, the TT325. As part of the LCA analysis, the company's carbon footprint was defined, and a carbon handprint analysis validated by a third party was performed. In addition, a third-party validated analysis of compliance with EU taxonomy legislation was carried out.

The goal of the first phase of the project was to demonstrate the significant carbon handprint generated by Tamturbo, and to demonstrate that Tamturbo meets the requirements set by investors for their green investment targets for sustainable development of the environment. The goals of the first phase of the project were achieved.

In addition, company received on 27.4.2023 ISO 14001:2015 Environmental Management System -certificate.

Executive team

Tamturbo's management team has remained the same during the review period. At the end of the review period, the management team of Tamturbo Oyj consisted of the following persons: Igor Nagaev, CEO; Tommi Holopainen, CFO; Brecht Vanlee, Business Director; Timo Pulkki, CGO; Hannu Heinonen, VP Americas; Heli Malinen, Marketing Director; Antti Kaura, Director Operations.

Shares and shareholders

The company organized a rights issue between 10.5.-7.6.2023 and Tamturbo's board of directors accepted the subscriptions in it's meeting on 12.6.

812 shareholders participated in the rights issue with their subscription rights, and 381 shareholders without subscription rights.

In total, 3,353,393 shares were subscribed for in the share issue at a price of 1 EUR/share, i.e. the company received new capital of 3.35 million euros. The capital raised enables the company's strong international growth phase development in accordance with the plan.

The number of shares in the company at the end of the review period was 16,333,303 shares and the shareholders totaled 1,314. The total number of options at the same time is 799,933, the options entitle to the same number of shares when exercised. Of the options, 384,990 are held by the company's current and former management and employees, 283,550 by Sulzer AG and 131,393 by Springvest's agents. The use of Sulzer AG's options is conditional on share subscriptions based on other option programs.

The company organized an extraordinary general meeting on 28th April 2022 and an annual general meeting on 30th June 2023 in Tampere. The minutes of both meetings can be found on the company's website www.tamturbo.com.

Short-term risks and uncertainties

Tamturbo's management constantly maps the risks related to the group's global business and uses various internal and external tools and routines to manage and reduce risks. The ability to identify, analyze and manage risks is crucial for effective business management.

The general economic development can affect the company's operating environment negatively. Due to the nature of the business, Tamturbo is exposed to risks related to component shortages, which are expected to continue at least in the second half of 2023.

Due to the nature of the business, Tamturbo may be subject to compensation claims, of which the final solution cannot be predicted. However, based on current information, there are no claims that are expected to have a material impact on the Group's financial position.

The delivery times for the components the company needs are sometimes long, and there may be difficulties in obtaining certain components from time to time, which can affect the business. Due to the ongoing war in Eastern Europe, high inflation, and

financial market instability, there has also been increased uncertainty in each country, which may affect our ability to deliver.

A significant part of the company's turnover comes from the sale of investment-type equipment, whose delivery duration is typically 6-21 months. There may be delays to project schedules that can significantly affect the company's committed working capital and thus the cash situation.

General weakening of the financial market, can weaken the company's ability to obtain additional financing and lead to stricter financing conditions. There is also no guarantee that Tamturbo will be able to obtain sufficient additional financing in a timely manner, and on favorable terms, to maintain its liquidity at a sufficient level, and to finance business expenses and investments.

The company is exposed to exchange rate risks because the company currently has no arrangements in place to protect itself from exchange rate fluctuations. Tamturbo's main business and cash flow reporting currency is the euro, but Tamturbo also conducts business in other currencies. The most significant foreign currency that Tamturbo currently is exposed to is the US dollar.

Tamturbo's organization is relatively small, so the importance of an individual employee to the Company's operations is relatively large. The company's future development essentially depends on the professionalism, experience and commitment of the management and other key personnel. Such persons leaving the company may have a short-term negative effect on the company. Although the company has a good reputation as an innovative technology company, and has succeeded in recruiting qualified employees in the past, there is no guarantee about the company's future capabilities to recruit new skilled employees to the desired extent. Failure to recruit and engage key personnel may have a material adverse effect on the company's business, business results, financial position, future prospects and/or the value of securities.

A beneficial owner of the company's significant shareholder is a person on the US sanctions list. As a result, the Company currently practically does not receive funding from third parties, and cannot be listed either. According to the feedback received from various financing parties, the Company is an interesting financing target as soon as the owner in question has left the Company's shareholder list.

In order to implement its strategy and grow its business, Tamturbo will probably need 5-10 million euros in additional external funding, and taking into account the above-mentioned risk description, it is not certain that it will receive funding on favorable terms or at all.

The other risks of the company and its business are described in more detail in the basic information document related to the rights issue carried out in spring 2023, which can be found on Tamturbo's website www.tamturbo.com.

Business Outlook

We expect the positive development of the business to continue also during the second half of the year 2023. However, we also expect that the high volatility of the market will continue, especially due to the ongoing war in Eastern Europe, high inflation, and financial market instability. When realized, these can affect the delivery and project schedules of customer projects and thereby cause changes in the order intake, deliveries, and revenue recognition.

ACCOUNTING PRINCIPLES

This unaudited half-yearly report for the period 1.1.-30.6.2023 has been prepared according to Finnish Accounting Standards (FAS).

Consolidated Income Statement	1.1.-30.6.2023	1.1.-30.6.2023	1.1.-31.12.2022
NET SALES	2 726 081,16	2 312 231,20	5 102 739,03
Change in the inventory of finished goods and work in progress	-57 168,63	-105 046,59	-478 921,15
Manufacturing for own use	63 728,00	94 403,06	397 457,38
Other operating income	0,00	80,00	1 969,40
Materials and services			
Raw materials and consumables			
Purchases during the financial year	-3 140 620,24	-1 791 888,23	-3 790 240,21
Change in inventories	1 030 990,56	80 697,71	181 127,18
External services	-48 115,69	-116 286,10	-157 986,89
	<u>-2 157 745,37</u>	<u>-1 827 476,62</u>	<u>-3 767 099,92</u>
Personnel expenses			
Wages and salaries	-1 526 655,32	-1 191 454,17	-2 496 816,93
Pension expenses	-241 803,11	-163 889,86	-342 210,61
Other personnel expenses	-61 765,30	-42 748,22	-92 967,68
	<u>-1 830 223,73</u>	<u>-1 398 092,25</u>	<u>-2 931 995,22</u>
Depreciation and amortization			
Depreciation according to plan	-240 302,26	-233 075,42	-468 277,86
	<u>-240 302,26</u>	<u>-233 075,42</u>	<u>-468 277,86</u>
Other operating expenses	-1 294 360,34	-1 086 365,52	-2 240 653,55
OPERATING LOSS	-2 789 991,17	-2 243 342,14	-4 384 781,89
Financial income and expenses			
Other interest and financial income			
From others	162 662,38	131 173,07	210 038,08
Interest and other financial expenses			
To others	-343 379,59	-580 509,77	-840 602,47
	<u>-180 717,21</u>	<u>-449 336,70</u>	<u>-630 564,39</u>
LOSS BEFORE APPROPRIATIONS AND TAXES	-2 970 708,38	-2 692 678,84	-5 015 346,28
LOSS FOR THE FINANCIAL YEAR	-2 970 708,38	-2 692 678,84	-5 015 346,28

Consolidated Balance Sheet

ASSETS	30.6.2023	30.6.2022	31.12.2022
NON-CURRENT ASSETS			
Intangible assets			
Development costs	4 757 451,21	4 906 262,78	4 924 759,93
Other intangible assets	47 812,53	0,00	42 231,23
Intangible assets total	4 805 263,74	4 906 262,78	4 966 991,16
Tangible assets			
Machinery and equipment	161 955,56	120 352,57	112 476,07
Machinery and equipment	161 955,56	120 352,57	112 476,07
NON-CURRENT ASSETS TOTAL	4 967 219,30	5 026 615,35	5 079 467,23
CURRENT ASSETS			
Raw materials and consumables	1 874 254,35	738 910,31	839 339,78
Work in progress	674 207,84	588 207,76	493 762,67
Finished products	0,00	520 967,28	241 537,81
Inventories total	2 548 462,19	1 848 085,35	1 574 640,26
Long-term receivables			
Prepayments and accrued income	46 274,94	0,00	0,00
Short-term receivables			
Trade receivables	1 406 804,96	1 067 529,23	1 217 304,73
Other receivables	718 047,01	121 513,86	125 750,09
Prepayments and accrued income	98 789,32	75 925,25	105 181,16
Short-term receivables total	2 223 641,29	1 264 968,34	1 448 235,98
Cash in hand and at banks	2 302 913,17	4 227 344,97	2 116 117,40
CURRENT ASSETS TOTAL	7 121 291,58	7 340 398,66	5 138 993,64
TOTAL ASSETS	12 088 510,88	12 367 014,01	10 218 460,87

EQUITY AND LIABILITIES	30.6.2023	30.6.2022	31.12.2022
EQUITY			
Share capital	81 000,00	81 000,00	81 000,00
Invested unrestricted equity fund	33 256 785,97	29 903 392,97	29 903 392,97
Retained earnings (loss)	-25 013 480,67	-20 017 441,95	-19 971 097,56
Translation differences	20 310,05	-13718,92	-27036,82
Loss for the financial year	-2 970 708,38	-2 692 678,84	-5 015 346,28
TOTAL EQUITY	5 373 906,97	7 260 553,26	4 970 912,30
PROVISIONS			
Other provisions	68 494,00	32 958,00	68 494,00
Total provisions	68 494,00	32 958,00	68 494,00
LIABILITIES			
Long-term liabilities			
Loans from credit institutions	2 411 105,50	2 583 017,44	2 470 938,50
Total long-term liabilities	2 411 105,50	2 583 017,44	2 470 938,50
Short-term liabilities			
Loans from credit institutions	571 172,90	572 148,88	629 682,36
Advances received	1 382 231,59	701 413,74	473 951,15
Accounts payable	1 120 028,58	146 820,82	369 494,39
Other liabilities	126 763,07	298 284,71	329 458,16
Accrued liabilities	1 034 808,27	771 817,16	905 530,01
Total short-term liabilities	4 235 004,41	2 490 485,31	2 708 116,07
TOTAL LIABILITIES	6 646 109,91	5 073 502,75	5 179 054,57
TOTAL EQUITY AND LIABILITIES	12 088 510,88	12 367 014,01	10 218 460,87

Calculation of key figures

Change in net sales, % = $(\text{Net sales} - \text{Previous financial year's net sales}) / \text{Previous financial year's net sales} \times 100$

EBITDA, EUR = Earnings before interest, taxes, depreciation and amortisation

EBIT, EUR = Earnings before interest and taxes

Net Profit , EUR = Total revenues - total expenses

Equity ratio, % = $\text{Total equity} / (\text{Total assets} - \text{Advance payments}) \times 100$

Order backlog, = Received legally binding orders from external customers not yet delivered to customer

Order intake, = Received legally binding orders from external customers during the period

Net Gearing, % = $(\text{Interest-bearing liabilities} - \text{Cash and cash equivalents}) / \text{Equity} \times 100$

Earnings per share, EUR = $\text{Profit for the reporting period} / \text{Weighted average number of shares outstanding}$

Tamturbo Plc
Board of Directors

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Tamturbo