

# ÅRSREDOVISNING

2022-01-01--2022-12-31

för

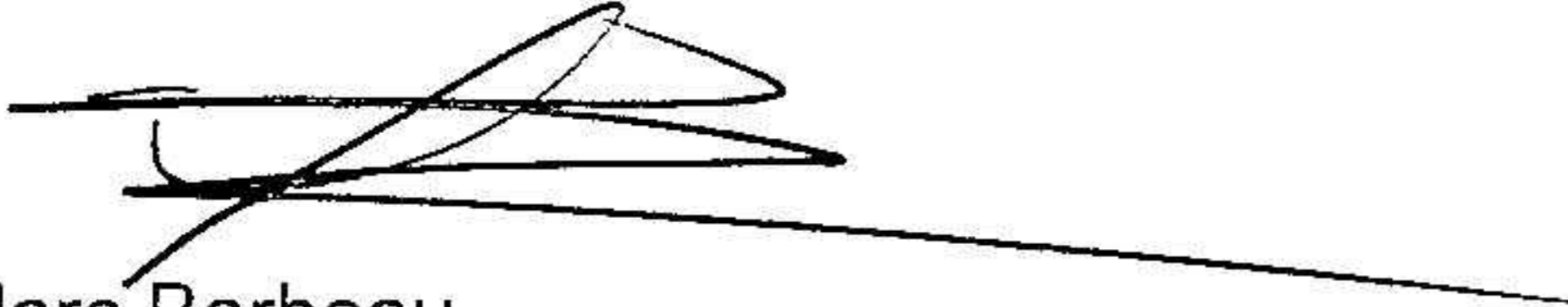
**Ovivo Europe Holding AB**  
**556728-4004**

<b>Årsredovisningen omfattar:</b>	<b>Sida</b>
Förvaltningsberättelse	2
Resultaträkning	3
Balansräkning	4
Tilläggsupplysningar	6

## FASTSTÄLLELSEINTYG

Undertecknad styrelseledamot intygar härmed, dels att denna kopia av årsredovisningen överensstämmer med originalet, dels att resultat- och balansräkningen fastställts på ordinarie bolagsstämma 2023-06-30. Stämman beslöt tillika godkänna styrelsens förslag till resultatdisposition.

Stockholm 2023-06-30

  
Marc Barbeau

Ovivo Europe Holding AB  
556728-4004

## ÅRSREDOVISNING FÖR OVIVO EUROPE HOLDING AB

Styrelsen för Ovivo Europe Holding AB avger härmed årsredovisning för räkenskapsåret 2022-01-01--2022-12-31.

### FÖRVALTNINGSBERÄTTELSE

#### Verksamhetens art och inriktning

Ovivo Europe Holding AB med sitt säte i Stockholm, registrerades 2007-04-19 hos Bolagsverket. Bolaget ska äga och förvalta lös egendom samt vara ett holdingbolag.

Bolaget ingår i den Kanadensiska Ovivo-koncernen, med Ovivo Inc, Canda som moderbolag i toppkoncernen.

#### Väsentliga händelser efter räkenskapsårets slut

Inga väsentliga händelser har inträffat efter räkenskapsårets slut.

#### Ägarförhållanden

Ovivo Inc äger samtliga aktier i bolaget, som tillika är yttersta koncernmoder.

#### Omsättning, resultat och ställning

	2022	2021	2020/2021	2019/2020
Nettoomsättning	0	0	0	0
Rörelseresultat	-57 502	-58 372	-101 563	-41 701
Resultat e. finansiella poster	-624 478	-94 876	418 100	-419 809
Balansomslutning	327 507 575	327 543 993	327 553 153	324 620 524
Soliditet (Summa eget kapital / Summa tillgångar)	97,7%	97,9%	97,9%	97,8%

#### Förslag till resultatdisposition (kronor)

Till bolagsstämmans förfogande står följande medel

Balanserade vinstmedel från föregående år	320 542 811
Årets resultat	-624 478
	<b><u>319 918 333</u></b>

Styrelsen föreslår att

i ny räkning balanseras	319 918 333
	<b><u>319 918 333</u></b>

Beträffande bolagets resultat och ställning i övrigt hänvisas till efterföljande resultat- och balansräkningar samt tilläggsupplysningar. Alla belopp uttrycks i svenska kronor där ej annat anges.

Ovivo Europe Holding AB  
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## RESULTATRÄKNING

	Not	2022-01-01 2022-12-31	2021-04-01 2021-12-31
<b>Rörelsens intäkter mm</b>	1		
Nettoomsättning		0	0
<b>Rörelsens kostnader</b>			
Övriga externa kostnader		-57 502	-58 372
<b>Rörelseresultat</b>		<b>-57 502</b>	<b>-58 372</b>
<b>Resultat från finansiella investeringar</b>			
Övriga ränteintäkter och liknande resultatposter	2	197	0
Räntekostnader och liknande resultatposter	3	-567 173	-36 504
<b>Resultat efter finansiella poster</b>		<b>-624 478</b>	<b>-94 876</b>
Skatt på årets resultat	4	0	0
<b>ÅRETS RESULTAT</b>		<b>-624 478</b>	<b>-94 876</b>

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Ovivo Europe Holding AB  
556728-4004

## BALANSRÄKNING

	Not	2022-12-31	2021-12-31
<b>TILLGÅNGAR</b>			
<b>Anläggningstillgångar</b>			
<b>Finansiella anläggningstillgångar</b>			
Andelar i koncernföretag	5	327 504 824	327 504 824
		<b>327 504 824</b>	<b>327 504 824</b>
<b>Summa anläggningstillgångar</b>		<b>327 504 824</b>	<b>327 504 824</b>
<b>Omsättningstillgångar</b>			
<b>Kortfristiga fordringar</b>			
Fordringar hos koncernföretag		-	-
		<b>0</b>	<b>0</b>
<b>Kortfristiga placeringar</b>			
Andelar i koncernföretag		-	-
Övriga kortfristiga placeringar		-	-
		<b>0</b>	<b>0</b>
<b>Kassa och bank</b>		2 751	39 169
<b>Summa omsättningstillgångar</b>		<b>2 751</b>	<b>39 169</b>
<b>SUMMA TILLGÅNGAR</b>		<b>327 507 575</b>	<b>327 543 993</b>

Ovivo Europe Holding AB  
556728-4004

## BALANSRÄKNING

	Not	2022-12-31	2021-12-31
<b>EGET KAPITAL OCH SKULDER</b>			
<b>Eget kapital</b>	6		
<b>Bundet eget kapital</b>			
Aktiekapital (1 100 st aktier)		110 000	110 000
		<b>110 000</b>	<b>110 000</b>
<b>Fritt eget kapital</b>			
Balanserad vinst eller förlust		320 542 811	320 637 687
Årets resultat		-624 478	-94 876
		<b>319 918 333</b>	<b>320 542 811</b>
<b>Summa eget kapital</b>		<b>320 028 333</b>	<b>320 652 811</b>
<b>Kortfristiga skulder</b>			
Skulder till koncernföretag		7 405 550	6 765 242
Upplupna kostnader och förutbetalda intäkter		73 692	125 940
		<b>7 479 242</b>	<b>6 891 182</b>
<b>SUMMA EGET KAPITAL OCH SKULDER</b>		<b>327 507 575</b>	<b>327 543 993</b>



Ovivo Europe Holding AB  
556728-4004

## TILLÄGGSUPPLYSNINGAR

### Noter

#### Not 1

#### Redovisningsprinciper

Ovivo Europe Holding AB upprättar från och med räkenskapsåret 2014 årsredovisningen med tillämpning av årsredovisningslagen och Bokföringsnämndens allmänna råd BFNAR 2012:1 Årsredovisning och koncernredovisning (K3). Övergången har inte medfört någon förändring av redovisningsprinciper eller jämförelsesiffror.

Koncernredovisning upprättas ej med hänvisning till ÅRL 7 kap 2§.

Fordringar har efter individuell värdering upptagits till det belopp varmed de beräknas inflyta.

Övriga tillgångar och skulder har värderats tillanskaffningsvärde om ej annat anges.

#### Skatter

Företaget tillämpar BFNAR 2001:1 Inkomstskatter. Periodens skattekostnad eller skatteintäkt består av aktuell och uppskjuten skatt. Aktuell skatt är den skatt som beräknas på det skattepliktiga resultatet för en period. Skatteintäkter och skattekostnader redovisas i resultaträkningen utom då underliggande transaktion redovisas direkt mot eget kapital varvid tillhörande skatteeffekt redovisas i eget kapital. Uppskjutna skattefordringar avseende avdragsgilla temporära skillnader och underskottsavdrag redovisas endast i den mån det är sannolikt att dessa kommer att medföra lägre skatteutbetalningar i framtiden.

#### Fordringar och skulder i utländsk valuta

Fordringar och skulder i utländsk valuta har värderats till balansdagens kurs och realiserade kursvinster och kursförluster ingår i resultatet

Orealiserade kursvinster på långfristiga fordringar och skulder avräknas mot realiserade kursförluster vartefter överskjutande kursvinst eller kursförlust redovisas i resultaträkningen som en finansiell intäkt eller finansiell kostnad.

Kursvinster (-förluster) på rörelserelaterade fordringar och skulder redovisas som övriga rörelseintäkter (rörelsekostnader).

Kursdifferenser avseende finansiella tillgångar och skulder redovisas under resultat från finansiella investeringar.

#### Not 2 Övriga ränteintäkter och liknande resultatposter

	2022	2021
Ränteintäkter	-	-
Kursdifferenser	197	0
<b>Summa</b>	<b>197</b>	<b>0</b>

Ovivo Europe Holding AB  
556728-4004

**Not 3 Räntekostnader och liknande resultatposter**

	2022	2021
Räntekostnader och övriga bankkostnader	-4 115	-4 159
Kursförluster	-563 058	-32 343
<b>bolagsstämma 2023-06-30. Stämman beslöt tillika godkänna styrelsens</b>	<b>-567 173</b>	<b>-36 502</b>

**Not 4 Skatt på årets resultat**

	2022	2021
Aktuell skatt	0	0
<b>Redovisad skatt</b>	<b>0</b>	<b>0</b>

**Not 5 Finansiella anläggningstillgångar**

	Antal aktier	Kapitalandel	2022-12-31	2021-12-31
Aktier i Ovivo Aqua GmbH, Österrike Organisationsnummer: 69-107-1765	35000	100%	327 504 824	327 504 824
<b>Summa</b>			<b>327 504 824</b>	<b>327 504 824</b>

**Not 6 Förändring i eget kapital**

	Aktie- kapital	Reserv- fond	Fritt eget kapital	Årets resultat
Belopp vid årets ingång	110 000	0	320 637 687	-94 876
Resultatdisposition enligt beslut vid årsstämma			-94 876	94 876
Årets resultat				-624 478
<b>Utgående balans</b>	<b>110 000</b>	<b>0</b>	<b>320 542 811</b>	<b>-624 478</b>

Stockholm 2023-06-30

Marc Barbeau  
Ordförande

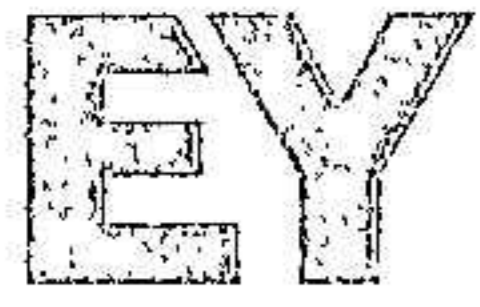
Mark Thomas Hodder

Vincent Ferber

Vår revisionsberättelse har lämnats den 30/6 2023

Ernst & Young Aktiebolag

Tomas Karlsson  
Auktoriserad revisor



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## Revisionsberättelse

Till bolagsstämman i Ovivo Europe Holding AB, org.nr 556728-4004

### Rapport om årsredovisningen

#### Uttalanden

Vi har utfört en revision av årsredovisningen för Ovivo Europe Holding AB för räkenskapsåret 2022-01-01 - 2022-12-31.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av Ovivo Europe Holding AB:s finansiella ställning per den 31 december 2022 och av dess finansiella resultat för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen.

#### Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Ovivo Europe Holding AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

#### Styrelsens ansvar

Det är styrelsen som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen ansvarar även för den interna kontroll som den bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen för bedömningen av bolagets förmåga att fortsätta verksamheten. Den upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

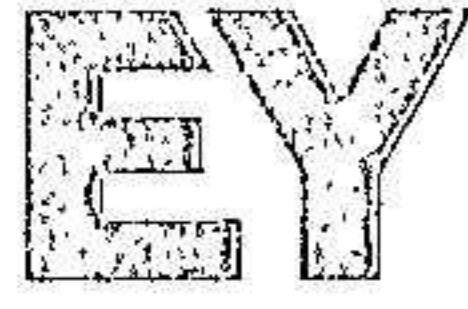
#### Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om att årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

Som del av en revision enligt ISA använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Dessutom:

- identifierar och bedömer vi riskerna för väsentliga felaktigheter i årsredovisningen, vare sig dessa beror på oegentligheter eller misstag, utformar och utför granskningsåtgärder bland annat utifrån dessa risker och inhämtar revisionsbevis som är tillräckliga och ändamålsenliga för att utgöra en grund för våra uttalanden. Risken för att inte upptäcka en väsentlig felaktighet till följd av oegentligheter är högre än för en väsentlig felaktighet som beror på misstag, eftersom oegentligheter kan innefatta agerande i maskopi, förfalskning, avsiktliga utelämnanden, felaktig information eller åsidosättande av intern kontroll.
- skaffar vi oss en förståelse av den del av bolagets interna kontroll som har betydelse för vår revision för att utforma granskningsåtgärder som är lämpliga med hänsyn till omständigheterna, men inte för att uttala oss om effektiviteten i den interna kontrollen.
- utvärderar vi lämpligheten i de redovisningsprinciper som används och rimligheten i styrelsens uppskattningar i redovisningen och tillhörande upplysningar.
- drar vi en slutsats om lämpligheten i att styrelsen använder antagandet om fortsatt drift vid upprättandet av årsredovisningen. Vi drar också en slutsats, med grund i de inhämtade revisionsbevisen, om det finns någon väsentlig osäkerhetsfaktor som avser sådana händelser eller förhållanden som kan leda till betydande tvivel om bolagets förmåga att fortsätta verksamheten. Om vi drar slutsatsen att det finns en väsentlig osäkerhetsfaktor, måste vi i revisionsberättelsen fästa uppmärksamheten på upplysningarna i årsredovisningen om den väsentliga osäkerhetsfaktorn eller, om sådana upplysningar är otillräckliga, modifiera uttalandet om årsredovisningen. Våra slutsatser baseras på de revisionsbevis som inhämtas fram till datumet för revisionsberättelsen. Dock kan framtida händelser eller förhållanden göra att ett bolag inte längre kan fortsätta verksamheten.
- utvärderar vi den övergripande presentationen, strukturen och innehållet i årsredovisningen, däribland upplysningarna, och om årsredovisningen återger de underliggande transaktionerna och händelserna på ett sätt som ger en rättvisande bild.

Vi måste informera styrelsen om bland annat revisionens planerade omfattning och inriktning samt tidpunkten för den. Vi måste också informera om betydelsefulla iakttagelser under revisionen, däribland de eventuella betydande brister i den interna kontrollen som vi identifierat.



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## Rapport om andra krav enligt lagar och andra författningar

### Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens förvaltning av Ovivo Europe Holding AB för räkenskapsåret 2022-01-01 - 2022-12-31 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter ansvarsfrihet för räkenskapsåret.

### Grund för uttalanden

Vi har utfört revisionen enligt god revisionsred i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Ovivo Europe Holding AB enligt god revisorsred i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

### Styrelsens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt.

### Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

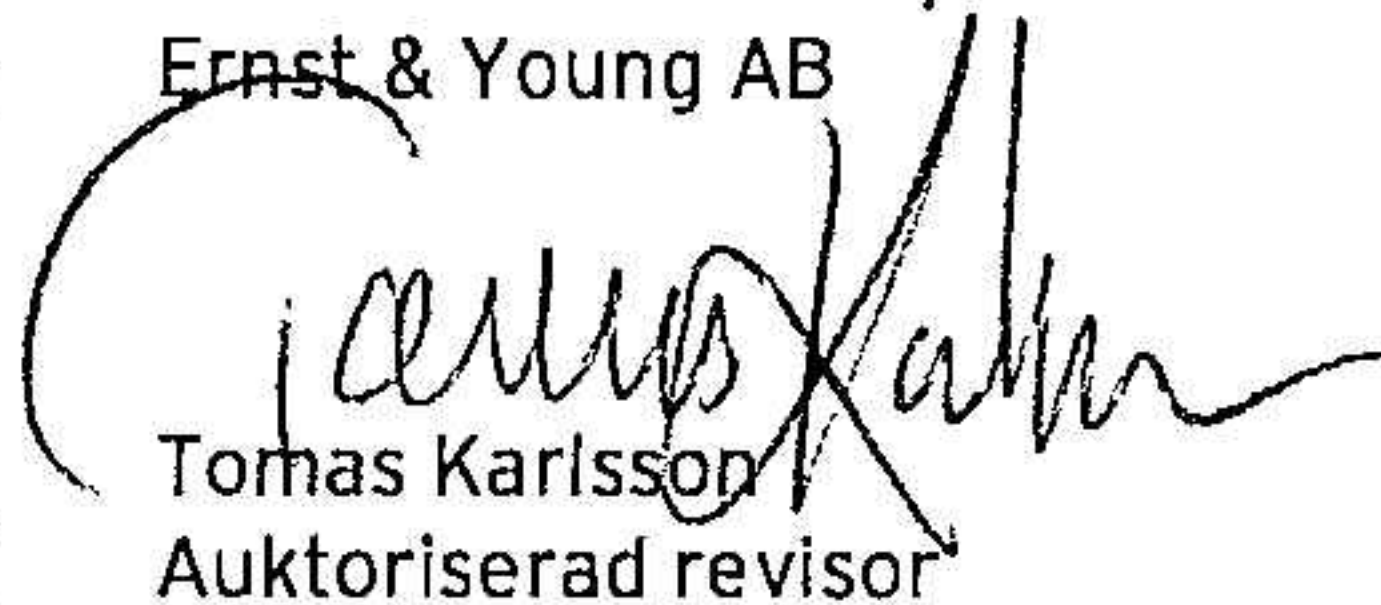
Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionsred i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

Som en del av en revision enligt god revisionsred i Sverige använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Granskningen av förvaltningen och förslaget till dispositioner av bolagets vinst eller förlust grundar sig främst på revisionen av räkenskaper. Vilka tillkommande granskningsåtgärder som utförs baseras på vår professionella bedömning med utgångspunkt i risk och väsentlighet. Det innebär att vi fokuserar granskningen på sådana åtgärder, områden och förhållanden som är väsentliga för verksamheten och där avsteg och överträdelser skulle ha särskild betydelse för bolagets situation. Vi går igenom och prövar fattade beslut, beslutsunderlag, vidtagna åtgärder och andra förhållanden som är relevanta för vårt uttalande om ansvarsfrihet. Som underlag för vårt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst eller förlust har vi granskat om förslaget är förenligt med aktiebolagslagen.

Karlstad den 30/6 2023

Ernst & Young AB



Tomas Karlsson  
Auktoriserad revisor

2023085005678

Consolidated Financial Statements

# **OVIVO INC.**

Periods ended December 31, 2022 and 2021

## Independent auditor's report

To the Shareholders of  
**Ovivo Inc.**

### Opinion

We have audited the consolidated financial statements of **Ovivo Inc.** and its subsidiaries [the "Group"], which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the twelve-month period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the twelve-month period then ended in accordance with International Financial Reporting Standards [IFRSs].

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Ernst & Young LLP*<sup>1</sup>

Montréal, Canada  
March 30, 2023

<sup>1</sup> CPA auditor, public accountancy permit no. A127424

# OVIVO INC.

Consolidated Financial Statements  
Periods ended December 31, 2022 and 2021

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# OVIVO INC.

Consolidated Statements of Financial Position  
(In thousands of Canadian dollars)  
As at December 31

	Notes	2022 \$	2021 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		123,228	79,404
Trade and other receivables	5	185,511	120,789
Income taxes receivable	13	438	168
Contract assets	6	193,337	140,740
Derivative financial assets	7	8,492	985
Inventories	8	39,937	24,165
Prepaid expenses		5,660	5,849
Advances to suppliers		30,978	9,792
		<b>587,581</b>	<b>381,892</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	46,096	32,993
Right-of use assets	10	30,321	25,913
Intangible assets	11	63,488	45,363
Goodwill	12	75,472	54,152
Deferred taxes	13	2,209	2,907
Other assets	14	4,820	2,084
		<b>222,406</b>	<b>163,412</b>
Assets held for sale	15	–	1,464
<b>Total assets</b>		<b>809,987</b>	<b>546,768</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	16	199,913	132,193
Provisions	17	20,316	18,211
Current portion of long-term debt	19	25,053	–
Current portion of lease liabilities	10	5,942	4,739
Income taxes payable	13	2,888	2,815
Derivative financial liabilities	7	1,755	1,655
Contract liabilities	6	231,723	149,381
		<b>487,590</b>	<b>308,994</b>
<b>Non-current liabilities</b>			
Provisions	17	12,104	11,651
Retirement benefits	18	14,783	24,661
Long-term debt	19	49,170	25,020
Lease liabilities	10	26,109	22,208
Deferred taxes	13	9,970	8,834
Other liabilities	20	36,592	6,397
		<b>148,728</b>	<b>98,771</b>
<b>Total liabilities</b>		<b>636,318</b>	<b>407,765</b>
<b>Equity</b>			
Share capital	21	313,851	313,851
Contributed surplus		5,618	5,618
Accumulated deficit		(175,777)	(194,971)
Accumulated other comprehensive income		29,977	14,505
<b>Total equity</b>		<b>173,669</b>	<b>139,003</b>
<b>Total liabilities and equity</b>		<b>809,987</b>	<b>546,768</b>

The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board,  
(Signed) David McAusland, Director

(Signed) Marc Barbeau, Director

# OVIVO INC.

Consolidated Statements of Income

Twelve-month period ended December 31, 2022 and nine-month period ended December 31, 2021

(In thousands of Canadian dollars)

	Notes	2022 \$	2021 \$
<b>Revenues</b>			
Capital equipment		632,830	289,959
Upgrading, parts and services		138,212	97,100
Rental services		3,824	2,622
Plant operations		1,246	2,795
Products		5,899	–
<b>Total revenues</b>	<b>23</b>	<b>782,011</b>	<b>392,476</b>
Cost of contracts and goods sold	<b>8</b>	<b>610,715</b>	<b>308,835</b>
<b>Gross margin</b>		<b>171,296</b>	<b>83,641</b>
Selling and administrative expenses		<b>117,121</b>	<b>58,861</b>
<b>Earnings before the undernoted items</b>		<b>54,175</b>	<b>24,780</b>
Transaction costs	<b>24</b>	<b>593</b>	<b>173</b>
Other non-recurring costs	<b>25</b>	<b>730</b>	<b>–</b>
Amortization	<b>27</b>	<b>18,374</b>	<b>9,999</b>
Asset impairment (reversal)	<b>9, 15</b>	<b>(6)</b>	<b>755</b>
<b>Operating income related to continuing operations</b>		<b>34,484</b>	<b>13,853</b>
Net financing expenses	<b>28</b>	<b>3,789</b>	<b>1,286</b>
Foreign exchange gain		<b>(1,346)</b>	<b>(673)</b>
Loss related to derivative financial instruments	<b>7</b>	<b>2,204</b>	<b>1,666</b>
<b>Income before income taxes related to continuing operations</b>		<b>29,837</b>	<b>11,574</b>
Income taxes	<b>13</b>	<b>9,358</b>	<b>3,602</b>
Net income related to continuing operations		<b>20,479</b>	<b>7,972</b>
Loss related to discontinued operations	<b>4</b>	<b>(1,285)</b>	<b>(1,181)</b>
<b>Net income</b>		<b>19,194</b>	<b>6,791</b>

The accompanying notes are an integral part of the consolidated financial statements.

# OVIVO INC.

Consolidated Statements of Comprehensive Income

Twelve-month period ended December 31, 2022 and nine-month period ended December 31, 2021

(In thousands of Canadian dollars)

	Notes	2022 \$	2021 \$
<b>Net income</b>		<b>19,194</b>	6,791
Item that may be reclassified to income (tax impact is nil):			
Unrealized exchange difference on translation of foreign operations		<b>6,268</b>	2,463
Item that will never be reclassified to income			
Retirement benefits – Remeasurements of defined benefit plans net of tax expense of \$537 (tax recovery of \$99 for the nine-month period ended December 31, 2021)	<b>18</b>	<b>9,204</b>	(3,400)
		<b>15,472</b>	(937)
<b>Comprehensive income</b>		<b>34,666</b>	5,854

The accompanying notes are an integral part of the consolidated financial statements.

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# OVIVO INC.

Consolidated Statements of Changes in Equity  
(In thousands of Canadian dollars)

	Attributable to shareholders of Ovivo Inc.				
	Share capital	Contributed surplus	Accumulated deficit	Accumulated other comprehensive income (loss)	Total
	\$	\$	\$	\$	\$
Balance as at March 31, 2021	313,851	5,618	(201,762)	15,442	133,149
Comprehensive income (loss):					
Net income	-	-	6,791	-	6,791
Unrealized exchange difference on translation of foreign operations	-	-	-	2,463	2,463
Retirement benefits – Defined benefit plan remeasurements	-	-	-	(3,400)	(3,400)
Total comprehensive income (loss)	-	-	6,791	(937)	5,854
<b>Balance as at December 31, 2021</b>	<b>313,851</b>	<b>5,618</b>	<b>(194,971)</b>	<b>14,505</b>	<b>139,003</b>
Comprehensive income					
Net income	-	-	19,194	-	19,194
Unrealized exchange difference on translation of foreign operations	-	-	-	6,268	6,268
Retirement benefits – Defined benefit plan remeasurements	-	-	-	9,204	9,204
Total comprehensive income	-	-	19,194	15,472	34,666
<b>Balance as at December 31, 2022</b>	<b>313,851</b>	<b>5,618</b>	<b>(175,777)</b>	<b>29,977</b>	<b>173,669</b>

The accompanying notes are an integral part of the consolidated financial statements.

# OVIVO INC.

## Consolidated Statements of Cash Flows

Twelve-month period ended December 31, 2022 and nine-month period ended December 31, 2021

(In thousands of Canadian dollars)

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	Notes	December 31, 2022 \$	December 31, 2021 \$
<b>Operating activities</b>			
<b>Net income</b>		<b>19,194</b>	<b>6,791</b>
Plus Net loss from discontinued operations	4	1,285	1,181
<b>Net income from continuing operations</b>		<b>20,479</b>	<b>7,972</b>
Non-cash items in net income:			
Loss (gain) on disposal of property, plant and equipment <sup>(1)</sup>	9	98	(146)
Gain on investment <sup>(2)</sup>	25	(89)	-
Gain on contingent earnout <sup>(2)</sup>	25	(292)	-
Amortization of property, plant and equipment	9	5,117	2,650
Amortization of right-of-use assets	10	5,840	3,795
Amortization of intangible assets	11	7,417	3,554
Impairment of assets (reversal)	9, 15	(6)	755
Share-based compensation	22	29,184	3,682
Deferred taxes	13	2,251	(404)
Changes in fair value of derivative financial instruments		(7,456)	(860)
<b>Cash flows provided by operating activities related to continuing operations before net change in non-cash items</b>		<b>62,543</b>	<b>20,998</b>
Net change in non-cash operating items related to continuing activities	29	(13,868)	37,604
Cash flows provided by operating activities related to continuing operations		48,675	58,602
Cash flows used in operating activities related to discontinued operations		(657)	(1,794)
<b>Cash flows provided by operating activities</b>		<b>48,018</b>	<b>56,808</b>
<b>Financing activities</b>			
Net change in syndicated revolving credit facilities and overdraft	19	47,533	(14,716)
Payment of long-term debt	19	(51)	-
Payment of loan payable to shareholder		-	(5,673)
Payment of principal portion of lease liabilities	10	(5,298)	(3,590)
<b>Cash flows provided by (used in) financing activities related to continuing operations</b>		<b>42,184</b>	<b>(23,979)</b>
<b>Investing activities</b>			
Acquisition of subsidiaries, net of cash acquired	3	(44,265)	-
Investment in an associate	14	(2,150)	-
Proceeds from a loan receivable		-	14,601
Purchase of a loan receivable	14	(1,000)	-
Balance of sale receivable	4	571	416
Additions to property, plant and equipment	9	(15,460)	(13,247)
Proceeds from sale of property, plant and equipment	9	7,074	423
Proceeds from sale of assets held for sale	15	1,448	1,575
Additions to intangible assets	11	(4,443)	(4,559)
Net change in other assets and other liabilities		(497)	-
<b>Cash flows used in investing activities related to continuing operations</b>		<b>(58,722)</b>	<b>(791)</b>
Effect of changes in foreign exchange rates on cash and cash equivalents		12,344	(1,609)
<b>Net increase in cash and cash equivalents</b>		<b>43,824</b>	<b>30,429</b>
<b>Cash and cash equivalents, beginning of period</b>		<b>79,404</b>	<b>48,975</b>
<b>Cash and cash equivalents, end of period</b>		<b>123,228</b>	<b>79,404</b>
Interest paid		3,033	2,096
Interest received		(938)	(1,733)
Income taxes paid		6,726	4,258
Income taxes received		(192)	(447)

<sup>(1)</sup>Presented under Selling and administrative expenses in the Consolidated Statements of Income

<sup>(2)</sup>Presented under Other non-recurring costs in the Consolidated Statements of Income

The accompanying notes are an integral part of the consolidated financial statements.

# OVIVO INC.

Notes to Consolidated Financial Statements

Twelve-month period ended December 31, 2022 and nine-month period ended December 31, 2021

(Amounts are expressed in thousands of Canadian dollars unless other currency specified)

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## 1. Nature of operations and organization

Ovivo Inc. was incorporated under the *Canada Business Corporations Act* on May 15, 2007 ("Ovivo" or the "Corporation" designates, as the case may be, Ovivo Inc. and its subsidiaries and divisions or Ovivo Inc. or one of its subsidiaries and divisions).

Ovivo is a global provider of equipment, technology and systems producing pure water and treating wastewater. Ovivo delivers conventional to highly technological water treatment solutions for the industrial and municipal markets, and leverages its large installed base of equipment around the world to offer parts and services to its customers.

Ovivo operates an integrated global platform in over 18 countries, with near 1350 employees that are worldwide experts in water treatment. Ovivo is owned by SKion Water GmbH ("SKion").

The Corporation's head office is located at 1010 Sherbrooke Street West, Suite 1700, Montréal, Québec, Canada, H3A 2R7.

## 2. Significant accounting policies

### (a) Basis of presentation

The consolidated financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements are presented in Canadian dollars.

Ovivo changed its fiscal year-end to December 31 from March 31 in order to align with the fiscal year-end of SKion. The results of operations are for the twelve-month period ended December 31, 2022 and the comparative figures for the nine-month period ended December 31, 2021. As a result, the amounts presented in the consolidated financial statements are not entirely comparable.

These consolidated financial statements were prepared on a historical cost basis, except for derivative financial instruments, cash-settled stock-based compensation and contingent earnout that were measured at fair value.

On March 30, 2023, the Corporation's Board of Directors approved the release of these consolidated financial statements.

### (b) Scope and basis of consolidation

The consolidated financial statements include the accounts of the Corporation and its Canadian and foreign subsidiaries. The list of the principal consolidated subsidiaries is disclosed below. The Corporation consolidates the entities over which it has control. Control exists when the Corporation is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

All intercompany transactions and balances are eliminated on consolidation.

#### List of subsidiaries

The following table lists the Corporation's principal wholly owned direct and indirect subsidiaries as at December 31, 2022 and 2021 and their jurisdictions of incorporation.

Furthermore, the subsidiaries that were omitted from the list represent less than 20% of the Corporation's consolidated assets as at December 31, 2022 and 2021 and consolidated revenues from continuing operations for the periods then ended. None of the subsidiaries omitted from the list individually represented more than 10% of the Corporation's consolidated assets as at December 31, 2022 and 2021 or more than 10% of consolidated revenues from continuing operations for the periods then ended.

# OVIVO INC.

Notes to Consolidated Financial Statements

Twelve-month period ended December 31, 2022 and nine-month period ended December 31, 2021

(Amounts are expressed in thousands of Canadian dollars unless other currency specified)

## 2. Significant accounting policies [Cont'd]

### (b) Scope and basis of consolidation [Cont'd]

Subsidiary of the Corporation	Jurisdiction(s) of incorporation	Holder of voting power
Ovivo Aqua Austria GmbH	Austria	Christ Water Technology GmbH <sup>(1)</sup>
Ovivo UK Limited	England and Wales	Ovivo Inc.
Ovivo China Co., Ltd	China	Christ Water Technology GmbH <sup>(1)</sup>
Ovivo USA, LLC	State of Delaware	Ovivo US Holding Inc. <sup>(1)</sup>
Ovivo Hong Kong Limited	China	Ovivo Switzerland AG
Ovivo Switzerland AG	Switzerland	Christ Water Technology GmbH <sup>(1)</sup>
Ovivo Singapore Pte. Ltd.	Singapore	Ovivo Inc.
Alar Water Treatment LLC	State of Delaware	Ovivo US Holding Inc. <sup>(1)</sup>
Wastech Controls & Engineering LLC	State of Delaware	Ovivo US Holding Inc. <sup>(1)</sup>

<sup>(1)</sup> Held by Ovivo Inc. at 100% directly or indirectly

### (c) Foreign currency translation

#### *Presentation currency of the consolidated financial statements and functional currency*

The consolidated financial statements of the Corporation are presented in Canadian dollars, representing the parent company's functional currency. The functional currency of an entity is the currency of the economic environment in which the entity primarily operates. It is determined considering the currency in which the entity's revenues and expenses (purchases and labour) are denominated. Where this analysis is inconclusive, other factors are taken into consideration, such as the method of financing and the relationship of the entities with the parent company.

#### *Translation of foreign currency transactions*

Transactions denominated in foreign currencies are translated into the entity's functional currency at the average exchange rate for the relevant period. At year-end, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate. Resulting exchange differences are recognized in net income (loss) for the period. Non-monetary assets and liabilities denominated in foreign currencies are translated at historical exchange rates.

#### *Translation of foreign currency operations*

The financial statements of foreign operations whose functional currency differs from the presentation currency of the Corporation's consolidated financial statements are translated using the exchange rate at period-end for assets and liabilities, and the average exchange rates during the period for revenues and expenses and for cash flows. Gains and losses resulting from foreign currency translation are deferred and recorded in accumulated other comprehensive income (loss) under "Unrealized exchange difference on translation of foreign operations" and are reclassified into income only when there is a reduction in the net investment in foreign operations.

# OVIVO INC.

Notes to Consolidated Financial Statements

Twelve-month period ended December 31, 2022 and nine-month period ended December 31, 2021

(Amounts are expressed in thousands of Canadian dollars unless other currency specified)

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## 2. Significant accounting policies [Cont'd]

### (d) Revenue recognition

The Corporation recognizes revenue when it transfers control over a product or service to a customer. Revenues are measured based on the consideration specified in the contract with a customer and exclude amounts collected on behalf of third parties.

The Corporation's revenues are derived primarily from capital equipment sales contracts, upgrades, the sale of parts and provision of services, rentals, plant operation services and sale of products. These various types of revenue are accounted for using different methods. The following specific recognition criteria must also be met before revenues are recognized. For more detailed information about the disaggregation of revenue, see Note 23 – *Disaggregation of revenue*.

#### *i. Capital equipment contracts*

Revenues from capital equipment sales contracts are generally recognized over time.

Revenue is recognized based on the extent of progress toward completion of the performance obligation. The Corporation generally uses the cost-to-cost measure of progress for capital equipment contracts. Under this method, the measure of progress towards complete satisfaction of the performance obligation is measured based on the ratio of costs incurred to date to the total costs anticipated for the entire contract, excluding costs that are not representative of the measure of performance.

Estimated revenues at completion are adjusted for change orders, claims and other contract terms that provide for the adjustment of prices. If it is probable that changes in revenues will occur, the amount can be measured reliably and it is highly probable that a significant reversal in the cumulative amount of revenue recognized will not occur in future periods, they are included in estimated revenues at completion.

The entire amount of an expected loss on a contract is recognized immediately, when known, in net income.

#### *Contract assets*

Contract assets are recognized when goods or services are transferred to customers before consideration is received or before the Corporation has an unconditional right to payment for performance completed to date. Contract assets are subsequently transferred to receivables when the right of payment becomes unconditional. Contract assets comprise costs incurred and recorded margins in excess of advances and progress billings on capital equipment contracts.

#### *Contract liabilities*

Contract liabilities are recognized when amounts are received from customers in advance of the transfer of goods or services. Contract liabilities are related to client billings in excess of revenues recognized by the Corporation according to the revenue recognition method applied. Contract liabilities are subsequently recognized in revenue as or when the Corporation performs under contracts.

#### *ii. Upgrades*

Revenues from upgrades are generally recognized over time as the service is rendered.

#### *iii. Sale of parts and products*

Revenues from the sale of parts (or spare parts) and from the sale of products are recognized at a point in time when the control of the goods has passed on to the buyer, usually on delivery of goods.

# OVIVO INC.

Notes to Consolidated Financial Statements

Twelve-month period ended December 31, 2022 and nine-month period ended December 31, 2021

(Amounts are expressed in thousands of Canadian dollars unless other currency specified)

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## 2. Significant accounting policies [Cont'd]

### (d) Revenue recognition [Cont'd]

#### iv. *Rendering of services*

Revenues from after-sales services are recognized either at a point in time or over time, depending on the nature of the service rendered.

#### v. *Rental services*

Lease revenues from operating leases are recognized on a straight-line basis over the term of the lease.

#### vi. *Plant operations*

Revenues from plant operations are generally recognized over time through the term of the plant operation contracts.

#### *Combining sales contracts*

A group of contracts entered into at or near the same time, whether with the same customer or related parties of the customer, is treated as a single contract when the group of contracts is negotiated as a single package with a single commercial objective, the price is dependent on the price or performance on another contract or goods and services promised in the contracts are considered a single performance obligation.

#### *Contractual arrangements with multiple revenue categories*

The Corporation may enter into contractual arrangements with a client whereby, for a single project, deliverables from several revenue categories may be included (i.e. construction and manufacture of numerous pieces of capital equipment, technical services, maintenance and parts). In this case, the contract may be separated into more than one performance obligation. If a contract is separated into more than one performance obligation, the total transaction price is allocated to each performance obligation based on the estimated relative standalone selling prices of the promised goods and services underlying each performance obligation. When the performance obligations consist of standard goods and services, observable selling price is used to determine the standalone selling prices. If the performance obligations consist of customized customer-specific solutions, the Corporation uses the expected cost plus a margin method to estimate the standalone selling price.

#### *Financing component*

Using the practical expedient in IFRS 15, the Corporation does not adjust the promised amount of consideration for the effects of a significant financing component if the Corporation expects, at contract inception, that the period between when the Corporation transfers a promised good or service to a customer and when the customer pays for that good or service is one year or less.

# OVIVO INC.

Notes to Consolidated Financial Statements

Twelve-month period ended December 31, 2022 and nine-month period ended December 31, 2021

(Amounts are expressed in thousands of Canadian dollars unless other currency specified)

## 2. Significant accounting policies [Cont'd]

### (e) Financial instruments

Financial instruments are recognized in the consolidated statement of financial position when the Corporation becomes a party to the contractual provisions of the financial instruments. With the exception of trade receivables that do not contain a significant financing component or for which the Corporation has applied the practical expedient, which are measured at the transaction price, all financial instruments are initially measured at fair value. Subsequent measurement depends on their initial classification.

The table below shows the classification and measurement method that the Corporation has elected to apply to each of its financial instrument categories:

<b>Asset/liability</b>	<b>Category</b>
Cash and cash equivalents	Fair value through profit or loss
Trade and other receivables, balance of sale receivable, and loan receivable	Financial assets at amortized cost
Accounts payable and accrued liabilities, syndicated revolving credit facilities and other long-term debt	Loans and borrowings at amortized cost
Derivative financial instruments	Fair value through profit or loss

Amortized cost is determined using the effective interest method.

Transaction costs arising from the issuance of financial instruments measured at amortized cost are recognized as a reduction of the carrying amount of the related financial instruments and taken into account in determining the effective interest rate.

The Corporation recognizes an allowance for expected credit losses (ECLs) for all financial instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Corporation expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Corporation applies a simplified approach in calculating ECLs. Therefore, the Corporation does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Corporation has established a provision that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### (f) Derivative financial instruments

Derivative financial instruments are used to hedge the Corporation's exposure to foreign exchange risk. However, the Corporation has elected not to use the hedge accounting method. Derivative financial instruments consist of foreign exchange contracts. Embedded derivatives consist of derivatives on sale or purchase contracts that are not closely related to the host contract, the currency of which differs from the functional currency of one or the other of the parties to the contract. The derivative financial instruments are accounted for at fair value with changes recognized through net income.

### (g) Cash and cash equivalents

Cash and cash equivalents include cash and readily realizable short-term investments, held with investment-grade financial institutions, with maturities of three months or less at the acquisition date.

# OVIVO INC.

Notes to Consolidated Financial Statements

Twelve-month period ended December 31, 2022 and nine-month period ended December 31, 2021

(Amounts are expressed in thousands of Canadian dollars unless other currency specified)

## 2. Significant accounting policies [Cont'd]

### (h) Inventories

Raw materials and finished goods are recorded at the lower of cost and net realizable value. The cost of inventories comprises purchase, transport and handling costs, import duties and other taxes, conversion and other costs directly incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the normal course of business less the estimated costs of completion and the estimated costs related to the sale. The cost of inventories is recognized as an expense when the inventories are used or sold. Recorded write-downs can be reversed if there is a subsequent increase in the value of the related inventories.

#### *Raw materials*

The cost of raw materials is calculated using the weighted average cost method for similar items at the beginning of a period and taking into account the cost of similar items purchased during the year.

#### *Finished goods*

The cost of finished goods is calculated using the weighted average cost method for similar items at the beginning of a period and taking into account the cost of similar items purchased and processed during the period. The cost of finished goods that are dissimilar and/or earmarked for specific projects is determined using the specific cost method.

### (i) Property, plant and equipment

Property, plant and equipment are recognized at their historical acquisition or construction cost, net of accumulated amortization and recorded impairment losses. Grants for investments are accounted for as a reduction of the gross amount of property, plant and equipment for which they were received. The cost of the asset comprises, on initial recognition, the costs of dismantling the asset and restoring the site when a present obligation, legal or constructive, exists to dismantle the asset or restore the site. Amortization is calculated on a straight-line basis over the following periods:

<b>Property, plant and equipment</b>	<b>Useful lives</b>
Buildings	15 to 40 years
Equipment <sup>(1)</sup>	3 to 15 years
Leasehold improvements	Terms of leases

<sup>(1)</sup> Including equipment, moulds, furniture, fixtures and computer hardware.

The Corporation uses different amortization periods for each significant component of the same item of property, plant and equipment where at least one component's useful life differs from that of the principal item of property, plant and equipment to which it relates. The Corporation reviews amortization periods annually, and changes are accounted for prospectively.

# OVIVO INC.

Notes to Consolidated Financial Statements

Twelve-month period ended December 31, 2022 and nine-month period ended December 31, 2021

(Amounts are expressed in thousands of Canadian dollars unless other currency specified)

## 2. Significant accounting policies [Cont'd]

### (j) Intangible assets

Intangible assets include technologies, development costs, trademarks, customer relationships, backlog, acquired software and internally developed software. Intangible assets are recorded at cost and amortized on a straight-line basis over the following periods:

<b>Intangible assets</b>	<b>Useful lives</b>
Technologies	10 to 20 years
Development costs	3 to 10 years
Trademarks	3 to 20 years
Customer relationships	5 to 15 years
Backlog	18 months
Acquired software	3 to 10 years
Internally developed software	3 to 10 years

Development costs include costs relating to specific projects and borrowing costs, net of investment tax credits, which, in the Corporation's opinion, have a specific market in the future and meet the criteria for deferral. Amortization of development costs begins when the asset is ready for its intended use. All other research and development costs are expensed in the year they are incurred. The Corporation reviews amortization periods and methods annually, and changes are accounted for prospectively.

### (k) Business acquisitions

Business acquisitions are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value. The allocation of the purchase price to net assets acquired and liabilities assumed is based on their fair values. The income (losses) of businesses acquired are included in the consolidated financial statements as of the date of acquisition. The unallocated balance of the purchase price (being the excess of the aggregate of the consideration transferred over the fair value of net identifiable assets acquired and liabilities assumed) is attributed to goodwill.

### (l) Impairment of goodwill and long-lived assets

To determine the recoverable amount, goodwill and other long-lived assets that cannot be valued on their own are grouped into cash-generating units ("CGUs"), defined as the smallest group of assets generating cash inflows that are largely independent.

Goodwill represents the excess of the purchase price over the fair value of net assets of acquired businesses. Goodwill is not amortized; the goodwill of each CGU is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. Goodwill impairment losses cannot be reversed in subsequent periods.

The carrying amounts of long-lived assets—property, plant and equipment and intangible assets—are reviewed at the end of each reporting period to assess whether there is any indication that an asset is impaired. Where such indication exists, the recoverable amount of the asset is estimated.

Impairment losses recognized in respect of property, plant and equipment or intangible assets may be subsequently reversed if there is an indication that previously recognised impairment losses no longer exist or have decreased. The value of the asset following the reversal of an impairment loss may not exceed the carrying amount that would have been determined if the impairment had not been recognized in prior periods, net of amortization.

# OVIVO INC.

Notes to Consolidated Financial Statements

Twelve-month period ended December 31, 2022 and nine-month period ended December 31, 2021

(Amounts are expressed in thousands of Canadian dollars unless other currency specified)

## 2. Significant accounting policies [Cont'd]

### (l) Impairment of goodwill and long-lived assets [Cont'd]

An impairment loss, representing the difference between the carrying amount of a CGU or an asset and its recoverable amount, is recognized where the carrying amount of the CGU or the asset exceeds its recoverable amount. The recoverable amount is the greater of value in use and fair value less costs to sell. The Corporation has determined the recoverable amount using fair value less costs to sell for Electronics, Municipal, Energy, Industrial and Cembrane CGUs. Fair value less costs to sell is determined using valuation multiples on expected operating income before amortization, interest and income taxes.

The Corporation has set December 31 as its annual goodwill impairment test date starting December 31, 2021.

### (m) Provisions

The Corporation records a provision when a present obligation (legal or constructive) to a third party exists as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation.

When the effect of the time value of money is material, provisions with maturities over twelve months are discounted. Accretion expense in respect of long-term provisions is recognized in net financing expenses.

#### *Warranties*

A provision for warranty cost is accounted for when the revenues from the sale of the related products are recognized. The provision is based on a number of factors, including the historical warranty claims rate, the type and duration of the warranty coverage and the nature of products sold.

#### *Litigation*

A provision for litigation is recognized in respect of legal actions or proceedings when it is probable that an outflow of resources will be required to settle the obligation.

#### *Restructuring*

Restructuring provisions are recognised only when the Corporation has an actual or a constructive obligation. The Corporation has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected a detailed estimate of the associated costs and an appropriate timeline. Furthermore, the affected employees or worker councils must have been notified of the plan's main features.

### (n) Income taxes

The Corporation applies the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be realized or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income (loss) in the period in which the rates are enacted or substantively enacted. Deferred tax assets are recognized only when their realization is deemed probable.

### (o) Government assistance

Government assistance is recognized when there is a reasonable assurance that the assistance will be received, and that the Corporation will comply with all relevant conditions. Government assistance received by Ovivo consists of research and development credits and government wage subsidies in response to the COVID-19 pandemic. Government assistance received is accounted for using the cost reduction method, whereby the assistance is netted against the related expense or capital expenditure to which it relates when there is reasonable assurance that the credits will be realized.

# OVIVO INC.

Notes to Consolidated Financial Statements

Twelve-month period ended December 31, 2022 and nine-month period ended December 31, 2021

(Amounts are expressed in thousands of Canadian dollars unless other currency specified)

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## 2. Significant accounting policies [Cont'd]

### (p) Retirement benefits

The Corporation offers defined contribution and defined benefit pension plans to certain employees.

#### (i) Defined contribution pension plans

Under its defined contribution pension plans, the Corporation pays fixed contributions to participating employees' pension plans and has no legal or constructive obligation to pay any further amounts. Obligations for contributions to defined contribution pension plans are recognized to net income when the contributions become due.

#### (ii) Defined benefit pension plans

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Defined benefit pension plan costs, recognized in the consolidated statements of income, mainly include the following:

- Service costs provided in exchange for employee services rendered during the period;
- Prior service costs recognized at the earlier of (a) when the employee benefit plan is amended or (b) when restructuring costs are recognized;
- Curtailment or settlement gain or loss.

Interest on net defined benefit liability or asset, recognized in the consolidated statements of income as financing expenses, is determined by multiplying the net defined benefit liability or asset by the discount rate used to determine the defined benefit obligation.

Remeasurements of defined benefit plans are recognized immediately in accumulated other comprehensive income. Remeasurements comprise the following:

- Actuarial gains and losses arising from changes in financial and demographic actuarial assumptions used to determine the defined benefit obligation or from experience adjustments on liabilities;
- The difference between actual return on plan assets and interest income on plan assets calculated as part of the interest on net defined benefit liability or asset;
- Changes in the net benefit asset limit or in the liability minimum funding requirement.

Recognition of a net benefit asset is limited under certain circumstances to the amount recoverable, which depends primarily on the extent to which the Corporation can unilaterally reduce future contributions to the plan. In addition, an adjustment to the net benefit asset or the net benefit liability can be recorded to reflect the liability minimum funding requirement in a certain number of the Corporation's pension plans.

# OVIVO INC.

Notes to Consolidated Financial Statements

Twelve-month period ended December 31, 2022 and nine-month period ended December 31, 2021

(Amounts are expressed in thousands of Canadian dollars unless other currency specified)

## 2. Significant accounting policies [Cont'd]

### (q) Share-based compensation

#### *Cash-settled share-based compensation*

The Virtual Stock Appreciation Rights ("VSAR") and the Appreciation Share Units ("ASU") are considered cash-settled share-based compensation. The fair value of each vesting tranche of VSAR and ASU is calculated using the Black-Scholes model, and remeasured at the end of each reporting period until maturity. The change in fair value thus determined is recognized as a share-based compensation expense over the VSAR and ASU vesting period specific to each tranche, with a corresponding entry recorded in other liabilities in the consolidated statement of financial position.

In November 2016, the Board of Directors of the Corporation implemented, as part of the Short-Term Incentive Plan ("STIP"), virtual share rights ("VSR") for key employees. In 2020, the Board of Directors introduced new virtual share rights known as STIP Units, similar to VSR, using a different valuation formula. VSR and STIP Units were considered cash-settled share-based compensation. The fair value of each vesting tranche of VSR and STIP Units was remeasured at the end of each reporting period until maturity. The fair market value of the share right was calculated using valuation formulas approved by the Board of Directors. The change in fair value thus determined was recognized as a share-based compensation expense over the VSR and STIP Units vesting period specific to each tranche, with a corresponding entry recorded in other liabilities in the statement of financial position.

The VSAR, VSR and STIP Units were cancelled by the Board of Directors on May 18, 2021 and all the acquired outstanding rights were paid during the nine-month period ended December 31, 2021. In consideration of the payout and cancellation of the outstanding VSAR, the Corporation issued 2,030,000 ASU to those same participants and in the same proportion as the paid out and cancelled VSAR. The difference between the settlement amounts and the existing liabilities was charged to net income.

### (r) Borrowing costs

The Corporation's borrowing costs consist of interest on debt and are expensed through net income as incurred, provided they are not attributable to the acquisition or construction of a long-lived asset. In such cases, borrowing costs are capitalized as part of the cost of the asset.

### (s) Leases

The Corporation assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### *When the Corporation is a lessee*

The Corporation applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets.

Leases are recognized as a right-of-use asset and the corresponding lease liability at the date at which the leased asset is available for use by the Corporation. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Right-of-use assets are subject to impairment.

The lease liabilities are measured at the present value of lease payments to be made over the lease term, discounted using the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily available. Lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Corporation and payment of penalties for termination of a lease when the lease term reflects the lessee exercising a termination option. Each lease payment is allocated between the repayment of the principal portion of lease liability and the interest portion. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period and is recorded in financing expense. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

# OVIVO INC.

Notes to Consolidated Financial Statements

Twelve-month period ended December 31, 2022 and nine-month period ended December 31, 2021

(Amounts are expressed in thousands of Canadian dollars unless other currency specified)

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## 2. Significant accounting policies [Cont'd]

### (s) Leases [Cont'd]

Lease expenses associated with short-term leases and leases of low-value assets are recognized as incurred in the consolidated statement of income.

After the commencement date, the amount of lease obligations is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of the lease obligations is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

#### *When the Corporation is the lessor*

Assets subject to finance leases are initially recognized at an amount equal to the net investment in the lease and are included in *Other assets*. Net investment in the lease is defined as the lease payments receivable by a lessor under a finance lease and unguaranteed residual value accruing to the lessor discounted at the interest rate implicit in the lease. Interest income is recognized over the term of the applicable leases based on the effective interest rate method.

Assets under operating leases are included in *Property, plant and equipment*. Lease income from operating leases is recognized on a straight-line basis over the term of the lease and is included in *Rental services*.

### (t) Investment in associates

An associate is an entity over which the Corporation has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Company's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Corporation's share of net assets of the associate since the acquisition date. The consolidated statements of income reflect the Company's share of the results of operations of the associate. Unrealized gains and losses resulting from transactions between the Corporation and the associate are eliminated to the extent of the interest in the associate.

### (u) Use of estimates and judgment

The preparation of the Corporation's consolidated financial statements in accordance with IFRS requires management to exercise judgment in developing estimates and making forward-looking assumptions that affect the amounts reported in the consolidated financial statements. Actual income could differ due to significant adjustments to the reported amounts of assets, liabilities and income (loss) in subsequent periods.

The Corporation's most significant estimates and judgments consist of the following:

#### - **Revenue recognition**

To determine the proper revenue recognition method for contracts, the Corporation evaluates whether two or more contracts should be combined and accounted for as a single contract and whether the combined or single contract should be accounted for as more than one performance obligation. This evaluation requires significant judgment and the decision to combine a group of contracts or separate the contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period.

Revenues and margins from the sale of capital equipment are recognized using the percentage-of-completion method of accounting. The calculation of expected costs in respect of capital equipment sales contracts requires the use of estimates, such as total revenues expected from a given contract, as well as the assessment of total costs to be incurred to complete the contract. As a result, the percentage of completion of contract work is determined by dividing total costs incurred to date by total expected costs. Estimated revenues at completion are adjusted for changes in contract scope and claims and for variable considerations. Management estimates the variable consideration at the most likely amount to which it expects to be entitled. Management includes estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Management's estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the anticipated performance and all information that is reasonably available to the Corporation.

# OVIVO INC.

Notes to Consolidated Financial Statements

Twelve-month period ended December 31, 2022 and nine-month period ended December 31, 2021

(Amounts are expressed in thousands of Canadian dollars unless other currency specified)

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## 2. Significant accounting policies [Cont'd]

Estimated contract costs at completion incorporate forecasts for material usage and costs, labour hours and costs, foreign exchange rates and labour productivity. These costs are affected by the nature and complexity of the work to be performed, as well as potential delays in delivery. If it is probable that additional costs will be realized, they are included in estimated costs on completion. In such a case, project margins could be directly affected.

Management performs periodic reviews of estimated costs and revenues to completion on a contract-by-contract basis to review the reasonableness of its estimates, particularly in establishing total expected costs and the amount of revenues recognized based on the percentage of work completed. The effect of any revision may be significant and is recorded by way of a cumulative catch-up adjustment in the period in which the estimates are revised.

### - Asset impairment

To determine the recoverable amount, goodwill and other long-lived assets that cannot be valued on their own are grouped into CGUs, defined as the smallest group of assets generating cash inflows that are largely independent. An impairment loss, representing the difference between the carrying amount of a CGU or an asset and its recoverable amount, is recognized where the carrying amount of the CGU or the asset exceeds its recoverable amount. The recoverable amount of a CGU is the greater of value in use and fair value less costs to sell.

The Corporation has determined the recoverable amount using fair value less costs to sell for Electronics, Municipal, Energy, Industrial and Cembrane CGUs.

When the recoverable amount is calculated using the fair value less costs to sell, the Corporation applies valuation multiples on expected operating income before amortization, interest and income taxes. In this regard, management established projections for the year ending December 31, 2023, which were approved by the Board of Directors. The projections were prepared based on both historical data, existing backlog, expected booking of new orders and future trends anticipated by the Corporation. A valuation multiple was then applied to the projections to determine the recoverable amount. Valuation multiples are determined based on comparable market data, each CGU's specific risk exposures, the CGU's historical data and future trends as anticipated by the Corporation.

When the recoverable amount is calculated using the value in use, the Corporation prepares future discounted cash-flows which are derived from projections for the next five years. The recoverable amount is sensitive to key assumptions regarding the discount rate and growth rate used for extrapolation purposes.

The main assumptions used in determining the recoverable amounts of the CGUs, as well as the sensitivity analyses, are disclosed in note 12 *Goodwill*.

### (v) Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Corporation's consolidated financial statements are disclosed below. The Corporation intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

#### - Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Corporation is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

#### - Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the

# OVIVO INC.

Notes to Consolidated Financial Statements

Twelve-month period ended December 31, 2022 and nine-month period ended December 31, 2021

(Amounts are expressed in thousands of Canadian dollars unless other currency specified)

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## 2. Significant accounting policies [Cont'd]

correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Corporation's consolidated financial statements.

### - **Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2**

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgments, in which it provides guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Corporation is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

# OVIVO INC.

Notes to Consolidated Financial Statements

Twelve-month period ended December 31, 2022 and nine-month period ended December 31, 2021

(Amounts are expressed in thousands of Canadian dollars unless other currency specified)

## 3. Business acquisitions

### *Acquisition of Norse Star*

On January 1<sup>st</sup>, 2022, the Corporation acquired the remaining 83.3% of the shares of Norse Star Holding ApS and its wholly owned subsidiary Cembrane A/S ("Cembrane") (note 14). The Corporation acquired this remaining stake from SKion, which had acquired it from a third party during the nine-month period ended December 31, 2021. The Corporation has recorded this acquisition of a business under common control using the acquisition method set out in IFRS 3. The gain on remeasurement of the Corporation's existing interest is presented in note 25. Cembrane is the world's largest producer of Silicon Carbide (SiC) membranes for OEMs & system integrators within water & wastewater treatment. This acquisition is part of the Corporation's global strategic objective to have proprietary silicon carbide membranes and grow the production capacity to internally supply its municipal and industrial operations.

### *Fair value of identifiable assets acquired and liabilities assumed*

The fair value of the identifiable assets and liabilities as of January 1<sup>st</sup>, 2022, the date of acquisition, was:

	\$
<b>Assets acquired</b>	
Trade and other receivables	1,108
Inventories	834
Property, plant and equipment	8,466
Trademarks	1,448
Technologies	3,186
Customer relationships	454
Backlog	37
Total assets	<b>15,533</b>
<b>Liabilities assumed</b>	
Accounts payable and accrued liabilities	317
Long-term debt	938
Deferred tax liabilities	1,430
Other liabilities	1,353
Total liabilities	<b>4,038</b>
Total identifiable net assets at fair value	11,495
Goodwill arising on acquisition	5,398
	<b>16,893</b>
Proportionate interest acquired	83.32%
Purchase consideration	<b>14,075</b>
Comprised as follows:	
Cash payment at closing	14,976
Cash acquired	(901)
Net cash	<b>14,075</b>

The goodwill of \$5.4 million comprises the value of synergies and assembled workforce arising from the acquisition. Goodwill is allocated entirely to the Cembrane CGU. None of the goodwill recognised is expected to be deductible for income tax purposes.

From the date of acquisition, Cembrane contributed \$5,899 of revenue and \$1,210 loss to the Corporation's income before income taxes related to continuing operations for the twelve-month period ended December 31, 2022.

# OVIVO INC.

Notes to Consolidated Financial Statements

Twelve-month period ended December 31, 2022 and nine-month period ended December 31, 2021

(Amounts are expressed in thousands of Canadian dollars unless other currency specified)

## 3. Business acquisitions [Cont'd]

Analysis of cash flows on acquisition:

Transaction costs of the acquisition (included in cash flows from operating activities)	(112)
Cash consideration transferred (included in cash flow from investing activities)	<u>(14,075)</u>
<b>Net cash flow on acquisition</b>	<b>(14,187)</b>

### *Acquisition of Wastech Controls & Engineering LLC*

On July 6, 2022, the Corporation acquired 100% of the shares of Wastech Controls & Engineering LLC ("Wastech"). Wastech is a process system integrator offering complete facility equipment design and manufacturing, after-sale support and automation solutions in the areas of chemical handling, water and wastewater treatment to industrial customers. In addition to engineering and design competency and services, Wastech has specialized turn-key packaged systems for industrial waste treatment applications in the solar, pharmaceutical, biotechnology, semiconductor, research laboratories and hospitals, aerospace, metal finishing, power, medical devices, specialties and nanotechnology, food and beverage, industrial, manufacturing, energy, oil and chemical manufacturing industries. This acquisition is part of the Corporation's global strategic objective to build an industrial water and wastewater treatment business in North America.

### *Fair value of identifiable assets acquired and liabilities assumed*

The fair value of the identifiable assets and liabilities as of July 6, 2022, the date of acquisition, was:

	\$
<b>Assets acquired</b>	
Trade and other receivables	6,190
Inventories	1,983
Contract assets	1,719
Property, plant and equipment	746
Software	137
Trademarks	4,121
Technologies	1,648
Customer relationships	6,272
Backlog	1,327
Right-of-use assets	5,927
Deferred tax assets	2,331
<b>Total assets</b>	<b><u>32,401</u></b>
<b>Liabilities assumed</b>	
Accounts payable and accrued liabilities	3,604
Contract liabilities	7,031
Lease liabilities	6,082
Other liabilities	40
<b>Total liabilities</b>	<b><u>16,757</u></b>
<b>Total identifiable net assets at fair value</b>	<b>15,644</b>
<b>Goodwill arising on acquisition</b>	<b><u>13,075</u></b>
<b>Purchase consideration</b>	<b><u>28,719</u></b>
<b>Comprised as follows:</b>	
Cash payment at closing	30,991
Purchase price adjustment receivable	(363)
Cash acquired	<u>(1,909)</u>
<b>Net cash</b>	<b><u>28,719</u></b>

# OVIVO INC.

Notes to Consolidated Financial Statements

Twelve-month period ended December 31, 2022 and nine-month period ended December 31, 2021

(Amounts are expressed in thousands of Canadian dollars unless other currency specified)

## 3. Business acquisitions [Cont'd]

The goodwill of \$13.1 million comprises the value of synergies and assembled workforce arising from the acquisition. Goodwill is allocated entirely to the Electronics CGU. There is no allowance for doubtful accounts as the Corporation expects to fully collect the trade and other receivable balances.

From the date of acquisition, Wastech contributed \$13,795 of revenue and \$2,169 to the Corporation's income before income taxes related to continuing operations for the twelve-month period ended December 31, 2022.

Analysis of cash flows on acquisition:

Transaction costs of the acquisition (included in cash flows from operating activities)	(321)
Cash consideration transferred (included in cash flow from investing activities)	<u>(28,719)</u>
<b>Net cash flow on acquisition</b>	<b>(29,040)</b>

### *Contingent earnout payments for the acquisition of Alar Water Treatment*

On November 20, 2020, the Corporation acquired substantially all of the assets and assumed the liabilities of Alar Water Treatment LLC (« Alar »).

As part of the purchase agreement with the previous owners of Alar, contingent earnout payments of up to US\$2,000 could have been made to the previous owners of Alar if the revenues and bookings for calendar 2020 and 2021 equalled or exceeded the targeted levels established for the two respective years.

During the twelve-month periods ended March 31, 2021 and December 31, 2022, amounts of US\$586 (\$780) and US\$1,160 (\$1,471) were paid to the previous owners of Alar as contingent earnout for 2020 and 2021 respectively. During the twelve-month period ended December 31, 2022, a gain of \$292 was recognized in the Corporation's net income due to the reversal of the remaining provision for contingent earnout (see note 16).

## 4. Business disposals

### *Sale of Ovivo Australia Pty Limited and of A.C.N. 066 909 591 Pty Ltd*

On June 30, 2020, the Corporation disposed of its Australian business to Tasman Environmental Services Pty Ltd ("Tasman") with a balance of sale due and owing by Tasman of AUD\$600 (\$564) over five years, non-interest bearing (discounted amount of \$420 as at sale date) (see note 14). Ovivo Australia constituted a component of the "Energy" division in the Corporation's consolidated financial statements.

### *Discontinued operations*

At the end of the fiscal year 2015, the Corporation announced that it was taking actions to divest of its other non-core businesses. On September 30, 2015, the Corporation disposed of its North African division and, on December 14, 2015, it announced the completion of the sale of its South African division. The results for the twelve-month period ended December 31, 2022 and the nine-month period ended December 31, 2021 of these divisions for which the Corporation maintains the responsibility for certain projects are also reported under discontinued operations.

The following table shows the results of discontinued operations:

	Twelve-month period ended December 31, 2022	Nine-month period ended December 31, 2021
	\$	\$
Revenues	615	775
Expenses	1900	1,956
Loss related to discontinued operations	<u>(1,285)</u>	<u>(1,181)</u>

# OVIVO INC.

Notes to Consolidated Financial Statements

Twelve-month period ended December 31, 2022 and nine-month period ended December 31, 2021

(Amounts are expressed in thousands of Canadian dollars unless other currency specified)

## 5. Trade and other receivables

	2022	2021
	\$	\$
Trade	148,442	96,077
Holdbacks on contracts	20,049	12,665
Current portion of balance of sale receivable (note 14)	105	579
Sales tax receivable	7,036	3,818
Other	9,879	7,650
	<b>185,511</b>	<b>120,789</b>

## 6. Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	2022	2021
	\$	\$
<b>Receivables</b> (composed of trade receivables and holdbacks on contracts, included in "Trade and other receivables") (note 5)	<b>168,491</b>	108,742
<b>Contract assets</b>	<b>193,337</b>	140,740
<b>Contract liabilities</b>	<b>231,723</b>	149,381
<b>Set out below is the revenue recognised in the period from:</b>		
Amounts included in contract liabilities at the beginning of the period	<b>110,961</b>	48,978

The Corporation receives payments from customers based on a billing schedule, as established in its contracts, which generally reflects progress in contracts. Contract assets relate to the Corporation's conditional right to consideration for the completed performance under the contracts. Accounts receivables are recognized when the right to consideration becomes unconditional. Contract liabilities relate to payments received in advance of performance under the contract. Contract liabilities are recognized as revenue as (or when) the Corporation performs under the contract.

# OVIVO INC.

Notes to Consolidated Financial Statements

Twelve-month period ended December 31, 2022 and nine-month period ended December 31, 2021

(Amounts are expressed in thousands of Canadian dollars unless other currency specified)

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## 6. Contract balances [Cont'd]

Significant changes in the contract assets and the contract liabilities balances during the periods were as follows:

	Contract assets \$	Contract liabilities \$
<b>Balance as at December 31, 2021</b>	<b>140,740</b>	<b>149,381</b>
Increases due to cash received in excess of revenue recognized during the period	N/A	179,619
Revenue recognized that was included in contract liabilities at the beginning of the period	N/A	(110,961)
Increases as a result of changes in the measure of progress	505,540	N/A
Transfers from contract assets to receivables	(458,035)	N/A
Business acquisition (note 3)	1,719	7,031
Others	103	193
Translation adjustments	3,270	6,460
<b>Balance as at December 31, 2022</b>	<b>193,337</b>	<b>231,723</b>

	Contract assets \$	Contract liabilities \$
<b>Balance as at March 31, 2021</b>	<b>104,515</b>	<b>82,567</b>
Increases due to cash received in excess of revenue recognized during the period	N/A	112,382
Revenue recognized that was included in contract liabilities at the beginning of the period	N/A	(48,978)
Increases as a result of changes in the measure of progress	238,052	N/A
Transfers from contract assets to receivables	(205,320)	N/A
Others	167	(425)
Translation adjustments	3,326	3,835
<b>Balance as at December 31, 2021</b>	<b>140,740</b>	<b>149,381</b>

# OVIVO INC.

Notes to Consolidated Financial Statements

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(Amounts are expressed in thousands of Canadian dollars unless other currency specified)

## 7. Financial instruments

As at December 31, 2022 and 2021, the fair values and carrying amounts of financial instruments and derivative financial instruments were as follows:

	2022		2021	
	Fair value	Carrying amount	Fair value	Carrying amount
	\$	\$	\$	\$
<b>Financial assets at fair value through profit or loss</b>				
Cash and cash equivalents	123,228	123,228	79,404	79,404
Derivatives	8,492	8,492	987	987
<b>Financial assets at amortized cost</b>				
Trade receivables and other receivables	185,511	185,511	120,789	120,789
Balance of sale receivable	254	254	863	863
Loan receivable	1,000	1,000	-	-
<b>Financial liabilities at fair value through profit or loss</b>				
Derivatives	1,779	1,779	1,666	1,666
Contingent earnout payable	-	-	1,782	1,782
<b>Loans and borrowings at amortized cost</b>				
Accounts payable and accrued liabilities	199,913	199,913	130,411	130,411
Long-term debt	73,493	74,223	25,315	25,020

The fair value of financial assets and liabilities reflects the amount at which the instrument could be exchanged in a current transaction between knowledgeable, willing parties, other than in the context of a forced sale or liquidation. The following methods and assumptions were used to estimate the instruments' fair values:

- (i) Financial assets at fair value through profit or loss: Fair values of financial assets approximate their carrying amounts due to their short-term maturities and high liquidity. Derivatives are discussed below.
- (ii) Financial assets at amortized cost: The fair values of trade and other receivables approximate their carrying amounts due to their short-term maturities. To estimate the fair value of the balance of sale receivable and loan receivable, the Corporation uses discounted cash flows based on market data for interest rates.
- (iii) Financial liabilities at fair value through profit or loss: The fair value of the contingent earnout payable is revalued at each reporting period based on management's best estimate using the discounted cash flow method. Derivatives are discussed below.
- (iv) Loans and borrowings at amortized cost: The fair values of accounts payable and accrued liabilities approximate their carrying amounts due to their short-term maturities. The fair value of fixed-rate debts is determined using the discounted cash flow method. The discount rates used reflect the prevailing market rates that would be available to the Corporation at the reporting date for loans with similar terms and conditions.

# OVIVO INC.

Notes to Consolidated Financial Statements

Twelve-month period ended December 31, 2022 and nine-month period ended December 31, 2021

(Amounts are expressed in thousands of Canadian dollars unless other currency specified)

## 7. Financial instruments [Cont'd]

The fair values of financial instruments and derivative financial instruments are measured using the following hierarchy:

Level	Description	Applied to
Level 1	Quoted prices (unadjusted) in active markets for identical assets and liabilities	Currently not applicable
Level 2	Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e., derived from prices)	Trade receivables and other receivables, balance of sale receivable, loan receivable, accounts payable and accrued liabilities, and long-term debt
Level 3	Inputs for the asset or liability that are not based on observable market data	Derivatives and contingent earnout payable

Derivative financial instruments are used to manage the Corporation's exposure to foreign exchange risk. The Corporation does not hold or issue derivative financial instruments for speculative purposes.

The fair values of these derivative financial instruments were detailed as follows:

	2022	2021
	\$	\$
<b>Derivative financial assets:</b>		
Foreign exchange contracts	8,201	604
Embedded derivatives in contracts	291	383
	<b>8,492</b>	<b>987</b>
Current portion	8,492	985
Non-current portion (presented under <i>Other assets</i> ) (note 14)	–	2
<b>Derivative financial liabilities:</b>		
Foreign exchange contracts	1,489	1,489
Embedded derivatives in contracts	290	177
	<b>1,779</b>	<b>1,666</b>
Current portion	1,755	1,655
Non-current portion (presented under <i>Other liabilities</i> ) (note 20)	24	11

The following methods and assumptions were used to estimate fair values of derivative instruments:

- (i) Foreign exchange contracts: estimated using period-end market rates and reflect the amount the Corporation would receive or pay if the instruments were closed out at the reporting date.
- (ii) Embedded derivatives in contracts: fair value determined by multiplying the change in the foreign exchange forward rate stipulated the original contract relative to the new foreign exchange forward rate at period-end, based on the expected remaining billing period with the contract's corresponding portion to be billed. A \$188 loss (a gain of \$132 for the nine-month period ended December 31, 2021) is reported under *Loss related to derivative financial instruments* in the consolidated statement of income.

The Corporation does not apply hedge accounting to its foreign exchange contracts; instead, it recognizes these arrangements at fair value. This accounting policy gives rise to unrealized gains and losses that can cause some volatility in the Corporation's consolidated statement of income. Refer to note 31 *Financial risk management*.

# OVIVO INC.

Notes to Consolidated Financial Statements

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(Amounts are expressed in thousands of Canadian dollars unless other currency specified)

## 8. Inventories

	2022	2021
	\$	\$
Raw materials	21,178	7,961
Finished goods	18,759	16,204
	<b>39,937</b>	<b>24,165</b>

For the twelve-month period ended December 31, 2022 and the nine-month period ended December 31, 2021, the cost of raw materials and finished goods charged to costs of contracts and goods sold amounted to \$426,864 and \$234,467, respectively.

For the twelve-month period ended December 31, 2022 and the nine-month period ended December 31, 2021, the Corporation recognized increases in the valuation allowance through costs of goods sold amounting to \$82 and \$27, respectively. A \$262 reversal in the valuation allowance was recognized (\$385 for the nine-month period ended December 31, 2021) through costs of goods sold to reflect periodic remeasurements of inventories.

## 9. Property, plant and equipment

	Balance as at December 31, 2021	Additions	Business acquisitions (note 4)	Disposals <sup>(3)</sup>	Reclassification <sup>(2)</sup>	Translation adjustment	Balance as at December 31, 2022
	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>							
Land	1,228	-	882	-	-	63	2,173
Buildings	13,354	236	855	-	-	80	14,525
Equipment	37,513	14,367	7,360	(9,491)	(122)	904	50,531
Leasehold improvements	3,329	857	115	(11)	31	201	4,522
	<b>55,424</b>	<b>15,460</b>	<b>9,212</b>	<b>(9,502)</b>	<b>(91)</b>	<b>1,248</b>	<b>71,751</b>
	Balance as at December 31, 2021	Amortization	Impairment reversal <sup>(1)</sup>	Disposals	Reclassification <sup>(2)</sup>	Translation adjustment	Balance as at December 31, 2022
	\$	\$	\$	\$	\$	\$	\$
<b>Accumulated amortization</b>							
Buildings	1,835	614	-	-	-	2	2,451
Equipment	19,384	4,162	(6)	(2,319)	(51)	404	21,574
Leasehold improvements	1,212	341	-	(11)	-	88	1,630
	<b>22,431</b>	<b>5,117</b>	<b>(6)</b>	<b>(2,330)</b>	<b>(51)</b>	<b>494</b>	<b>25,655</b>
Net carrying amount	<b>32,993</b>						<b>46,096</b>

<sup>(1)</sup> During the twelve-month period ended December 31, 2022, the Corporation reversed a previously recognized impairment charge in the amount of \$6 due to the sale of previously impaired fixed assets.

<sup>(2)</sup> During the twelve-month period ended December 31, 2022, assets amounting to \$40 were transferred to contract assets.

<sup>(3)</sup> The disposals include a special sale of equipment during the twelve-month period ended December 31, 2022, amounting to \$6,000.

# OVIVO INC.

Notes to Consolidated Financial Statements

Twelve-month period ended December 31, 2022 and nine-month period ended December 31, 2021

(Amounts are expressed in thousands of Canadian dollars unless other currency specified)

## 9. Property, plant and equipment [Cont'd]

	Balance as at March 31, 2021	Additions	Disposals	Reclassification <sup>(2)</sup>	Translation adjustment	Balance as at December 31, 2021	
	\$	\$	\$	\$	\$	\$	
<b>Cost</b>							
Land	1,209	–	–	–	19	1,228	
Buildings	10,136	3,131	–	51	36	13,354	
Equipment	27,458	10,050	(705)	284	426	37,513	
Leasehold improvements	3,153	66	–	–	110	3,329	
	41,956	13,247	(705)	335	591	55,424	
	Balance as at March 31, 2021	Amortization	Impairment reversal <sup>(1)</sup>	Disposals	Reclassification <sup>(2)</sup>	Translation adjustment	Balance as at December 31, 2021
	\$	\$	\$	\$	\$	\$	\$
<b>Accumulated amortization</b>							
Buildings	1,500	346	–	–	–	(11)	1,835
Equipment	17,817	2,084	(211)	(428)	(44)	166	19,384
Leasehold improvements	950	220	–	–	–	42	1,212
	20,267	2,650	(211)	(428)	(44)	197	22,431
<b>Net carrying amount</b>	21,689						32,993

<sup>(1)</sup> During the nine-month period ended December 31, 2021, the Corporation reversed a previously recognized impairment charge in the amount of \$211 due to the sale of previously impaired fixed assets.

<sup>(2)</sup> During the nine-month period ended December 31, 2021, assets previously reclassified to assets held for sale were transferred to other Ovivo entities and therefore transferred back to Property, plant and equipment for an amount of \$410 (Note 15). Assets amounting to \$31 were transferred to Intangible assets (Note 11).

# OVIVO INC.

Notes to Consolidated Financial Statements

Twelve-month period ended December 31, 2022 and nine-month period ended December 31, 2021

(Amounts are expressed in thousands of Canadian dollars unless other currency specified)

## 10. Leases

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	Balance as at December 31, 2021	Additions	Business Acquisitions (Note 3)	Depreciation	Translation adjustment	Balance as at December 31, 2022
	\$	\$	\$	\$	\$	\$
Buildings	24,052	3,704	5,927	(5,208)	209	28,684
Automotive equipment	1,629	398	–	(529)	(8)	1,490
Other fixed assets	232	19	–	(103)	(1)	147
	<b>25,913</b>	<b>4,121</b>	<b>5,927</b>	<b>5,840</b>	<b>200</b>	<b>30,321</b>

	Balance as at March 31, 2021	Additions	Depreciation	Translation adjustment	Balance as at December 31, 2021
	\$	\$	\$	\$	\$
Buildings	21,747	5,266	(3,329)	368	24,052
Automotive equipment	1,706	330	(380)	(27)	1,629
Other fixed assets	246	69	(86)	3	232
	<b>23,699</b>	<b>5,665</b>	<b>(3,795)</b>	<b>344</b>	<b>25,913</b>

Set out below are the carrying amounts of lease liabilities and the movements during the periods ended December 31, 2022 and 2021:

	2022 \$	2021 \$
<b>Beginning balance</b>	<b>26,947</b>	24,562
Additions	4,095	5,621
Business acquisitions (Note 3)	6,082	–
Repayment of lease liabilities	(5,298)	(3,590)
Translation adjustment	225	354
<b>Ending balance</b>	<b>32,051</b>	26,947
Current portion	5,942	4,739
Non-current portion	26,109	22,208

The maturity analysis of lease liabilities is disclosed in Note 31 - *Financial risk management*.

The following are the amounts recognized in net income during the periods ended December 31, 2022 and 2021:

	Twelve-month period ended December 31, 2022 \$	Nine-month period ended December 31, 2021 \$
Expense related to short-term leases	156	93
Expense related to leases of low-value assets	31	26
Variable lease payments	358	225
Depreciation expense of right-of-use assets	5,840	3,795
Interest expense on lease liabilities	795	494

# OVIVO INC.

Notes to Consolidated Financial Statements

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(Amounts are expressed in thousands of Canadian dollars unless other currency specified)

## 11. Intangible assets

	Balance as at December 31, 2021		Business acquisitions (Note 3)	Disposals	Translation adjustment	Balance as at December 31, 2022
	\$	Additions \$	\$	\$	\$	\$
<b>Cost</b>						
Technologies	47,862	559	4,834	–	150	53,405
Development costs	19,111	3,735	–	–	907	23,753
Trademarks	44,561	–	5,569	–	416	50,546
Customer relationships	41,229	–	6,726	–	1,068	49,023
Backlog	2,383	–	1,364	–	223	3,970
Acquired software	2,206	110	137	(10)	19	2,462
Internally developed software	1,531	39	–	(723)	(36)	811
	158,883	4,443	18,630	(733)	2,747	183,970

	Balance as at December 31, 2021		Amortization	Disposals	Translation adjustment	Balance as at December 31, 2022
	\$	\$	\$	\$	\$	\$
<b>Accumulated amortization</b>						
Technologies	38,455	2,151	–	–	(12)	40,594
Development costs	8,224	505	–	–	336	9,065
Trademarks	36,161	1,771	–	–	(107)	37,825
Customer relationships	25,165	2,206	–	–	(65)	27,306
Backlog	2,260	612	–	–	152	3,024
Acquired software	2,125	84	(10)	–	11	2,210
Internally developed software	1,130	88	(723)	–	(37)	458
	113,520	7,417	(733)	–	278	120,482
Net carrying amount	45,363					63,488

# OVIVO INC.

Notes to Consolidated Financial Statements

Twelve-month period ended December 31, 2022 and nine-month period ended December 31, 2021

(Amounts are expressed in thousands of Canadian dollars unless other currency specified)

## 11. Intangible assets [Cont'd]

	Balance as at March 31, 2021 \$	Additions \$	Business acquisition (Note 3) \$	Reclassifications \$	Translation adjustment \$	Balance as at December 31, 2021 \$
<b>Cost</b>						
Technologies	47,498	326	–	–	38	47,862
Development costs	14,932	4,204	–	(401)	376	19,111
Trademarks	41,833	–	3,481	–	(753)	44,561
Customer relationships	31,078	–	11,486	–	(1,335)	41,229
Backlog	1,974	–	378	–	31	2,383
Acquired software	2,143	29	–	31	3	2,206
Internally developed software	1,129	–	–	401	1	1,531
	140,587	4,559	15,345	31	(1,639)	158,883
	Balance as at March 31, 2021 \$		Amortization \$	Translation adjustment \$		Balance as at December 31, 2021 \$
<b>Accumulated amortization</b>						
Technologies		37,228	1,208	19		38,455
Development costs		8,986	(872)	110		8,224
Trademarks		35,601	1,250	(690)		36,161
Customer relationships		24,638	1,673	(1,146)		25,165
Backlog		1,974	243	43		2,260
Acquired software		2,067	52	6		2,125
Internally developed software		1,129	–	1		1,130
		111,623	3,554	(1,657)		113,520
<b>Net carrying amount</b>		28,964				45,363

# OVIVO INC.

Notes to Consolidated Financial Statements

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(Amounts are expressed in thousands of Canadian dollars unless other currency specified)

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## 12. Goodwill

Goodwill is allocated to the Corporation's core CGUs, namely Electronics, Municipal, Industrial and Cembrane.

	Balance as at December 31, 2021 \$	Business acquisitions (Note 3) \$	Translation adjustment \$	Balance as at December 31, 2022 \$
Electronics	20,470	13,075	797	34,342
Municipal	23,059	-	1,410	24,469
Industrial	10,623	-	661	11,284
Cembrane	-	5,398	(21)	5,377
<b>TOTAL</b>	<b>54,152</b>	<b>18,473</b>	<b>2,847</b>	<b>75,472</b>

	Balance as at March 31, 2021 \$	Business acquisitions (Note 3) \$	Translation adjustment \$	Balance as at December 31, 2021 \$
Electronics	20,748	-	(278)	20,470
Municipal	22,632	-	427	23,059
Industrial	25,182	(15,306)	747	10,623
<b>TOTAL</b>	<b>68,562</b>	<b>(15,306)</b>	<b>896</b>	<b>54,152</b>

The Corporation completed its annual goodwill impairment testing for the Electronics, Municipal, Industrial and Cembrane CGUs as at December 31, 2022. The recoverable amounts of these CGUs were determined using fair value less costs to sell. The fair value was measured by the Corporation by applying valuation multiples on expected earnings before amortization, interest and income taxes. In this regard, management established cash flow projections for the next fiscal year, which were approved by the Corporation's Board of Directors. The projections were prepared based on both historical data, existing backlog, expected booking of new contracts and future trends anticipated by the Corporation. A valuation multiple was then applied to the projections to determine the recoverable amount. Valuation multiples were determined based on comparable market data, risk exposures specific to CGUs, historical data and future trends as anticipated by the Corporation.

Cash-generating unit	Valuation multiple	Observed range
Electronics	12.2	9.7 to 15.5
Municipal	12.2	9.7 to 15.5
Industrial	12.2	9.7 to 15.5
Cembrane	6.9	6.9 to 15.5

Following this analysis, management concluded that the recoverable amount of the Electronic, Municipal, Industrial and Cembrane CGUs exceeded their carrying amount and that no impairment charge was required.

Using the lower-end of the valuation multiple range or a 5% reduction in expected earnings before amortization, interest and income taxes would not have resulted in the recognition of an impairment charge.

# OVIVO INC.

Notes to Consolidated Financial Statements

Twelve-month period ended December 31, 2022 and nine-month period ended December 31, 2021

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## 13. Income taxes

Total income tax expense for the twelve-month periods ended December 31, 2022 and 2021 is detailed as follows:

	Twelve-month period ended December 31, 2022 \$	Nine-month period ended December 31, 2021 \$
Current income tax expense (recovery)		
Current income tax charge	7,851	4,317
Adjustment to prior year income taxes recorded during the period	(744)	(311)
	<b>7,107</b>	<b>4,006</b>
Deferred income tax expense (benefit)		
Deferred tax expense (benefit) related to the origination and reversal of temporary differences	2,251	(404)
<b>Income taxes related to continuing operations</b>	<b>9,358</b>	<b>3,602</b>

The statutory tax rate in Canada for a corporation with a permanent establishment in Québec (the "Canadian statutory rate") was 26.5% for the periods ended December 31, 2022 and 2021.

The following table reconciles income taxes computed at the Canadian statutory tax rate and the total income tax expense for the periods ended December 31, 2022 and 2021.

	Twelve-month period ended December 31, 2022 \$	Nine-month period ended December 31, 2021 \$
Income taxes computed at the Canadian statutory tax rate	7,566	3,067
Impact of loss related to discontinued operations	-	(313)
Impact of foreign tax rate differences	(2,228)	(608)
	<b>5,338</b>	<b>2,146</b>
Increase (decrease) resulting from:		
Permanent differences	(3,113)	(2,690)
Unrecognized tax benefits resulting from losses and temporary differences	5,321	3,291
Minimum tax and other tax adjustments	1,731	917
Impact of tax rate decrease	65	(49)
Other	16	(13)
	<b>4,020</b>	<b>1,456</b>
<b>Income taxes</b>	<b>9,358</b>	<b>3,602</b>
<b>Income taxes related to discontinued operations</b>	<b>-</b>	<b>-</b>
<b>Income taxes related to continuing operations</b>	<b>9,358</b>	<b>3,602</b>

# OVIVO INC.

Notes to Consolidated Financial Statements

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(Amounts are expressed in thousands of Canadian dollars unless other currency specified)

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## 13. Income taxes [Cont'd]

The significant items comprising deferred tax assets and liabilities as at December 31, 2022 and 2021 and the tax effects on the deferred income tax expense for the periods then ended are as follows:

	Deferred tax assets and liabilities		Deferred tax expense	
	2022	2021	Twelve-month period	Nine-month period
			ended December 31, 2022	ended December 31, 2021
	\$	\$	\$	\$
Loss carryforwards	5,511	6,976	1,808	(552)
Compensation obligations	3,319	1,537	(1,737)	160
Property, plant and equipment	(5,180)	(2,482)	421	739
Intangible assets	(14,441)	(9,315)	4,124	(117)
Other	3,030	(2,643)	(2,365)	(634)
Deferred income tax expense	N/A	N/A	2,251	(404)
Net deferred tax liabilities	(7,761)	(5,927)	N/A	N/A
Deferred tax assets	2,209	2,907	N/A	N/A
Deferred tax liabilities	(9,970)	(8,834)	N/A	N/A
Net deferred tax liabilities	(7,761)	(5,927)	N/A	N/A

The following table shows the reconciliation of net deferred tax liabilities for the periods ended December 31, 2022 and 2021:

	2022	2021
	\$	\$
Balance, beginning of year	(5,927)	(6,478)
Through net income	(2,251)	404
Acquired in business combinations (note 3)	901	-
Item impacting the other comprehensive income	(537)	99
Other	53	48
Net balance, end of year	(7,761)	(5,927)

As at December 31, 2022, the Corporation had operating loss carryforwards for tax purposes of \$179,089 that were available to reduce future taxable income, of which \$22,366 expires from 2023 to 2042 and the balance of \$156,723 can be carried forward indefinitely. Of these losses, a total of \$26,000 was used to reduce taxable temporary differences. The Corporation also had \$20,634 in capital losses that can be carried forward indefinitely.

Apart from these tax loss carryforwards, the Corporation has not recorded deferred tax assets in respect of certain temporary differences, for a total of \$81,356.

The Corporation has unrecognized deferred tax liabilities in respect of the retained earnings of its subsidiaries in current and prior years, as it does not currently expect to dispose of or repatriate funds from these investments in the foreseeable future. The total amount of taxable temporary differences for which no deferred tax liability was recognized amounted to approximately \$4,611.

# OVIVO INC.

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## 14. Other assets

	2022	2021
	\$	\$
Derivative financial assets (note 7)	-	2
Balance of sale receivable (note 4)	149	284
Investment Norse Star <sup>(1)</sup>	-	1,479
Investment E2metrix <sup>(2)</sup>	2,150	-
Loan receivable <sup>(3)</sup>	1,000	-
Financing costs	693	288
Other	828	31
	<b>4,820</b>	<b>2,084</b>

<sup>(1)</sup> On April 16, 2018, the Corporation took a participation in Norse Star Holding ApS for 16.7%, which was the majority shareholder of Cembrane A/S. The Corporation indirectly owned 9.5% of Cembrane. Cembrane is headquartered in Denmark. During the twelve-month period ended December 31, 2022, the Corporation acquired the remaining 83.3% of Norse Star Holding ApS (note 3).

<sup>(2)</sup> On December 1<sup>st</sup>, 2022, the Corporation took a participation of 21.9% in E2metrix, a Québec-based technology company which specializes in the design, development, manufacturing and commercialization of innovative & clean electro-technologies.

<sup>(3)</sup> On December 1<sup>st</sup>, 2022, concurrently with the equity participation, the Corporation provided financing to E2metrix amounting to \$1,000. The loan receivable bears interest at 10% and it is payable at maturity on August 15, 2024.

The balance of sale receivable is related to the disposition of Ovivo entities (note 4). The due dates for the balance of sale receivable are as follows: 2024: \$96; 2025: \$53. The balance of sale receivable bears interest at the rate of 12%.

## 15. Assets held for sale

On March 25, 2021, the Corporation announced the closing of its FilterBoxx USA's rental business on June 30, 2021. The assets held for sale, representing property, plant and equipment of FilterBoxx USA, were transferred from property, plant and equipment to assets held for sale as at March 31, 2021, at the lower of their carrying amount and fair value less costs to sell. The assets accounted for under assets held for sale as at December 31, 2021 were disposed of as of January 7, 2022.

	Balance as at December 31, 2021	Disposals	Translation adjustment	Balance as at December 31, 2022
	\$	\$	\$	\$
<b>Assets held for sale</b>	<b>1,464</b>	<b>(1,448)</b>	<b>(16)</b>	<b>-</b>

	Balance as at March 31, 2021	Impairment <sup>(1)</sup>	Reclassifications <sup>(2)</sup>	Disposals	Translation adjustment	Balance as at December 31, 2021
	\$	\$	\$	\$	\$	\$
<b>Assets held for sale</b>	<b>4,384</b>	<b>(966)</b>	<b>(410)</b>	<b>(1,575)</b>	<b>31</b>	<b>1,464</b>

<sup>(1)</sup> During the nine-month period ended December 31, 2021, an impairment charge was recognized to reduce the carrying amount of the remaining assets held for sale to their related fair value less costs to sell.

<sup>(2)</sup> During the nine-month period ended December 31, 2021, assets previously reclassified to assets held for sale were transferred to other Ovivo entities and therefore transferred back to property, plant and equipment for an amount of \$410 (Note 9).

# OVIVO INC.

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## 16. Accounts payable and accrued liabilities

	2022	2021
	\$	\$
Accounts payable	129,855	76,347
Accrued liabilities	63,554	50,716
Contingent earnout payable (note 3)	–	1,782
Other	6,504	3,348
	<b>199,913</b>	<b>132,193</b>

## 17. Provisions

	Provisions for contracts	Other	Total
	\$	\$	\$
Balance as at December 31, 2021	28,900	962	29,862
Increases	13,275	448	13,723
Utilization	(5,830)	(6)	(5,836)
Reversals	(5,540)	–	(5,540)
Transfers	(519)	519	–
Effect of changes in exchange rates	120	91	211
Balance as at December 31, 2022	30,406	2,014	32,420
Current portion	18,556	1,760	20,316
Non-current portion	11,850	254	12,104

	Provisions for contracts	Other	Total
	\$	\$	\$
Balance as at March 31, 2021	27,572	1,869	29,441
Increases	9,568	568	10,136
Utilization	(6,459)	(995)	(7,454)
Reversals	(2,416)	(466)	(2,882)
Effect of changes in exchange rates	635	(14)	621
Balance as at December 31, 2021	28,900	962	29,862
Current portion	17,423	788	18,211
Non-current portion	11,477	174	11,651

Provisions for contracts represent the estimated warranty costs for contracts in progress and completed, as well as certain expected losses on contracts in progress. The "Other" category represents provisions for restructuring costs as well as pending claims and litigation.

# OVIVO INC.

Notes to Consolidated Financial Statements

Twelve-month period ended December 31, 2022 and nine-month period ended December 31, 2021

(Amounts are expressed in thousands of Canadian dollars unless other currency specified)

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## 18. Retirement benefits

The Corporation offers defined contribution pension plans for certain subsidiaries. Plan costs, which are expensed as incurred, amounted to \$1,016 for the twelve-month period ended December 31, 2022 (\$638 for the nine-month period ended December 31, 2021).

The Corporation maintains three defined benefit pension plans: one in the United Kingdom that is based on the average of the best three consecutive years' compensation in the last ten years, one in Switzerland that provides a lump-sum payment on retirement based on final salary and one in Austria that provides for guaranteed conversion of accrued capital to an annuity on retirement, the Austrian plan being unfunded.

The UK Defined Benefit Pension Scheme (the "Scheme") provides retirement and death benefits for members and their dependants. The Scheme, which is legally and financially separate from the employer, is constituted by a trust deed. Under applicable pension legislation, the plan administrator is a pension committee. Plan administrators are responsible for the management of plan assets and the establishment of investment policies which define investment objectives, target asset allocation, risk mitigation strategies and other elements required by pension legislation. The Scheme is registered with Her Majesty's Revenue and Customs under Chapter 2 of the *Finance Act 2004* and members of the Scheme were contracted out of the earnings-related part of the UK State pension arrangements. It is a defined benefit scheme, which means that the benefits payable to members are calculated on a pre-determined basis specified in the Scheme Rules. The Scheme was closed to new entrants effective March 31, 2003 and closed to the future accrual of benefits effective March 31, 2012. Actuarial valuations are required at least every three years, and the effective date of the most recent actuarial valuation was April 1, 2020.

The Swiss Defined Benefit Pension Scheme provides retirement, disability and death benefits for members and their dependants. All benefits in accordance with the regulations are reinsured in their entirety with AXA Stiftung Berufliche Vorsorge, Winterthur, Switzerland within the framework of the corresponding contract. The technical administration and management of the savings are guaranteed by AXA on behalf of the collective foundation. Insurance benefits due are paid directly to the entitled persons by AXA in the name of and for the account of the collective foundation. Ovivo Switzerland AG has committed itself to pay the annual contributions and costs due under the pension fund regulations. For this pension plan, given that the plan is insured, it is not necessary to produce an actuarial valuation.

The risk exposures of the Corporation's pension plans are as follows:

### *Investment risk*

Investment risk is the risk that results from fluctuations in the value of the various plan investments. This risk is managed by maintaining diversification of portfolios across regions, sectors and investment strategies.

### *Interest rate risk*

Interest rate risk is the risk that results from fluctuations in the fair value of plan assets and liabilities due to movements in interest rates. This risk is managed by reducing the mismatch between the duration of plan assets and the duration of pension obligations. This is accomplished by having a portion of the portfolio invested in long-term bonds and interest rate hedging overlay portfolios.

### *Inflation risk*

Inflation risk is the risk that benefits indexed to inflation increase significantly as a result of changes in inflation rates. To manage this risk, the Corporation has capped the benefit indexation in certain plans and invested a portion of plan assets in real return asset securities and real return bonds.

### *Longevity risk*

Longevity risk is the risk that increasing life expectancy results in longer-than-expected benefit payments. This risk is mitigated by using the most recent mortality tables to set the level of contributions.

### *Liquidity risk*

Liquidity risk is the risk stemming from holding assets which cannot be readily converted to cash when needed for the payment of benefits or to rebalance the portfolios. Liquidity risk is managed through investment in government bonds and equity futures.

The total amount paid in cash for employee future benefits contributed by the Corporation under its funded and unfunded pension plans was \$1,731 for the twelve-month period ended December 31, 2022 (\$1,060 for the nine-month period ended as at December 31, 2021).

The following table reconciles changes in defined benefit obligations and the fair value of plan assets for the periods ended December 31, 2022 and December 31, 2021, which are the measurement dates, and the funded status on those dates:

# OVIVO INC.

Notes to Consolidated Financial Statements

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(Amounts are expressed in thousands of Canadian dollars unless other currency specified)

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## 18. Retirement benefits [Cont'd]

	2022	2021
<b>Changes in defined benefit obligations</b>	<b>\$</b>	<b>\$</b>
Defined benefit obligations, end of prior year	60,864	54,149
Service cost	1,225	689
Interest	681	606
Cash flows		
Benefits paid to members	(537)	(584)
Insurance premiums for risk benefits	(174)	(114)
Member contributions	994	575
Remeasurements		
Effect of changes in demographic assumptions	(35)	--
Effect of changes in financial assumptions	(17,164)	4,321
Effect of changes in experience adjustments	2,885	626
Effect of changes in exchange rates	(1,078)	596
Defined benefit obligations, end of year	47,661	60,864
<b>Changes in fair value of plan assets</b>	<b>\$</b>	<b>\$</b>
Fair value of plan assets, end of prior year	36,203	32,840
Interest income	364	332
Cash flows		
Total employer contributions		
Employer contributions	1,731	1,060
Member contributions	994	575
Benefits paid to members	(537)	(584)
Insurance premiums for risk benefits	(174)	(114)
Administrative expenses paid from plan assets	(39)	(25)
Remeasurements		
Return on plan assets (excluding amounts included in calculating net interest)	(5,587)	1,588
Effect of changes in exchange rates	(77)	531
Fair value of plan assets, end of year	32,878	36,203
<b>Amounts recognized in the consolidated statement of financial position</b>	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<i>Fully and partially funded plans and unfunded plans</i>		
Defined benefit obligations, end of year	47,661	60,864
Fair value of plan assets, end of year	32,878	36,203
Retirement benefit liabilities	14,783	24,661

# OVIVO INC.

Notes to Consolidated Financial Statements

Twelve-month period ended December 31, 2022 and nine-month period ended December 31, 2021

(Amounts are expressed in thousands of Canadian dollars unless other currency specified)

## 18. Retirement benefits [Cont'd]

Plan assets consist of the following:

	2022		2021	
	Quoted %	Non-quoted %	Quoted %	Non-quoted %
Cash and cash equivalents	0.71	–	0.41	–
Equity instruments	3.73	–	3.10	–
Debt securities	6.76	–	9.34	–
Investment funds	25.97	–	42.04	–
Assets held by insurance companies	–	62.83	–	45.11
<b>Total</b>	<b>37.17</b>	<b>62.83</b>	<b>54.89</b>	<b>45.11</b>

Components of defined benefit pension costs are detailed as follows:

	Twelve-month period ended December 31, 2022	Nine-month period ended December 31, 2021
	\$	\$
Service cost	1,225	689
Net interest income		
Interest on defined benefit obligation	681	606
Interest income from plan assets	(364)	(332)
Total net interest expense	317	274
Administrative expenses	39	25
Defined benefit pension costs reported in the consolidated statement of income	1,581	988
Remeasurements (recognized in the consolidated statement of comprehensive income)		
Effect of changes in demographic assumptions	(35)	–
Effect of changes in financial assumptions	(17,164)	4,321
Effect of changes in experience adjustments	2,885	626
Return on plan assets (excluding interest income)	5,587	(1,588)
Total remeasurements included in accumulated other comprehensive income	(8,727)	3,359
Total defined benefit pension costs	(7,146)	4,347

Actual return on plan assets amounted to a loss of \$5,223 for the twelve-month period ended December 31, 2022 (gain of \$1,920 for the nine-month period ended December 31, 2021).

# OVIVO INC.

Notes to Consolidated Financial Statements

Twelve-month period ended December 31, 2022 and nine-month period ended December 31, 2021

(Amounts are expressed in thousands of Canadian dollars unless other currency specified)

## 18. Retirement benefits [Cont'd]

The changes in the cumulative amount of remeasurements of net pension benefit liabilities accounted for in equity were as follows for the periods ended December 31, 2022 and 2021:

	2022	2021
	\$	\$
Remeasurements of net liabilities accounted for in equity, beginning of period	17,128	13,728
Remeasurements of net liabilities	(8,727)	3,359
Tax expense (recovery)	537	(99)
Effect of changes in exchange rates	(1,014)	140
Actuarial losses accounted for in equity, end of period	7,924	17,128

The weighted average assumptions used to determine the Corporation's defined benefit obligations and pension cost are as follows:

	December 31, 2022	December 31, 2021
	%	%
Defined benefit obligations		
Discount rate	3.53	1.21
Rate of compensation increase	2.19	1.58
Inflation rate	1.89	2.10
Rate of pension increases	1.86	2.32
Periodic costs for the year		
Inflation rate	2.10	1.83
Discount rate	1.21	1.52
Rate of compensation increase	1.58	1.57
Rate of pension increases	2.32	2.39

Weighted average life expectancy on post-retirement mortality table used to determine the benefit obligations of the largest pension schemes is as follows:

	United Kingdom		Switzerland	
	2022	2021	2022	2021
Member age 65 (current life expectancy)	22.1	22.0	22.8	21.7
Member age 40 (life expectancy at age 65)	24.2	24.1	25.6	23.7

The weighted average duration of the retirement plans is 11.8 years.

### Sensitivity analysis

For the twelve-month period ended December 31, 2022	Increase in accrued benefit obligation
	\$
Impact of a 1% decrease in discount rate	5,858
Impact of a 1% increase in pension rate	2,530

# OVIVO INC.

Notes to Consolidated Financial Statements

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## 18. Retirement benefits [Cont'd]

No sensitivity analysis was performed on the other assumptions, as changes similar to those assumptions would not have a material impact on the consolidated financial statements.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another, as some of the assumptions may be correlated.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the consolidated statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

Based on calculations as at December 31, 2022, the Corporation's contributions to defined benefit plans for the year ending December 31, 2023 will amount to \$1,973.

## 19. Long-term debt

	2022	2021
	\$	\$
Syndicated revolving credit facilities		
Denominated in Canadian dollars	28,700	–
Denominated in U.S. dollars	15,511	–
Loan agreement with the Fonds de solidarité des travailleurs du Québec ("FTQ")	25,000	25,000
Overdraft denominated in euros (€)	4,131	20
Loan Nordea denominated in DKK	881	–
<b>Total</b>	<b>74,223</b>	<b>25,020</b>
Current	25,053	–
Non-current portion	49,170	25,020

### Syndicated revolving credit facilities

On February 26, 2020, the Corporation entered into a syndicated credit agreement (the "Agreement") consisting firstly of a \$85,000 syndicated revolving credit facility to support the Corporation's normal course of operations, issue letters of credit and finance business acquisitions (the "General Facility"). As part of this Agreement, the Corporation also has a \$60,000 credit facility to issue letters of credit guaranteed by Export Development Canada (the "LC Facility"). The maturity date of the Agreement was August 20, 2023 until it was amended on July 29, 2021 to extend the maturity to July 29, 2025 and to adjust certain financial covenants and other terms. On August 11, 2022, the Agreement was further amended to extend the maturity date to July 29, 2026, to increase the limit of the General Facility to \$135,000, to replace the LIBOR borrowings with SOFR and SONIA borrowings and to adjust other terms. The General Facility bears interest at Canadian or U.S. prime rates plus a margin of 0.50% to 2.00%, and bankers' acceptance rates, SOFR, Euribor or SONIA plus a margin of 1.50% to 3.00%. The SOFR and SONIA borrowings are subject to an additional positive credit adjustment spread ranging between 0.0326% and 0.2766% depending on the loan currency and duration. Assets of certain divisions have been pledged as collateral for the indebtedness incurred under these credit facilities.

As at December 31, 2022, \$44,211 was drawn under the General Facility (nil as at December 31, 2021) and a total of \$24,558 was used under the LC Facility (\$17,296 as at December 31, 2021). According to the terms and conditions of the Agreement, no principal repayment on the long-term debt is required before its maturity on July 29, 2026.

As at December 31, 2022, the Corporation was in compliance with all financial ratios and other covenants of this Agreement.

# OVIVO INC.

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## 19. Long-term debt [Cont'd]

### Loan agreement - FTQ

On November 20, 2018, the Corporation entered into a debt agreement with the Fonds de solidarité des travailleurs du Québec (FTQ) for an unsecured maximum debt facility of \$25,000. An initial tranche of \$10,000 was drawn down as at November 20, 2018, bearing interest at 4.95%. The interest rate of this tranche was reduced to 3.80% on February 14, 2022. A second tranche of \$15,000 was drawn down as at November 19, 2020, bearing interest at 3.20%. The advance repayment option on the loan agreement was removed on February 14, 2022, so the loan is entirely repayable at its maturity on November 20, 2023.

### Syndicated revolving credit facilities in Austria

The Corporation has a credit facility in Austria with Bank Austria to issue letters of credit amounting to €12,000 (\$17,325) and maturing on December 31, 2019. On December 18, 2019, the Corporation amended this guarantee facility to decrease the amount to €9,000 (\$12,994) and to extend the maturity to December 31, 2022. On November 30, 2020, the Corporation amended again this guarantee facility to decrease the amount to €7,000 (\$10,106). On December 2, 2022, the maturity date of this guarantee facility was extended to December 31, 2025. As at December 31, 2022, this facility was used for €4,693 (\$6,776) (\$7,568 as at December 31, 2021).

The Corporation also has a revolving credit facility in Austria with Bank Austria amounting to €5,000 (\$7,219) to support the normal course of operations. This facility matures on December 31, 2025, is repayable on demand and was used for €2,861 (\$4,131) as at December 31, 2022 (\$20 as at December 31, 2021). The revolving credit facility bears interest at €STR rate plus a margin of 1.75% and is subject to a positive credit adjustment spread of 0.085%. The Corporation guarantees the repayment of both these credit facilities in Austria in the event of payment default.

### Mortgage loan in Denmark

Following the acquisition of Cembrane, the Corporation assumed a mortgage loan in Denmark with Nordea that had an outstanding amount of 4,534 DKK (\$881) as at December 31, 2022. The mortgage loan bears interest at CIBOR plus a margin of 0.88%. This loan is secured by Cembrane's property located in Denmark, is repayable in quarterly instalments and matures in December 2038.

### Credit facilities in China

The Corporation has a credit facility in China with HSBC to issue letters of credit amounting to CNY 80,000 (\$15,601). It was amended on October 29, 2019, to increase the amount to CNY 160,000 (\$31,201). It was further amended on August 31, 2022, to increase the amount to CNY 240,000 (\$46,802). As at December 31, 2022, the HSBC facility was used for CNY 165,224 (\$32,220) (\$6,312 as at December 31, 2021). The facility is repayable on demand and the Corporation guarantees the repayment to HSBC in the event of a payment default.

The Corporation has a second credit facility in China with Bank of China to issue letters of credit and support counterparty credit risk amounting to CNY 40,000 (\$7,800). This facility was amended on February 24, 2021 to increase the amount to CNY 110,000 (\$21,451) and was further amended on November 16, 2022, to increase the amount to CNY 210,000 (\$40,952). As at December 31, 2022, the Bank of China facility was used for CNY 144,866 (\$28,250) (\$7,762 as at December 31, 2021). The facility is repayable on demand and is not guaranteed by the Corporation.

## 20. Other liabilities

	2022	2021
	\$	\$
Share-based compensation (note 22)	34,089	5,015
Derivative financial liabilities (note 7)	24	11
Other	2,479	1,371
	<b>36,592</b>	<b>6,397</b>

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## 21. Share capital

All common shares are voting shares, carrying one vote per share, and participating.

	As at December 31, 2022 and 2021	
	Number of shares	Share capital
		\$
Issued and fully paid shares	44,097,218	313,851

## 22. Share-based compensation

### Virtual Stock Appreciation Rights plan ("VSAR") and Appreciation Share Units ("ASU")

In November 2016, the Board of Directors of the Corporation implemented the VSAR plan, for key employees. In 2020, the Board of Directors amended the VSAR plan to introduce a new share-based compensation known as the Appreciation Share Units ("ASU"), similar to VSAR, using a different valuation formula. All the VSAR and ASU vest over a five-year period (in equal tranches of 20%) starting on the first anniversary of the grant date, becoming fully vested on their fifth anniversary. The VSAR and ASU have a maximum term of ten years from the grant date. Under the VSAR and ASU plans, participants receive, upon vesting, a cash amount equal to the difference between the VSAR or ASU's fair market value and the grant price value, also known as the intrinsic value. The fair market value is calculated annually using valuation formulas approved by the Board of Directors.

The VSAR were cancelled by the Board of Directors on May 18, 2021 and all the acquired outstanding rights amounting to \$1,301 were paid during the nine-month period ended December 31, 2021 resulting in a gain of \$1,232, which was recorded in net income. In consideration of the payout and cancellation of the outstanding VSAR, the Corporation issued 2,030,000 ASU to those same participants and in the same proportion as the paid out and cancelled VSAR. In addition, the Corporation issued 2,287,500 new ASU during the nine-month period ended December 31, 2021 and 130,000 ASU during the twelve-month period ended December 31, 2022.

	December 31, 2021	Issued	Forfeited	Exercised	December 31, 2022
ASU 2020 – \$5.32	677,500	–	(16,000)	(15,000)	646,500
ASU 2021 – \$5.63	4,302,500	–	(63,000)	(24,000)	4,215,500
ASU 2022 – \$6.95	–	130,000	–	–	130,000
	4,980,000	130,000	(79,000)	(39,000)	4,992,000

The following tables summarize the share-based compensation expense of the VSAR and ASU during the periods:

	Twelve-month period ended December 31, 2022	Nine-month period ended December 31, 2021
	\$	\$
VSAR 2016 to 2019 – \$3 to \$6.16	–	(1,232)
ASU 2020 – \$5.32	4,234	495
ASU 2021 – \$5.63	24,491	3,597
ASU 2022 – \$6.95	459	–
	29,184	2,860

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## 22. Share-based compensation [Cont'd]

The following tables summarize the assumptions used in calculating the fair value of ASU as at December 31, 2022:

	ASU 2020 \$5.32	ASU 2021 \$5.63	ASU 2022 \$6.95
Weighted average fair value	\$11.33	\$11.32	\$10.79
Risk-free interest rate	3.27%	3.27%	3.30%
Expected average life (years)	7.5	8.4	9.3
Expected volatility of stock price	35.6%	35.6%	35.6%
Expected dividend yield	0%	0%	0%

### Virtual share rights plan ("VSR") and Short-Term Incentive Plan Units ("STIP Units")

In November 2016, the Board of Directors of the Corporation implemented the VSR plan for key employees. In 2020, the Board of Directors introduced new virtual share rights known as STIP Units, similar to VSR, using a different valuation formula. Under the Short-Term Incentive Plan, all the VSR or STIP Units vest after three years from the grant date. Upon vesting, 50% of the VSR or STIP Units issued would be paid upon vesting and 50% would be paid when the participant leaves the Corporation. The participants would receive a cash amount equal to the VSR's or STIP Units' fair market value. The fair market value was be calculated annually using a valuation formula approved by the Board of Directors.

The VSR and STIP Units were cancelled by the Board of Directors on May 18, 2021 and all the acquired outstanding rights amounting to \$3,378 were paid during the nine-month period ended December 31, 2021.

The share-based compensation expense of the VSR and STIP Units during the nine-month period ended December 31, 2021 was \$822.

# OVIVO INC.

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## 23. Disaggregation of revenues

In the following table, revenue is disaggregated by major types of goods and services. The table also includes a reconciliation of the disaggregated revenue with the Corporation's five (2021 – four) strategic divisions, which are its reportable segments.

Twelve-month period ended December 31, 2022	Electronics \$	Energy \$	Municipal \$	Industrial \$	Cembrane \$	Total \$
<b>Major types of goods and services</b>						
Capital equipment	455,057	24,670	144,455	8,648	–	632,830
Upgrading, parts and services	58,967	10,794	49,887	18,564	–	138,212
Rental services	–	–	632	3,192	–	3,824
Plant operations	–	–	–	1,246	–	1,246
Products	–	–	–	–	5,899	5,899
	<b>514,024</b>	<b>35,464</b>	<b>194,974</b>	<b>31,650</b>	<b>5,899</b>	<b>782,011</b>

Nine-month period ended December 31, 2021	Electronics \$	Energy \$	Municipal \$	Industrial \$	Total \$
<b>Major types of goods and services</b>					
Capital equipment	201,099	16,682	62,335	9,843	289,959
Upgrading, parts and services	40,798	7,199	38,005	11,098	97,100
Rental services	–	–	237	2,385	2,622
Plant operations	–	–	–	2,795	2,795
	<b>241,897</b>	<b>23,881</b>	<b>100,577</b>	<b>26,121</b>	<b>392,476</b>

# OVIVO INC.

Notes to Consolidated Financial Statements

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## 23. Disaggregation of revenues [Cont'd]

In the following table, revenue is disaggregated by major products/service lines and timing of revenue recognition:

Timing of revenue recognition for the twelve-month period ended December 31, 2022	Goods and services transferred at a point in time	Goods and services transferred over time	Total
Capital equipment	616	632,214	632,830
Upgrading, parts and services	79,653	58,559	138,212
Rental services	—	3,824	3,824
Plant operations	—	1,246	1,246
Products	5,899	—	5,899
	86,168	695,843	782,011

Timing of Revenue Recognition for the nine-month period ended December 31, 2021	Goods and services transferred at a point in time	Goods and services transferred over time	Total
Capital equipment	1,654	288,305	289,959
Upgrading, parts and services	51,311	45,789	97,100
Rental services	—	2,622	2,622
Plant operations	—	2,795	2,795
	52,965	339,511	392,476

The following table includes capital equipment revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date:

December 31, 2022	Less than 12 months	12 to 18 months	More than 18 months	Total
	\$	\$	\$	\$
Capital equipment	592,986	124,005	235,877	952,868

December 31, 2021	Less than 12 months	12 to 18 months	More than 18 months	Total
	\$	\$	\$	\$
Capital equipment	352,528	59,622	84,926	497,076

## 24. Transaction costs

For the twelve-month period ended December 31, 2022, transaction costs consisted of \$433 representing acquisition costs arising from the acquisition of Norse Star and Wastech (note 3) and \$160 representing fees related to various acquisition projects.

For the nine-month period ended December 31, 2021, transaction costs were \$173. These costs consisted of fees related to various acquisition projects.

# OVIVO INC.

Notes to Consolidated Financial Statements

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## 25. Other non-recurring costs

For the twelve-month period ended December 31, 2022, the other non-recurring costs were \$730 (nil for the nine-month period ended December 31, 2021). These costs consisted mainly in benefit expenses arising from the acquisitions of Norse Star and Wastech partly offset by the reversal of \$292 representing contingent earnout not paid to the previous owners of Alar and by \$89 representing the gain on the re-evaluation of the participation previously held in Norse Star at the acquisition of control date (note 3).

## 26. Compensation

The employee compensation and benefit expenses for the periods ended December 31, 2022 and 2021 is detailed as follows:

	Twelve-month period ended December 31, 2022	Nine-month period ended December 31, 2021
	\$	\$
Salaries and other employee benefits	126,994	83,236
Share-based compensation (note 22)	29,184	3,682
	<b>156,178</b>	<b>86,918</b>

## 27. Amortization by function

The amortization expense by function for the periods ended December 31, 2022 and 2021 is detailed as follows:

	Twelve-month period ended December 31, 2022	Nine-month period ended December 31, 2021
	\$	\$
Costs of contracts and goods sold	15,300	8,106
Selling and administrative expenses	3,074	1,893
	<b>18,374</b>	<b>9,999</b>

## 28. Net financing expenses

	Twelve-month period ended December 31, 2022	Nine-month period ended December 31, 2021
	\$	\$
<b>Interest expense and other financing expenses</b>		
Interest on long-term debt	2,410	1,382
Interest expense on lease liabilities (note 10)	795	494
Interest expense related to retirement benefits (note 18)	681	606
Other interest expense	841	536
	<b>4,727</b>	<b>3,018</b>
<b>Interest and other financing income</b>		
Interest income on pension plan assets (note 18)	(364)	(332)
Other interest income	(574)	(1,400)
	<b>3,789</b>	<b>1,286</b>

# OVIVO INC.

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(Amounts are expressed in thousands of Canadian dollars unless other currency specified)

## 29. Information on cash flows and results

	Twelve-month period ended December 31, 2022	Nine-month period ended December 31, 2021
	\$	\$
<b>Net change in non-cash items related to continuing operations</b>		
Trade and other receivables	(52,716)	(11,988)
Inventories	(11,477)	(1,242)
Contract assets	(47,882)	(35,887)
Prepaid expenses	(673)	421
Advances to suppliers	(20,435)	8,951
Accounts payable and accrued liabilities, provisions and net of other assets and other liabilities	51,429	15,179
Contract liabilities	68,076	61,951
Income taxes receivable/payable	(190)	219
	<b>(13,868)</b>	<b>37,604</b>

## 30. Compensation of key executive officers and Board members

The annual compensation of key executive officers of the Corporation and members of the Board of Directors for the periods ended December 31, 2022 and 2021 was as follows:

	Twelve-month period ended December 31, 2022	Nine-month period ended December 31, 2021
	\$	\$
Salaries and other current benefits	4,642	3,870
Retirement benefits	129	63
Share-based compensation (note 22)	9,807	1,194
	<b>14,578</b>	<b>5,127</b>

# OVIVO INC.

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## 31. Financial risk management

The Corporation is primarily exposed to the three following risks as a result of holding financial instruments in the normal course of business:

Credit risk:	Risk of financial loss to the Corporation if a client or counterparty to a financial asset (for example, accounts receivable) fails to meet its contractual obligations.
Liquidity risk:	Risk that the Corporation will not be able to meet its financial obligations as they become due.
Market risk:	Risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. The Corporation is exposed to foreign exchange risk and interest rate risk.

### Credit risk

The Corporation manages credit risk relating to the following:

- (a) Cash and cash equivalents are maintained with investment-grade financial institutions.
- (b) Accounts receivable:

The Corporation, in the normal course of business, continuously monitors the financial condition of its clients, reviews the credit history of each new client as needed, and does not normally require collateral. If required, the Corporation manages this risk by negotiating advances on contracts as well as by requesting letters of credit.

As at December 31, 2022, no client represented more than 10% of the Corporation's total consolidated trade accounts receivable and the Corporation's ten largest clients accounted for 30.95% (31.69% in 2021) of total consolidated trade accounts receivable. For the twelve-month period ended December 31, 2022, no client accounted for more than 10% of the Corporation's total revenues (one client for the nine-month period ended December 31, 2021).

The Corporation has established a provision that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Changes in the Corporation's accounts receivable are monitored on a continuous basis.

As at December 31, 2022 and 2021, the aging analysis of accounts receivable (including holdbacks) was as follows:

	December 31, 2022	December 31, 2021
	\$	\$
Current	144,386	96,435
Over 90 days past due	26,117	16,473
Trade accounts receivable (including holdbacks on contracts)	170,503	112,908
Less: provision for ELCs	2,012	4,166
	168,491	108,742

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## 31. Financial risk management [Cont'd]

The following table details the change in the provision for ECLs related to trade receivables:

	Twelve-month period ended December 31, 2022	Nine-month period ended December 31, 2021
	\$	\$
Balance, beginning of year	4,166	2,537
Increase in provision for ECLs	58	2,453
Write-offs	(2,026)	(627)
Recoveries	(148)	(203)
Translation adjustment	(38)	6
Balance, end of year	2,012	4,166

### (c) Derivative financial instruments

Derivative financial instruments are subject to normal credit terms and conditions, financial controls and management and risk monitoring procedures. In the Corporation's opinion, none of the parties to the existing financial instruments are expected to default on their obligations since they are large investment-grade financial institutions.

The Corporation is exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments, but does not expect any counterparties to fail to meet their obligations. The Corporation is exposed to credit risk when a derivative financial instrument's fair value is positive at the reporting date (see note 7 *Financial instruments*). The maximum exposure in the event of counterparty default on derivative financial instruments with positive fair values as at December 31, 2022 amounted to \$8,492 (\$987 as at December 31, 2021).

### Liquidity risk

Given the nature of its business, more specifically as it relates to large-scale projects and progress billings, the Corporation is exposed to liquidity risk during the execution of major contracts for which it has to incur costs before billing the client. The Corporation considers that this risk is mitigated by the large number of contracts, as well as their segmented and geographical diversity. In addition, the Corporation manages this risk by obtaining client advances on contracts, if necessary. Further, the Corporation prepares periodic budgets, forecasts and cash reports to ensure that it has sufficient funds to fulfill its obligations. The Corporation manages its liquidity risk by monitoring its operating requirements and uses credit lines to facilitate its financial flexibility. In recent years, the Corporation has used its syndicated revolving credit facilities to finance working capital requirements.

The following table summarizes the carrying amounts and contractual maturities, principal and interest, of significant financial liabilities as at December 31, 2022.

	Carrying amount	Contractual cash flows	Contractual maturities		
			Next 12 months	2 to 5 years	Over 5 years
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	199,913	199,913	199,913	—	—
Derivative financial liabilities	1,779	1,779	1,755	24	—
Long-term debt	74,223	75,027	25,760	48,599	668
Lease liabilities	32,051	35,173	6,705	16,699	11,769
	307,966	311,892	234,133	65,322	12,437

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## 31. Financial risk management [Cont'd]

### Market risk – foreign exchange rates

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate with changes in foreign exchange rates. Foreign exchange risk is limited to the Corporation's commercial transactions denominated in currencies other than its functional currency.

As the Corporation carries on business in many countries, it is exposed to the risk of currency fluctuations against its functional currency. Moreover, at the time of translation, fluctuations in the Canadian dollar against other major currencies may materially impact the Corporation's consolidated financial position and operating results. Major contracts obtained by the Corporation's subsidiaries are covered by currency hedging contracts. In addition, the Corporation creates natural hedges, to the extent possible, by incurring contract expenses in the same currency as that of the underlying contracts.

The following tables show the notional amounts and terms of outstanding foreign exchange contracts as at December 31, 2022 and December 31, 2021, by currency:

	As at December 31, 2022			As at December 31, 2021		
	Average rate	Notional amount \$	Fair value \$	Average rate	Notional amount \$	Fair value \$
<b>Currencies (sold/purchased)</b>						
<b>Sell contracts</b>						
Current maturity:						
EUR/CHF	0.9613	3,609	(83)	0.9402	12,321	142
USD/CAD	1.3509	11,751	(106)	—	—	—
USD/CHF	0.9415	61,241	2,108	0.9212	11,275	111
USD/EUR	0.9591	17,692	(456)	0.8762	7,111	(247)
USD/EUR	0.9531	82,320	3,272	0.8762	37,529	168
SGD/CAD	1.0010	10,484	(108)	—	—	—
EUR/CAD	1.3830	5,342	(258)	1.4449	9,422	40
Other contracts – favourable <sup>(1)</sup>		10,847	79		2,126	63
Other contracts – unfavourable <sup>(1)</sup>		8,560	(154)		24,888	(20)
<b>Currencies (purchased/sold)</b>						
<b>Buy contracts</b>						
Current maturity:						
EUR/GBP	0.8769	2,500	79	0.8637	6,418	(174)
USD/CAD	1.3564	2,994	(6)	1.2857	11,531	(193)
GBP/CAD	1.6269	6,543	71	1.7149	6,799	(72)
EUR/USD	1.0343	7,560	295	1.1450	4,471	(104)
SGD/CAD	—	—	—	0.9444	44,417	(275)
EUR/CAD	1.4070	44,684	1,440	1.4507	34,153	(271)
CHF/CAD	1.4239	12,669	373	1.3943	4,330	(23)
EUR/CNY	7.3038	6,452	166	7.3747	2,062	(37)
MYR/CAD	0.2875	4,616	293	—	—	—
USD/CNY	7.0417	4,808	(162)	6.4622	1,800	(20)
Other contracts – favourable <sup>(1)</sup>		1,195	25		13,969	80
Other contracts – unfavourable <sup>(1)</sup>		16,775	(156)		939	(53)

<sup>(1)</sup>Exchange rates as at December 31, 2022 and December 31, 2021 were used to translate amounts in foreign currencies. The other contracts represent a combinations of different currencies, the fair value of which taken separately is lower than \$100 in absolute value.

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## 31. Financial risk management [Cont'd]

### Market risk – foreign exchange rates [Cont'd]

As per the sensitivity analysis performed as at December 31, 2022, based on the Corporation's foreign exchange exposure as it pertains to changes in the fair value of monetary assets and liabilities, and assuming all other variables remain constant, a 5% strengthening of the currencies listed below would have the following impacts on net income:

Currency	EURO	USD	CHF	SGD	GBP	CNY
Favourable (unfavourable)	(1,756)	(6,654)	(2,842)	(622)	720	834

A 5% weakening of these currencies would have the inverse effect on net income.

### Market risk – interest rates

The Corporation is exposed to the risk of interest rate fluctuations on its variable-rate long-term debt and overdraft debt. The Corporation assesses interest rate risks and may, if it deems appropriate, enter into interest rate swaps.

As per the sensitivity analysis performed, assuming all other variables remain constant, a 1% increase in interest rates as at December 31, 2022 would have had an unfavourable impact of \$484 on net income, while a 1% decrease would have had a favourable impact of \$291 on net income.

## 32. Guarantees

The Corporation is committed under letters of credit (note 19), corporate guarantees and insurance surety bonds for the performance of its contracts in the amounts of \$92,582, \$106,257 and \$67,863 respectively as at December 31, 2022 (\$39,687, \$162,452 and \$49,998 respectively as at December 31, 2021).