

# NORRHYDRO GROUP PLC

# Financial Statements

1 January-31 December 2022

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# NORR HYDRO



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Norrhydro Plc's Financial Statements 1 January-31 December 2022 is unaudited, unofficial translation of official Financial Statements 2022 published in Finnish.

## Board of Directors' report

### Basic company information

Norrhydro Group Plc and its group companies (hereinafter referred to as "Norrhydro") are a Finnish forerunner in motion control and one of the leading providers of energy-efficient linear motion solutions and hydraulic cylinders in the Nordic countries. The company specialises in designing and manufacturing high quality, customer-oriented and energy-efficient linear motion solutions and hydraulic cylinders.

The company's main owner Yrjö Trög who has acted as the CEO and Board member since 2007 became the Chair of the Board of Directors in the spring of 2022. At the same time, Trög served as the CEO until the end of October 2022. As the Chair of the Board of Directors, Trög focuses on the development of the company's strategy and possible mergers and acquisitions. "I became the CEO of Norrhydro in connection with the change of ownership 15 years ago and have been involved in the business for even longer than this through the Board of Directors. Today, Norrhydro is undergoing strong growth and internationalisation. We are looking for new geographical markets, especially with our digital motion control solutions, and our new production facility in Rovaniemi to be completed in the summer will support our growth. One of our most recent successes was the listing on the Nasdaq First North Growth Market Finland in December 2021. I feel that now is the right time to step aside from the company's operational management and focus on promoting Norrhydro's growth strategy as the Chair of the Board of Directors," said Yrjö Trög in the spring of 2022.

At the beginning of November, Matias Parviainen started as the CEO of the company. The new CEO is responsible for the company's operational activities and the implementation of the growth strategy.

The construction of the new, world-class cylinder plant started in May 2021 and was completed in the summer of 2022. The production facility was developed by OP Toimitilakiinteistö Ky, and Norrhydro Oy agreed on a 15-year lease agreement with the developer. Significant investments were made in the machinery and equipment of the new production facility with a total value of more than EUR 5 million. An investment grant of EUR 1,250 thousand was granted for the machinery and equipment investments. The rest of the investments were financed by self-financing and bank financing. Norrhydro Oy's operations were transferred to the new production facility in late summer 2022.

## Profit and financial position

In 2022, Norrhydro's strong growth continued despite the ramp-up of the new production facility. Turnover for the financial period was EUR 29,705 thousand (EUR 24,693 thousand in the previous year) and the balance sheet total was EUR 27,925 (22,739) thousand. Growth in turnover was 20 per cent. Sales for 2022 amounted to approximately EUR 32,000 thousand, which corresponds to an increase of approximately 30 per cent compared to the previous year, but, due to the ramp-up of the new facility, some deliveries were postponed to 2023. Sales growth was driven by strong demand for the Group's products and new, growing customer relationships.

Norrhydro's EBITDA was EUR 1,697 (2,968) thousand and operating profit was EUR 825 (2,177) thousand. EBITDA margin was 5.7 (12.0) percent and operating profit margin 2.8 (8.8) per cent. During the second half of the year, profitability was affected by the move to the new facility, the closure of the old factory, and the resulting production shutdowns and the ramp-up of the new facility. In its guidance for the financial year 2022, the Company estimated that the new production facility project could affect profitability and did not provide precise profitability guidance for the financial year. In the autumn, operations had to be carried out in two production facilities at the same time. All of the aforementioned issues tied the company's human resources to the move and ramping up the new production facility, caused significant additional costs and kept production and delivery volumes at a lower level than usual. The move and the ramp-up of the new production facility also tied significant amounts of capital to stocks and work-in-process. The impact of these is estimated to have weakened EBITDA in the second half of the year by approximately EUR 1,500 thousand compared to normal operations. The increase in the prices of raw materials and components that continued throughout the year also affected profitability, as the increased prices could be transferred to customer prices with a delay due to the agreements in force. Return on investment was 4.2 (15.2) per cent in the current financial period.

Norrhydro's liquidity was 1.53 (1.74) for Current ratio and 0.59 (1.09) for Quick ratio. Norrhydro's cash flow from operating activities was EUR -408 (765) thousand. Cash flow from operating activities was most significantly affected by the loss-making business of the second half of the year due to the move and the ramp-up of the new facility as well as the increased need for working capital: The company intentionally increased the stock levels of materials and components during the first half of the year to ensure the adequacy of the material if the global uncertainty in the market would weaken the availability of materials and, at the end of the financial period, the stock was at a higher than usual level also due to delivery delays caused by the ramp-up of the new production facility.

Capital adequacy measured by the equity ratio was 38.3 (50.7) per cent. The capital adequacy was affected by the company's large investments in the new production facility and machinery. The company aims to achieve a 50 per cent level of self-sufficiency in the next few years. Long term liabilities amounted to EUR 10,418 (6,938) thousand in the end of financial year. Some of Parent Company's Consolidated Company's covenant terms were broken at the end of financial year 2022 and after the reporting period company has received waivers from financiers stating that loans are not subject to premature collection and term will not be changed.

Norrhydro's investments amounted to EUR 7,982 (2,203) thousand and they were financed with IPO proceeds, internal financing, bank financing and an investment grant granted by the Ely Centre. Investments in machinery and equipment amounted to EUR 5,372 (1,051) thousand, product development expenses to EUR 398 (448) thousand, long-term expenses related to the construction of the new production facility to EUR 2,140 (220) thousand and investments in patents and other intangible assets to EUR 71 (78) thousand.

## Key financial figures

Thousand euros	2022	2021	2020
Turnover	29,705	24,693	19,908
Change in turnover	20%	24%	-4.1%
EBITDA	1,697	2,968	3,771
EBITDA, %	5.7%	12.0%	18.9%
Operating profit	825	2,177	3,044
Operating profit, %	2.8%	8.8%	15.3%
Profit for the financial period	43	353	1,909
Profit for the financial period, %	0.1%	1.4%	9.6%
Cash flow from operating activities	-408	756	5,252
Return on investment, %	4.2%	15.2%	29.5%
Return on equity, %	0.4%	4.7%	77.6%
Equity ratio, %	38.3%	50.7%	21.1%
Current ratio	1.53	1.74	1.49
Quick ratio	0.53	1.09	0.70
Earnings per share, undiluted, EUR	0.004	0.04	0.23
Earnings per share, diluted, EUR	0.004	0.04	0.23
Net interest-bearing liabilities	7,990	285	4,655
Net gearing	74.7%	2.5%	101.7%
Personnel at the end of the period	175	148	124

## Norrhydro's financial targets and strategy

### Growth in turnover organically and through selected acquisitions

Norrhydro's aim is to increase turnover organically and through acquisitions. The aim is to achieve profitable growth and a turnover of more than EUR 70 million in 2027. Growth is sought in the internationalising cylinder business and by increasing the share of digital solutions to more than 30 per cent of turnover. In terms of turnover of the hydraulic cylinder business, the company aims to achieve a compound annual growth rate (CAGR) of approximately 10 per cent between 2020 and 2027.

Expansion into new geographical markets will take place in accordance with the company's strategy, especially with the commercialisation of energy-efficient solutions, such as the NorrDigi® motion control system and Motiomax products.

Norrhydro's business consists of two pillars: the profitable hydraulic cylinder business with steady cash flow and innovative digital products – NorrDigi® motion control system and Motiomax electromechanical linear motion solutions – from which Norrhydro will seek strong growth and opportunities to expand into new geographical markets in the future. The NorrDigi® motion control system, which combines artificial intelligence and digitalisation, represents a global and advanced technology that significantly reduces emissions and has the potential to revolutionise the entire industry. Motiomax by Norrhydro electromechanical cylinders are the solution to many of the entirely electric linear motion control needs of industry and mobile machinery.

### Expanding technological know-how and production capacity

Norrhydro aims to renew the mobile machinery and equipment industry with its innovations. The company's long-term goal is to be the technology leader in its field, with its patented products and proprietary product development providing a decisive competitive advantage. Norrhydro continues its close development cooperation with leading machinery and equipment manufacturers and research institutes. The company also aims to expand its own technology expertise and production capacity through acquisitions and by investing in the new production facility in Rovaniemi. The new production facility, which was ramped up in the autumn of 2022, serves the traditional cylinder business as well as NorrDigi® and Motiomax solution business.

### Position higher up the customer's value chain

A significant part of Norrhydro's turnover comes from customer relationships that go back decades. The products and technology partnership model providing Norrhydro's customers with a competitive advantage enables a higher position in the customer's value chain. The company wants to continue to be more than a supplier of components to its customers: The company aims to be a long-term strategic partner that develops its solutions together with its customers. The company offers services throughout the product life cycle, from design to manufacturing, service and maintenance. In addition, the company sells its solutions to equipment manufacturers without intermediaries. Norrhydro's new energy-efficient solutions, such as NorrDigi® and Motiomax by Norrhydro, create a competitive advantage for customers in industries with huge potential for emission reduction. The aim of the company is the global commercialisation of the NorrDigi® system and Motiomax products.

## Key factors for the implementation of the strategy

Key factors for Norrhydro to implement this strategy are the ability of the new facility, which was commissioned in 2022, to meet the growing demand, efficient sourcing through a global supply network and own production close to the current key customers. In addition, it is essential to ensure fast, flexible deliveries, high quality and cost-effective operations. The growth is also affected by the growth of key customers, and Norrhydro's aim is to continue making significant efforts in acquiring new customers, especially outside Finland. In terms of the implementation of the strategy, emphasis will also be placed on the development of new solutions. Norrhydro's attractiveness as an employer and ability to recruit skilled personnel are also important for the company's success and ability to achieve its strategic goals.

## Research and development

During the financial period, the development of digital products continued together with the customers. Further development of the NorrDigi® system and Motiomax products both play a particularly important role in the company's growth strategy. In 2022, Business Finland granted Norrhydro funding for the two-year "EMMA2 Project", the purpose of which is to create a product concept for an electromechanical linear actuator and the company's new product solution NorrData. The estimated cost of the project is EUR 1,862 thousand, of which Business Finland will finance a maximum of 50% (EUR 931 thousand) as a grant. In the financial period 2022, EUR 465,000 in grants have been recognised as other operating income.

Research and development expenses in the financial period amounted to approximately EUR 1,754 (1,250) thousand, or 5.9 (5.0) per cent of turnover. EUR 398,000 of the costs were capitalised in the balance sheet for development costs and the rest was recognised as an expense for the financial period.

## Assessment of the most significant risks and uncertainties

The uncertainty of the geopolitical environment poses a risk to the company's customer relationships and international business during the next financial period.

The regulation of the European financial markets and the actions of the European Central Bank have an impact on the financial markets, the availability and price of financing and, thus, on the ability and willingness of end customers to invest, which may have an indirect impact on the demand for the Group's products. The aforementioned financial market measures may also have an impact on the availability and price of the Group's financing.

The economic cycle affects Norrhydro's business, especially through the investment willingness of end users. Increased inflation, future inflationary developments, higher energy prices and expected rising labour costs pose a risk to profitability in the next financial period.

Price competition, suppliers' capacity and security of supply have a direct impact on the Group's business, its profitability and the scope of its operations. The increase in raw material prices seen in the last couple of years seems to have slowed down. The price development of raw materials and components is still difficult to predict, and the transfer of possible price increases to customer prices may be delayed due to market conditions and agreements in force.

The availability of a skilled and professional workforce may pose challenges to the company's growth.

## Personnel

At the end of the financial period, the Group had 175 employees and at the beginning of the financial period, 148 employees. On average, the Group employed 160 people during the financial period. In addition, the Group had an average of 27 leased employees during the financial period. Of the personnel, 122 (113 men and 9 women) are employed in production and 53 (41 men and 12 women) are employed as salaried employees. The average age of the employees is approximately 40 years. Gross wages and salaries paid to personnel totalled EUR 6,973 (5,619) thousand.

Number of personnel	Total	Salaried employees	Production
Men	154	41	113
Women	21	12	9
<b>Total</b>	<b>175</b>	<b>53</b>	<b>122</b>
<b>Employment relations</b>			
Indefinite duration	171	50	121
Fixed-term	4	3	1
<b>Working time</b>			
Full-time	173	52	121
Part-time	2	1	1

## Responsibility, quality and environmental factors

For Norrhydro, responsibility means sustainable operations in terms of the environment, economy and people. Norrhydro takes these dimensions into account throughout its value chain, from research and development to the manufacture and maintenance of end products.

### Environmental responsibility

Norrhydro takes responsibility for its environment by providing its customers with solutions that help them move to low-carbon operations. Part of the company's turnover comes from solutions that meet customers' energy-efficiency challenges. Norrhydro also aims to systematically reduce the environmental footprint of its own operations.

Norrhydro's customers operate in industries where the environmental impact and, thus, the potential for reducing emissions is high. In particular, Norrhydro has invested in new digital motion control solutions that can significantly improve the environmentally friendly energy efficiency of rolling stock operations. The NorrDigi® motion control system, which combines artificial intelligence and digitalisation and is on the verge of commercialisation, represents a global, leading-edge technology that enables significant energy savings in mobile machinery, especially in the material handling industry and forestry. In the future, the solution can also be used, for example, in the construction and mining sectors. Compared to other motion control methods, the NorrDigi® system enables more precise hydraulic motion control without the need for energy-consuming valve



control and adjustment. Automatic energy storage and recycling increases the energy efficiency of the equipment by more than 80% compared to traditional flow limiting solutions, which require heavy and expensive cooling systems. In the long term, NorrDigi® will also enable the replacement of diesel systems with electric motors. Norrhydro's strategic goal is to increase the turnover of digital solutions and, thereby, the share of environmentally friendly solutions in the business operations.

Norrhydro strengthened its position as a pioneer in motion control and provider of energy-efficient motion control systems by adding electromechanical motion solutions to its product portfolio through an acquisition in October 2021. The energy-efficient and oil-free Motiomax products, which are suitable for electrifying production automation solutions and mobile machinery, are a perfect addition to Norrhydro's product portfolio. In cooperation with Norrhydro's cylinder and motion control expertise, the company can offer ready-made electromechanical cylinders that can be integrated with hub motors of mobile machines, industrial gear motors and the required automation. The comprehensive electrification solutions for linear and rotary motions offered by Motiomax by Norrhydro electric cylinders have strengthened Norrhydro's product portfolio in terms of electromechanical solutions and complemented the Norrhydro Group's offering of environmentally friendly products.

Norrhydro is committed to minimising the negative environmental impact of its own operations by protecting the environment, seeking ways to minimise waste and emissions from its production and using energy, water and other resources as efficiently and responsibly as possible. Norrhydro's environmental policy defines the company's environmental targets and principles, which are followed in its own production as well as in the solutions delivered to customers. Norrhydro also uses an environmental management system which complies with the ISO 14001 standard, according to which the company has set its environmental targets. Norrhydro continuously monitors the achievement of its environmental targets and develops its operations to achieve them, in addition to which Norrhydro annually assesses the environmental impact of its operations. The assessment takes into account, among other things, air quality and air emissions, waste generated by the operations, use of energy and water and the effects of the operations on the soil.

Norrhydro also aims to recycle as much of the waste generated in its production as possible, and in 2022 Norrhydro's recycling rate was approximately 88 (90) per cent.

With the new Norrhydro production facility in Rovaniemi, production capacity will gradually double over the next few years compared to the capacity of the old facility. Carbon dioxide emissions from the production of the new plant will be reduced by 20 per cent per year compared to the old plant. The new plant has also applied for gold-level LEED certification, which verifies that the building has been designed and built in accordance with strict environmental targets and demonstrates the environmental efficiency of the construction project. The LEED certification system comprehensively assesses the construction project from the perspective of sustainable development, including the building's energy efficiency and water consumption. Some of the electricity at the Norrhydro production plant is produced with solar panels, and the production plant's HVAC systems were implemented so that the waste heat generated in the production can be reused for heating. The waste heat from the production hall's cooling will be transferred to the local district heating network. In addition, the company recycles process water and avoids unnecessary water use. The company estimates that the LEED certificate will be obtained during 2023.

## Economic responsibility

Norrhydro's economic responsibility means ensuring profitability and competitiveness through efficient production, high-quality and innovative products and global sourcing, among other things. As an economically strong company, Norrhydro can be an attractive investment, but also a good employer, a reliable partner and a good corporate citizen. Norrhydro's main indicators of economic success are turnover and annual growth, profitability and the share of digital solutions in turnover.

## Quality and safety of the products

Norrhydro's goal is to provide customers with high-quality and environmentally friendly products and services that meet or exceed customer and industry requirements. The company is committed to developing, designing and delivering its solutions in accordance with the product safety requirements of laws and regulations. In order to best meet the customers' quality requirements, product development projects are carried out in close cooperation with the customers, and the cooperation is developed on a long-term basis. The quality is also systematically developed in cooperation with the suppliers.

The company operates in accordance with the ISO 9001 quality management standard, which aims to continuously improve operations and increase customer satisfaction. As a rule, the customer satisfaction survey is conducted once a year with a sample of the company's key customers. In 2022, the response rate to the customer satisfaction survey was 75%. The items to be measured included various indicators related to quality, delivery reliability, pricing and communication on a scale of 4 to 10. The company received the highest scores for general communication and communication related to surveys and technical changes (both with score 8.5). Due to the ramp-up phase of the new production facility, the company's delivery reliability weakened during the second half of the year, which temporarily reduced customer satisfaction. The delivery reliability is expected to improve during the first quarter of 2023, when the delivery delays caused during the ramp-up of the new production facility will be eliminated.

## The global supply chain

Norrhydro has an established global supply chain. There are at least two different suppliers for the most important materials and components. The global procurement network is a key competitive advantage as it improves the reliability, cost-effectiveness and quality of deliveries. In an integrated supply chain model, customer forecasts guide procurement and production operations, which ensures the timely availability of critical materials and components.

Norrhydro uses large suppliers that are well-known in the industry, whose products are known to represent the top quality in their field and who meet Norrhydro's specific product requirements. In addition to the price, the availability and delivery ability of the products are also taken into account in the selection of the suppliers. The company reviews the processes and quality management of its main suppliers comprehensively in accordance with its audit plan and requires the suppliers to correct any deficiencies found in the audits.

## Social responsibility

The key themes of Norrhydro's social responsibility are ensuring well-being at work and occupational safety, developing competence and engaging employees. Norrhydro values equality and diversity, and the company does not tolerate any form of discrimination.

Norrhydro is a significant local employer in Rovaniemi. The new production facility was estimated to create more than 100 new production jobs in Rovaniemi and elsewhere in Lapland in the near future: of these, approximately 40 jobs were already made available by the company in 2022. In addition, more leased employees were hired than before, and at the turn of the financial period, Norrhydro employed a total of more than 200 people.

Norrhydro is committed to providing a healthy and safe working environment for all its employees, subcontractors and others working with the company. Norrhydro's goal is to avoid all injuries, accidents and health risks. Occupational safety is promoted by requiring the use of protective equipment and by organising regular training related to it as well as by investing in, among other things, lifting equipment that makes work easier. In addition, all new employees are trained in safe working practices. Thanks to the aforementioned measures, Norrhydro's occupational safety is at a good level and the company wants to maintain and further improve the high level of occupational safety with the company's own "Zero accidents" programme. The accident frequency has improved in recent years and is better than in the industry on average. In addition to occupational safety, Norrhydro invests in training its employees by providing them with courses and training to maintain and develop their professional skills. Job rotation and knowledge transfer within Norrhydro are also key forms of competence development in addition to actual training.

Norrhydro conducts an annual personnel survey, in which it maps, among other things, employee satisfaction with their employer and organisational development targets. According to the personnel survey, the company's employees are satisfied with the level of occupational safety and health, the opportunity to utilise their own expertise and the good working atmosphere. Job satisfaction is also reflected in the commitment of the personnel to their employer: careers at Norrhydro are typically long, as the employees have been employed by the company for an average of 10 years, and some of the employees have been working at Norrhydro up to 35 years.

## Management system

Norrhydro organises its administration in accordance with the Finnish Companies Act and the rules of the company listed on the Nasdaq First North Growth Market Finland.

## Annual General Meeting

Norrhydro's Annual General Meeting was held in Rovaniemi on 17 March 2022 pursuant to the temporary Act (290/2020, section 2, subsection 3) so that shareholders and their representatives were able participate in the Annual General Meeting only by voting in advance and by submitting counterproposals and questions in advance. The financial statements were adopted and the Board of Directors and CEO were discharged from liability for the financial period that ended 31 December 2021.

The minutes of the Annual General Meeting are available on Norrhydro's investor website at [www.norrhydro.com/fi/sijoittajat-yhtiokokoukset](http://www.norrhydro.com/fi/sijoittajat-yhtiokokoukset).

## Authorisations for the Board of Directors

In accordance with the proposal of the Board of Directors, the Annual General Meeting of 2022 held on 17 March 2022 resolved to authorise the Board of Directors to decide on a share issue and issuance of option rights and other special rights entitling to shares referred to in chapter 10, section 1 of the Limited Liability Companies Act in one or more instalments, so that a maximum of 1,000,000 new shares or shares held by the company may be issued on the basis of the authorisation.

The maximum number of shareholders covered by the authorisation corresponds to approximately 9.17 per cent of all shares in the company calculated on the basis of the situation on the day of the notice of the Annual General Meeting.

On the basis of the authorisation, the Board of Directors may also decide on a directed share issue, i.e. in deviation from the shareholders' pre-emptive subscription rights. The Board of Directors may decide on the issue of shares either without payment or against payment and on all other terms and conditions of the share issue.

The Board of Directors may use the authorisation for the implementation of corporate transactions or other arrangements related to the company's business, for the implementation of the personnel incentive scheme or for other purposes decided by the Board of Directors.

The authorisation is valid until the next Annual General Meeting, but not later than 30 June 2023.

The granted authorisation revoked the authorisations granted by the Extraordinary General Meeting held on 7 October 2021 and the Annual General Meeting held on 16 March 2020 to decide on the issue of shares and the granting of special rights entitling to shares.

## Board of Directors, management and auditors

The Board of Directors of the company is elected by the Annual General Meeting for a term ending at the close of the Annual General Meeting following the election. The Chair is elected from among the members of the Board of Directors. The Board of Directors consists of 3–8 ordinary members. At the end of the financial period, the number of members of the company's Board of Directors was seven. Norrhydro's Board of Directors consists of Yrjö Trög (Chair), Jukka Jokinen (Vice Chair), Juhani Kangas, Hannu Rusanen, Asko Myllymäki, Tapio Lehti and Hanna-Maria Heikkinen.

Nine Board meetings were held in 2022.

On 31 December 2022, Norrhydro's Executive Management Team consisted of CEO Matias Parviainen (as of November 2022), Director of Sales and Marketing Anniina Piira-Wendeler, Head of Operations and Sourcing Marko Mylläri, CFO Hanne Sarajärvi, HR Manager Johanna Kaikkonen and Quality Manager Heidi Sederholm (as of April 2022).

In the financial period 2022, Norrhydro Group's auditor was PricewaterhouseCoopers Oy, with Sami Posti, Authorised Public Accountant, as the principal auditor.

## Option programmes and share-based incentive schemes

Norrhydro has two option programmes: 2020a and 2020b. The maximum number of shares that can be subscribed for with the option rights is 186,000 shares. The option programmes are aimed at key employees who are responsible for the development of the company's business. The exercise of the option programme is conditional on the growth and profitability of the business and the successful launch of the digital business.

In August 2022, the Board of Directors of Norrhydro Group Plc decided to implement the Group's share-based incentive scheme. The share-based incentive scheme was established as part of the incentive and commitment scheme for the Group's key personnel. The purpose is to combine the objectives of the company's shareholders and key employees in order to increase the value of the company in the long term and to commit key employees to the company and to offer them a competitive reward system based on the earnings and accumulation of shares. Earning is determined primarily on the basis of the company's turnover and profitability development and, secondarily, on the proportion of digital solutions in relation to the Group's turnover. The fee is paid in shares and in cash. The earning period concerns financial periods 2023–2025.

## Number of shares

Norrhydro Group Plc held 10,901,638 shares at the end of the financial period. The average number of shares issued during the financial period was 10,857,888. Each share entitles its holder to one vote at the company's Annual General Meeting, and they confer an equal right to dividends.

At the end of the financial period on 31 December 2022, the company had 6,277 (7,298) shareholders.

At the end of the financial period, the company's share capital amounted to EUR 4,252,200. At the end of the review period, the company does not hold its own shares. The subsidiary Norrhydro Oy owns 36,000 shares of the parent company Norrhydro Group Plc.

## Trading in the company's shares

Norrhydro Group Plc's share is listed as of 1 December 2021 on the Nasdaq First North Growth Market Finland.

Between 1 January and 31 December 2022, a total of 1,695,236 Norrhydro shares were traded, representing 15.6% of the total number of shares. The value of the exchange was approximately EUR 5.9 million.

The closing price of the share on the last trading day of the review period was EUR 3.125 per share. The lowest trading price during the review period was EUR 2.84 per share, the highest EUR 4.35 per share and the average price during the period EUR 3.43 per share. Norrhydro Group's market capitalisation at the end of the review period was EUR 34.1 million.

## Estimate of probable future development

Assessing the development of the Group's turnover in the current, still uncertain global economic situation is challenging. The Group aims to continue its growth-oriented strategy and expand its business by increasing its own market share in the hydraulic cylinder market and launching new digital, energy-efficient and smart products and services to the market. Over the next few years, growth is expected to accelerate significantly as a result of the additional capacity provided by the new facility and the market introduction of the aforementioned digital products and services. The Group's target for 2027 is turnover of over EUR 70 million, digital products and services accounting for over 30 per cent of turnover and EBITDA of at least 16 per cent of turnover.

The investments in product development and the commercialisation of digital solutions will continue during the current financial period. With the new production facility and the investments in machinery and equipment made there, the growth in turnover is expected to continue in the coming years. Similarly, the improvement in productivity and competitiveness is expected to improve with new investments made and planned.

## Guidance for 2023

The Group's turnover is expected to be EUR 34–38 million and EBITDA 8–11 per cent of turnover in 2023.

## Financial reporting and the Annual General Meeting 2023

In 2023, Norrhydro will publish the following financial releases and reports:

Half-year report January–June 2023 will be published on 11 August 2023.

The Annual General Meeting is scheduled for Monday, 3 April 2023. The company's Board of Directors convenes the Annual General Meeting separately.

## Proposal for the distribution of profit

The parent company's distributable funds on 31 December 2022 were EUR 10,894,766.06.

The Board of Directors' proposal for measures concerning the company's profit/loss: The parent company's profit of EUR 554,678.28 shall be transferred to the account "Retained earnings/loss" and no dividend shall be distributed.

The Board of Directors proposes that a capital repayment of EUR 654,098.28, or EUR 0.06 per share, be distributed from the invested unrestricted equity reserve of the parent company.

The company's financial position and liquidity have not changed significantly since the end of the financial period.

## Calculation of key figures

$$\text{Change in turnover, \%} = \frac{\text{turnover} - \text{previous year's turnover}}{\text{previous year's turnover}} \times 100$$

**Operating profit** = turnover + change in stocks of finished goods and work in progress (+/-) + other operating income – materials and services – personnel expenses – depreciation, amortisation and impairment – other operating expenses

$$\text{Operating profit, \%} = \frac{\text{Operating profit}}{\text{turnover}} \times 100$$

**EBITDA** = turnover + change in stocks of finished goods and work in progress (+/-) + other operating income – materials and services – personnel expenses – other operating expenses

$$\text{EBITDA, \%} = \frac{\text{EBITDA}}{\text{turnover}} \times 100$$

**Cash flow from operating activities** = Profit (loss) before accounting transfers and taxes + depreciation according to plan + financial income and expenses +/- working capital changes – interest paid + interest received from operations – direct taxes paid

$$\text{Return on investment} = \frac{\text{Operating profit before tax} + \text{financial expenses}}{\text{equity (average over the year)} + \text{interest-bearing financial liabilities (average over the year)}} \times 100$$

Net interest-bearing liabilities	= interest-bearing liabilities – cash and cash equivalents	
Return on equity	$\frac{\text{= net result}}{\text{equity (average over the year)}}$	x 100
Profit for the financial period	= Operating profit +/- financial expenses + taxes	
Equity ratio, %	$\frac{\text{= equity}}{\text{total capital on the balance sheet - deferred income}}$	x 100
Net gearing	$\frac{\text{= interest-bearing liabilities – cash and cash equivalents}}{\text{equity}}$	x 100
Earnings per share	$\frac{\text{= profit for the period}}{\text{weighted average number of shares outstanding during the period}}$	x 100
Current Ratio	$\frac{\text{= current assets + short-term receivables + liquid assets + cash and cash equivalents}}{\text{short-term liabilities}}$	x 100
Quick Ratio	$\frac{\text{= short-term receivables + liquid assets + cash and cash equivalents + overdraft limit}}{\text{short-term liabilities}}$	x 100



# Consolidated financial statements for 2022

## Consolidated income statement

	1 Jan.–31 Dec. 2022	1 Jan.–31 Dec. 2021
<b>TURNOVER</b>	<b>29,705,240.87</b>	<b>24,693,106.09</b>
Stocks of finished goods and work in progress increase (+) or decrease (-)	1,304,867.33	-363,245.64
Other operating income	984,487.85	264,325.20
<b>Materials and services</b>		
<b>Raw materials and consumables</b>		
Purchases during the period	-18,340,895.21	-12,402,969.26
Increase/decrease in stocks	1,650,736.47	692,592.78
External services	-1,525,698.80	-998,726.51
	<b>-18,215,857.54</b>	<b>-12,709,102.99</b>
<b>Personnel expenses</b>		
Salaries and fees	-6,663,399.08	-5,472,060.21
Indirect employee expenses		
Pension expenses	-1,288,600.80	-986,118.09
Other indirect employee expenses	-87,197.49	-126,862.21
	<b>-8,039,197.37</b>	<b>-6,585,040.51</b>
<b>Depreciation and impairment</b>		
Depreciation according to plan	-872,676.17	-791,685.22
<b>Other operating expenses</b>	<b>-4,042,086.22</b>	<b>-2,331,667.55</b>
<b>OPERATING PROFIT</b>	<b>824,778.75</b>	<b>2,176,689.38</b>
<b>Financial income and expenses</b>		
Other interest and financial income, from others	134,064.24	2,084.00
Interest expenses and other financial expenses, to others	-745,264.33	-1,812,372.28
	<b>-611,200.09</b>	<b>-1,810,288.28</b>
<b>Profit (loss) before accounting transfers and taxes</b>	<b>213,578.66</b>	<b>366,401.10</b>
Income taxes	-170,765.53	-14,541.14
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>42,813.13</b>	<b>351,859.96</b>
Minority share	0	-1,314.62
<b>CONSOLIDATED RESULT</b>	<b>42,813.13</b>	<b>353,174.58</b>

## Consolidated balance sheet

31 Dec. 2022      31 Dec. 2021

<b>ASSETS</b>		
<b>FIXED ASSETS</b>		
Intangible rights	433,648.02	448,454.58
Consolidated goodwill	388,609.19	431,787.95
Development expenses	4,856,476.60	4,509,157.20
Other long-term expenditure	2,164,329.96	256,331.75
<b>Total intangible assets</b>	<b>7,843,063.77</b>	<b>5,645,731.48</b>
<b>Material goods</b>		
Machinery and equipment	6,853,687.16	3,286,940.38
Other material goods	10,926.22	10,926.22
<b>Material goods in total</b>	<b>6,864,613.38</b>	<b>3,297,866.60</b>
<b>Investments</b>		
Holdings in Group undertakings	0	0
Other shares and holdings	807.30	807.30
<b>Total investments</b>	<b>807.30</b>	<b>807.30</b>
<b>FIXED ASSETS, TOTAL</b>	<b>14,708,484.45</b>	<b>8,944,405.38</b>
<b>CURRENT ASSETS</b>		
<b>Current assets</b>		
Raw materials and consumables	4,780,050.47	3,129,314.00
Work in progress	3,744,165.16	2,249,390.56
Finished goods and services	322,521.63	512,428.90
Deferred income	271.87	157.82
<b>Total current assets</b>	<b>8,847,009.13</b>	<b>5,891,291.28</b>
<b>Receivables</b>		
<b>Current</b>		
Trade receivables	767,995.04	576,006.38
Loan receivables	163,332.71	219,680.79

Accrued income and prepaid expenses	887,272.31	345,104.44
Other receivables	122,599.28	109,012.07
<b>Total short-term receivables</b>	<b>1,941,199.34</b>	<b>1,249,803.68</b>
Financial securities	1,000,000.00	2,000,000.00
Cash and cash equivalents	1,427,896.83	4,653,458.00
<b>TOTAL CURRENT ASSETS</b>	<b>13,216,105.30</b>	<b>13,794,552.96</b>
<b>ASSETS, TOTAL</b>	<b>27,924,589.75</b>	<b>22,738,958.34</b>

31 Dec. 2022

31 Dec. 2021

<b>LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	4,252,200.00	4,252,200.00
Other reserves		
Invested unrestricted equity reserve	10,361,671.90	10,397,671.90
Profit/loss from previous financial periods	-3,964,935.40	-3,665,271.70
Profit/loss for the financial period	42,813.13	351,174.58
<b>Total equity</b>	<b>10,691,749.63</b>	<b>11,337,774.78</b>
<b>CURRENT LIABILITIES</b>		
Capital loan less minority share	0	7,440.69
Long-term liabilities		
Loans from financial institutions	8,574,253.86	3,470,964.59
<b>Long-term liabilities, total</b>	<b>8,574,253.86</b>	<b>3,470,964.59</b>
<b>Short-term liabilities</b>		
Bond	0	1,670,000.00
Loans from financial institutions	1,843,720.98	1,797,245.55
Deferred income	0	368,770.00
Accounts payable	5,335,471.30	2,678,801.00

Other payables	422,275.64	506,627.27
Accruals and deferred income	1,057,118.34	901,325.46
<b>Short-term liabilities, total</b>	<b>8,658,586.26</b>	<b>7,922,778.28</b>
<b>CURRENT LIABILITIES, TOTAL</b>	<b>17,232,840.12</b>	<b>11,401,183.56</b>
<b>LIABILITIES, TOTAL</b>	<b>27,914,589.75</b>	<b>22,738,958.34</b>

## Consolidated cash flow statement

1 Jan.–31 Dec. 2022      1 Jan.–31 Dec. 2021

<b>Cash flow from operating activities</b>		
Profit/loss before accounting transfers and taxes	213,578.66	366,401.10
<b>Adjustments:</b>		
Depreciation according to plan	872,676.17	791,685.22
Financial income and expenses	611,200.29	1,810,288.28
Other adjustments	0	433.12
<b>Cash flow before working capital changes</b>	<b>1,697,454.92</b>	<b>2,968,807.72</b>
<b>Working capital changes:</b>		
Increase (+)/decrease (-) in short-term non-interest-bearing accounts receivable	-727,395.66	-97,999.81
Increase (+)/decrease (-) in current assets	-2,955,717.85	-325,565.68
Increase (+)/decrease (-) in short-term non-interest-bearing liabilities	2,407,030.88	-697,088.58
<b>Cash flow from operating activities before financial items and taxes</b>	<b>421,372.09</b>	<b>1,848,153.65</b>
<b>Financial items and taxes:</b>		
Interest paid and payments on other financial expenses for operating activities	-550,271.15	-587,562.70
Direct taxes paid	-279,383.60	-504,377.60
<b>Cash flow from operating activities (A)</b>	<b>-408,282.66</b>	<b>756,213.35</b>
<b>Cash flow from investing activities:</b>		
Investments in intangible and tangible assets	-7,437,151.24	-1,607,103.12
Investments in other financial securities	1,000,000.00	-2,000,000.00

Acquisition of subsidiaries	0	-146,109.60
Investment grants received	800,396.00	0
Sale of shares	0	2,106.87
Sale of fixed assets	0	108,619.76
Investments in other investments	0	0
<b>Cash flow from investing activities (B)</b>	<b>-5,636,755.24</b>	<b>-3,642,486.09</b>
<b>Cash flow from financing activities:</b>		
Sale of (+) acquisition (-) of treasury shares	0	19,763.21
Share issue	0	7,999,998.30
Share issue costs	0	-830,203.30
Dividends paid and other distributions	-652,838.28	-493,643.64
FinnFund guarantee payment	0	-1,319,480.41
Loan disbursements	7,531,692.36	828,453.16
Loan repayments	-4,059,377.35	-1,094,580.11
<b>Cash flow from financing (C)</b>	<b>2,819,476.73</b>	<b>5,110,307.21</b>
Change in cash flows (A+B+C) increase (+)/decrease (-)	-3,225,561.17	2,224,034.47
Cash and cash equivalents at the beginning of the period	4,653,457.84	2,429,423.37
<b>Cash and cash equivalents at the end of the period</b>	<b>1,427,896.83</b>	<b>4,653,457.84</b>

## Notes to the consolidated financial statements

Norrhydro Group Plc and its group companies are Finnish pioneers in motion control and Scandinavia's leading provider and system supplier of energy-efficient hydraulic cylinders. The company specialises in designing and manufacturing high quality, customer-oriented and energy-efficient hydraulic cylinders.

Norrhydro Group Oyj was established on 30 August 2007. The company acquired the entire share capital of Norrhydro Oy (600 shares) in 2007 and 51.04% of Motiomax Oy's share capital in 2021. The Norrhydro Group comprises the parent company Norrhydro Group Plc, Motiomax Oy, Norrhydro Oy and its wholly-owned subsidiary NH Norrdigi Oy as well as the Chinese affiliated company Norrhydro Hydraulic System Changzou Co., Ltd (49% ownership). Norrhydro Hydraulic System (Changzou) Co., Ltd no longer has business operations and is not consolidated in the consolidated financial statements. The value of the company's shares has been written down in the Group's balance sheet in 2018. Norrhydro Oy has not prepared consolidated financial statements.

## Principles of preparation of financial statements, chapter 4, section 2 of the Accounting Ordinance

The financial statements have been prepared according to the Finnish Accounting Standards (FAS). The consolidated financial statements have been prepared using the acquisition cost method.

When calculating turnover, indirect taxes, discounts granted and exchange differences related to sales are deducted from sales revenue. Sales revenue is recognised when all the material risks and rewards of ownership have been transferred to the buyer.

The Group's turnover also include sales revenue related to the assignment of the rights to use Norrdigi technology developed and patented by the company as well as the continuous development of this technology. The part of the consideration relating to the transfer of rights to use the technology to the customer has been recognised as income in connection with the transfer. Revenues related to continuing improvement are recognised either over time or according to the degree of completion, based on the work stages specified in the agreements. Advances received are recorded under the item Deferred income.

Grants received by the company are recognised in other operating income for the same period for which the company recognises the expenses that the grants cover. In the balance sheet, amounts receivable relating to grants are recorded under Accrued income and prepaid expenses. Grants received in advance are entered in the balance sheet under the item Deferred income. Grants related to assets in the balance sheet have been recognised to reduce the balance sheet value of the asset. In the cash flow statement, grants paid that relate to assets in the balance sheet are presented in the cash flow of investing activities and other grants are included in the cash flow from operating activities.

Fixed assets have been valued at acquisition cost. The acquisition cost of the current fixed assets owned by the company are depreciated according to plan.

Intangible and tangible assets are recognised in the balance sheet at acquisition cost less depreciation in accordance with the plan. Planned depreciation has been calculated on the basis of the economic life of the intangible and tangible assets as straight-line depreciation or declining-balance depreciation.

The confirmed and audited information of Norrhydro Group Plc for the financial period 2021 is presented as the comparative information for the Group and the parent company.

In addition to the normal corporation tax for the financial period 2022, the income tax paid during the financial period 2022 concerning the financial period 2021 of the Group's parent company Norrhydro Group Plc was EUR 99,000. In accordance with the decision of the Tax Administration, the expense presented by the company for the financial period 2021, amounting to EUR 1,319,480.41, were not considered deductible. The expense consists of the guarantee liability, including interest, paid by the company to the Finnish Fund for Industrial Cooperation Ltd in 2021. The company has filed an appeal against the decision to the Adjustment Board. Therefore, the expense includes the possibility that, through the adjustment process, it could be recognised as income by the company at a later date.

As at the balance sheet date, Motiomax Oy has a capital loan of EUR 200,000 from its parent company in accordance with chapter 12 of the Finnish Companies Act. Motiomax Oy's minority shareholding has not been

separated from the consolidated result or equity, as without the parent company's capital loan, Motiomax Oy's equity would be negative.

The distributable funds of the parent company are presented in the note to these financial statements "Calculation of distributable funds in equity of the parent company".

### Basis for depreciation according to the plan

Category of commodities	Estimated holding period in years	Depreciation rate	Depreciation method
Intangible rights/patents	10		straight-line depreciation
Consolidated goodwill	10		straight-line depreciation
Development expenses	10		back-loaded depreciation
Other long-term expenditure	10		straight-line depreciation
Alterations to production facilities	10		straight-line depreciation
Machinery and equipment		25%	declining-balance depreciation
Production equipment	12		straight-line depreciation

As of 1 January 2022, the company has started back-loaded depreciation of development expenses: Annual depreciation increases in proportion to business growth. As of 1 January 2022, the company has changed its depreciation policy for production equipment from straight-line depreciation of 8 years to straight-line depreciation of 12 years.

### Current assets

Current assets are valued in accordance with the weighted average price method or at a lower replacement price or a probable sale price. The acquisition cost of current assets includes the variable and fixed costs incurred in the manufacture and acquisition of the product.

### Transactions denominated in foreign currencies

Transactions denominated in foreign currencies are converted into EUR at the exchange rate of the day on which the transaction takes place and assets and liabilities denominated in foreign currencies are converted into EUR at the exchange rate of the reporting date. Exchange differences are recorded in financial income and expenses.

## Notes to the consolidated income statement

Geographical breakdown of turnover	1 Jan.–31 Dec. 2022	1 Jan.–31 Dec. 2021
Domestic sales	18,902,304.08	17,042,593.68
Intra-community sales	10,169,691.48	6,923,674.86
Sales outside the community	633,244.71	726,837.55
<b>Total</b>	<b>29,705,240.27</b>	<b>24,693,106.09</b>

Other operating income	31 Dec. 2022	31 Dec. 2021
Grants received	677,917.86	145,303.93
EU aid	0	90,000.00
Other operating income	306,569.99	31,521.27
<b>Total</b>	<b>984,487.85</b>	<b>266,825.20</b>

Remuneration to the members of the Board of Directors and the CEO	1 Jan.–31 Dec. 2022	1 Jan.–31 Dec. 2021
Remuneration to the Board of Directors	101,800.00	70,800.00
Remuneration to the CEO	248,099.01	214,138.21

Auditor fees	1 Jan.–31 Dec. 2022	31 Dec. 2021
Auditing services	29,661.90	30,191.52
Legal and consulting services	7,648.80	230,881.49
<b>Total</b>	<b>37,310.70</b>	<b>261,073.01</b>

Financial income and expenses	1 Jan.–31 Dec. 2022	1 Jan.–31 Dec. 2021
Interest and other financial income	134,064.24	2,084.00
Parent company listing costs	0	1,218,112.80
Interest expenses and other financial expenses	745,264.33	590,091.48
<b>Total</b>	<b>611,200.09</b>	<b>1,810,288.28</b>



## Notes to the consolidated balance sheet assets

Intangible rights	1 Jan.–31 Dec. 2022	1 Jan.–31 Dec. 2021
<b>Carrying amount at the beginning of the period</b>	<b>448,454.58</b>	<b>453,302.16</b>
Increases	71,146.89	78,150.95
Decreases		
Depreciation	85,953.45	82,998.53
<b>Carrying amounts at the end of the period</b>	<b>433,648.02</b>	<b>448,454.58</b>

Consolidated goodwill	1 Jan.–31 Dec. 2022	1 Jan.–31 Dec. 2021
<b>Carrying amount at the beginning of the period</b>	<b>431,787.95</b>	<b>0</b>
Increases	0	431,787.95
Decreases	0	0
Depreciation	43,178.76	0
<b>Carrying amounts at the end of the period</b>	<b>388,609.19</b>	<b>431,787.95</b>

Other long-term expenditure	1 Jan.–31 Dec. 2022	1 Jan.–31 Dec. 2021
<b>Carrying amount at the beginning of the period</b>	<b>256,331.75</b>	<b>300,532.65</b>
Increases	2,140,737.16	219,738.47
Decreases: Investment grant	109,186.00	0
Depreciation	123,552.95	155,319.91
<b>Carrying amounts at the end of the period</b>	<b>2,164,329.96</b>	<b>256,331.75</b>

Development expenses	1 Jan.–31 Dec. 2022	1 Jan.–31 Dec. 2021
<b>Carrying amount at the beginning of the period</b>	<b>4,509,157.20</b>	<b>4,061,024.25</b>
Increases	398,000.16	448,132.95
Decreases	0	0
Depreciation	50,680.76	0
<b>Carrying amounts at the end of the period</b>	<b>4,856,476.60</b>	<b>4,509,157.20</b>

Machinery and equipment	1 Jan.–31 Dec. 2022	1 Jan.–31 Dec. 2021
<b>Carrying amount at the beginning of the period</b>	<b>3,286,940.38</b>	<b>2,742,805.90</b>
Increases	5,372,097.56	1,051,093.84
Decreases	64,888.84	0
Decreases: Investment grant	1,169,383.73	0
Depreciation	571,078.21	506,959.36
<b>Carrying amounts at the end of the period</b>	<b>6,853,687.19</b>	<b>3,286,940.38</b>
<b>Other material goods – Art objects</b>	<b>1 Jan.–31 Dec. 2022</b>	<b>1 Jan.–31 Dec. 2021</b>
<b>Carrying amount at the beginning of the period</b>	<b>10,926.22</b>	<b>10,926.22</b>
Increases	0	0
Decreases	0	0
Depreciation	0	0
<b>Carrying amounts at the end of the period</b>	<b>10,926.22</b>	<b>10,926.22</b>

During the financial period 2022, Norrhydro Oy received an investment grant of EUR 1,224,491 from the Ely Centre for the procurement of machinery for the new production facility. The purchase price of the investment has been adjusted by the amount of the grant received.

Material items related to the Group's short-term receivables, chapter 2, section 4 of the Accounting Ordinance

	31 Dec. 2022	31 Dec. 2021
<b>Loan receivables</b>		
Receivables from employees	163,332.71	219,680.79
	<b>163,332.71</b>	<b>219,680.79</b>
<b>Accrued income and prepaid expenses</b>		
Other deferred charges	193,717.27	129,240.40
Accrual of grants	614,382.56	66,521.00
Other accrued income and prepaid expenses	79,172.48	149,343.04
	<b>887,272.31</b>	<b>345,104.44</b>

## Notes to the liabilities on the consolidated balance sheet

Itemisation of equity at 31 December 2022	Share capital	Invested unrestricted equity reserve	Retained earnings	Total equity
<b>Shareholders' equity at beginning of period</b>	<b>4,252,200.00</b>	<b>10,397,671.90</b>	<b>-3,312,097.12</b>	<b>11,337,774.78</b>
Dividend payments			-652,838.28	
Profit for the financial period			42,813.13	
Other changes: acquisition of own shares		-36,000.00		
<b>Equity at end of period</b>	<b>4,252,200.00</b>	<b>10,361,671.90</b>	<b>-3,922,122.27</b>	<b>10,691,749.63</b>

Itemisation of equity at 31 December 2021	Share capital	Invested unrestricted equity reserve	Retained earnings	Total equity
<b>Shareholders' equity at beginning of period</b>	<b>4,252,200.00</b>	<b>2,229,513.60</b>	<b>-3,171,628.06</b>	<b>3,310,085.54</b>
Initial public offering		7,999,998.30		
Dividend payments			-493,643.64	
Profit for the financial period			353,174.58	
Other changes: Purchase of own shares		-36,000.00		
Other changes: Transfer of own shares		204,160.00		
<b>Equity at end of period</b>	<b>4,252,200.00</b>	<b>10,397,671.90</b>	<b>-3,312,097.12</b>	<b>11,337,774.78</b>

## Notes concerning guarantees and contingent liabilities, chapter 2, section 7 of the Accounting Ordinance

## Liabilities and guarantees by balance sheet item and type of guarantee

	31 Dec. 2022	31 Dec. 2021
Long-term liabilities maturing after more than 5 years	872,484.63	870,854.50

Liabilities included in the balance sheet	31 Dec. 2022	31 Dec. 2021
Long-term financial loans	8,574,253.40	3,470,964.59
Bond	0.00	1,670,000.00
Short-term borrowings from financial institutions	1,843,720.98	1,797,254.55
<b>Total</b>	<b>10,417,974.38</b>	<b>6,938,219.14</b>

## Material items included in accruals and deferred income, chapter 2, section 5, subsection 1 and 4 of the Accounting Ordinance

	31 Dec. 2022	31 Dec. 2021
Accrued indirect employee expenses	996,069.10	854,287.31
Accrued compulsory premiums	0	642.66
Accrued interest expense	60,928.94	46,366.56
Accrued direct taxes	120.30	0
<b>Total</b>	<b>1,057,118.34</b>	<b>901,296.53</b>

## Pledges and contingent liabilities provided

Guarantees	31 Dec. 2022	31 Dec. 2021
Guarantees on behalf of subsidiary Norrhydro Oy	526,315.72	1,474,210.48
<b>Total</b>	<b>526,315.72</b>	<b>1,474,210.48</b>

### Business guarantees

Norrdigi Oy's shares	100 pcs	100 pcs
Business mortgages	6,825,033.60	6,225,033.60
Business mortgages, free held by the financier	400,000.00	1,000,000.00
<b>Total</b>	<b>7,225,033.60</b>	<b>7,225,033.60</b>

### Pledges given

Deposited security as collateral	24,000.00	0
Deposit for sold trade receivables	150,000.00	132,500.00
Rental deposit	15,624.00	15,624.00
<b>Total</b>	<b>189,624.00</b>	<b>148 124,00</b>

Norrhydro Llc, a subsidiary of Norrhydro Group Plc, mainly sells its trade receivables. Credit loss on sold trade receivables is limited to EUR 500 thousand.

## Off-balance sheet liabilities

	31 Dec. 2022	31 Dec. 2021
Leasing liabilities payable in the next financial period	256,828.87	58,902.42
Leasing liabilities payable later	689,884.46	58,581.17
<b>Leasing liabilities, total</b>	<b>946,713.33</b>	<b>117,483.59</b>
Residual value liabilities from leasing contracts	63,556.00	0
Rents payable in the next financial period	1,054,534.74	220,380.27
Rents payable later	14,137,420.12	0
<b>Rental liabilities, total</b>	<b>15,191,954.86</b>	<b>220,380.27</b>

Leasing liabilities and rent payables include VAT 24 %.

In 2021, Norrhydro Oy, a subsidiary of Norrhydro Group Plc, has entered into a 15-year lease agreement for the production facility and its land built in Rovaniemi. The rental liability began in August 2022. Lease agreement is covered by bank guarantee where Norrhydro Llc has given counter guarantee, amounting to EUR 491,573.15.

## Number of employees during the financial period

	31 Dec. 2022	31 Dec. 2021
Salaried employees on average	47	38
Employees on average	113	96
<b>Total</b>	<b>160</b>	<b>134</b>

In addition to its own personnel, the average number of leased employees during the financial period was 27.

## Related party transactions, option programmes and share-based incentive schemes

The company's related parties include the subsidiaries, CEO, members of the Board of Directors and members of the Management Team. On 31 December 2022, the company's related parties owned 6,248,195 shares, which is 57.3 per cent of the company's shares and votes (55.1 per cent on 31 December 2021). In addition, the company's related parties had 110,000 option rights granted by the company.

A medium-term commitment scheme has been created for the Group's key employees and external Board members, within which key employees have acquired shares in the parent company Norrhydro Group Plc. For the acquisition of the shares, Norrhydro Oy has granted key personnel a 5-year loan. The interest on the loan is 1% per annum and the loan is annually repaid at 10% of the outstanding principal. Of any dividends paid by

the company, 50 per cent is used to repay the loan. The remaining loan is due five years after its disbursement. The loan is secured by the acquired shares.

In addition, key personnel have received option rights. The subscription price for the option right subscription is EUR 0.10 per share. However, the subscription of shares with option rights requires that the company's strategic objectives have been met. If these objectives are not met in the manner required by the Board of Directors of the company, the option rights do not entitle you to share subscription. The related parties that have subscribed for the shares and option rights have committed to comply with the Minority Shareholder Agreement, according to which the key employee is not entitled to transfer, sell or otherwise dispose of the option rights or shares without the written approval of the company. The Minority Shareholder Agreement includes the usual so-called Good Leaver and Bad Leaver conditions related to the termination of the employment or service contract as well as non-compete and non-solicitation clauses. The Minority Shareholder Agreement is in force despite the listing.

During the financial period, the Board of Directors of Norrhydro Group Plc has decided on the introduction of a share-based incentive scheme for key employees in order to encourage and commit them. The purpose of the scheme is to combine the objectives of the company's shareholders and key employees in order to increase the company's value in the long term and to commit the key employees to the company and to offer them a competitive reward system based on the earnings and accumulation of shares. Earning is determined primarily on the basis of the company's turnover and profitability development and, secondarily, on the proportion of digital solutions in relation to the Group's turnover. The fee is paid in shares and in cash. The earnings concerns financial periods 2023–2025.

Transactions with related parties during the financial period

1 Jan.–31 Dec. 2022

Purchases from related parties	36,000
Related-party sales	0
Loan receivables from related parties	118,821
Liabilities to related parties	0
Salaries and fees paid to related parties	891,412

# Parent company financial statements 2022

## Parent company income statement

	1 Jan.–31 Dec. 2022	1 Jan.–31 Dec. 2021
<b>TURNOVER</b>	<b>360,000.00</b>	<b>360,000.00</b>
Other operating income	0.00	13,932.22
<b>Personnel expenses</b>		
Salaries and fees	-101,800.00	-70,800.00
Indirect employee expenses		
Pension expenses	-48,043.70	-46,891.79
Other indirect employee expenses	-3,152.89	-2,225.77
	<b>-152,996.59</b>	<b>-119,917.56</b>
<b>Depreciation and impairment</b>		
Depreciation according to plan	0	0
<b>Other operating expenses</b>	<b>-320,083.02</b>	<b>-141,475.03</b>
<b>OPERATING PROFIT</b>	<b>-113,079.61</b>	<b>112,539.63</b>
<b>Financial income and expenses</b>		
Dividend income from Group companies	654,000.00	500,000.00
Other interest and financial income		
From others	132,334.30	106.27
Interest and other financial expenses		
To others	-205,721.54	-1,462,865.42
	<b>580,612.76</b>	<b>-962,759.15</b>
<b>PROFIT (LOSS) BEFORE ACCOUNTING TRANSFERS AND TAXES</b>	<b>467,533.15</b>	<b>-850,219.52</b>
Received Group support	186,500.00	1,650,000.00
Income taxes	0	0
Income taxes for the previous period	-99,354.87	0
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>554,678.28</b>	<b>799,780.48</b>

## Parent company balance sheet

	31 Dec. 2022	31 Dec. 2021
<b>ASSETS</b>		
<b>FIXED ASSETS</b>		
<b>Investments</b>		
Holdings in Group undertakings	9,247,581.30	9,247,581.30
<b>Total investments</b>	<b>9,247,581.30</b>	<b>9,247,581.30</b>
<b>FIXED ASSETS, TOTAL</b>	<b>9,247,581.30</b>	<b>9,247,581.30</b>
<b>CURRENT ASSETS</b>		
<b>Receivables</b>		
Long-term Group loan receivables	200,000.00	50,000.00
Short-term receivables		
<b>Group receivables</b>	<b>5,652,216.38</b>	<b>2,410,291.51</b>
Tax assets	37,613.81	49,354.37
Accrued income and prepaid expenses	26,050.22	36,641.98
<b>Total short-term receivables</b>	<b>5,715,880.41</b>	<b>2,496,287.86</b>
Financial securities	1,000,000.00	2,000,000.00
Cash and cash equivalents	1,070,650.78	3,728,898.47
<b>TOTAL CURRENT ASSETS</b>	<b>7,986,531.19</b>	<b>8,275,186.33</b>
<b>ASSETS, TOTAL</b>	<b>17,234,531.19</b>	<b>17,522,767.63</b>
	31 Dec. 2022	31 Dec. 2021
<b>LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	4,252,200.00	4,252,200.00
Other reserves		
Invested unrestricted equity reserve	10,151,957.90	10,151,957.90
Profit/loss from previous financial periods	188,129.88	42,447.68
Profit/loss for the financial period	554,678.28	799,780.48
<b>TOTAL EQUITY</b>	<b>15,146,966.06</b>	<b>15,246,386.06</b>



**CURRENT LIABILITIES**

<b>Long-term</b>		
Loans from financial institutions	1,625,000.00	353,640.98
<b>Long-term liabilities, total</b>	<b>1,625,000.00</b>	<b>353,640.98</b>
<b>Short-term</b>		
Loans from financial institutions	375,000.00	192,894.87
Bond	0	1,670,000.00
Accounts payable	58,263.48	23,157.31
Other payables	12,850.78	3,085.00
Accruals and deferred income	16,032.17	33,603.41
<b>Short-term liabilities, total</b>	<b>462,146.43</b>	<b>1,922,740.59</b>
<b>CURRENT LIABILITIES, TOTAL</b>	<b>2,087,146.43</b>	<b>2,276,381.57</b>
<b>LIABILITIES, TOTAL</b>	<b>17,234,112.49</b>	<b>17,522,767.63</b>

**Parent company notes**

Notes to the income statement of the parent company, chapter 2, section 3 of the Accounting Ordinance

Geographical breakdown of turnover	1 Jan.–31 Dec. 2022	1 Jan.–31 Dec. 2021
Domestic sales	360,000.00	360,000.00
Intra-community sales	0	0
Sales outside the community	0	0
<b>Total turnover</b>	<b>360,000.00</b>	<b>360,000.00</b>

Other operating income	1 Jan.–31 Dec. 2022	1 Jan.–31 Dec. 2021
Grants received	0	0
EU aid	0	0
Other operating income	0	13,932.22
<b>Total</b>	<b>0</b>	<b>13,932.22</b>

Remuneration to the members of the Board of Directors and the CEO	1 Jan.–31 Dec. 2022	1 Jan.–31 Dec. 2021
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Remuneration to the Board of Directors	101,800.00	70,800.00
Remuneration to the CEO	0	0

Auditor fees	1 Jan.–21 Dec. 2022	1 Jan.–31 Dec. 2021
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Auditing services	10,300.00	14,757.52
Legal and consulting services	7,648.80	230,881.49
<b>Total</b>	<b>17,948.80</b>	<b>245,639.01</b>

Financial income and expenses	1 Jan.–31 Dec. 2022	1 Jan.–31 Dec. 2021
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Dividend income from Group companies	654,000.00	500,000.00
Interest and other financial income	132,334.30	106.27
Listing costs	0	1,171,238.49
Interest expenses and other financial expenses	205,721.54	291,626.93
<b>Total</b>	<b>580,612.76</b>	<b>-962,759.15</b>

## Notes to the assets of the parent company's balance sheet

Machinery and equipment	1 Jan.–31 Dec. 2022	1 Jan.–31 Dec. 2021
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<b>Carrying amount at the beginning of the period</b>	<b>0</b>	<b>36,067.78</b>
Increases	0	0
Decreases	0	-36,067.78
Depreciation	0	0
<b>Carrying amounts at the end of the period</b>	<b>0</b>	<b>0</b>

## Notes concerning the subsidiaries and associated companies, chapter 2, section 3 of the Accounting Ordinance

Company name and form	Registered office	Ownership share	Equity		Profit/loss	
			2022	2021	2022	2021
Norrhydro Oy	Rovaniemi	100%	4,814,685.19	5,200,685.19	268,461.55	58,509.62
NH NorrDigi Oy (through Norrhydro Oy)	Rovaniemi	100%	4,244.17	3,762.23	481.20	115.74
Motiomax Oy	Järvenpää	51.04%	99 325,57	14,135.40	-64,809.83	-2,605.08
Norrhydro Hydraulic System Shangzhou Co. Ltd		49%				

Valuation of subsidiary shares	31 Dec. 2022	31 Dec. 2021
Norrhydro Oy	8,832,728.18	8,832,728.18
Motiomax Oy	414,853.12	414,853.12
<b>Total</b>	<b>9,247,581.30</b>	<b>9,247,581.30</b>

## Material items related to short-term receivables, chapter 2, section 4 of the Accounting Ordinance

Accrued income and prepaid expenses	31 Dec. 2022	31 Dec. 2021
Other accrued income and prepaid expenses	26,050.22	36,641.86
<b>Total</b>	<b>26,050.22</b>	<b>36,641.86</b>

## Notes to the liabilities on the balance sheet of the parent company, chapter 2, section 5 of the Accounting Ordinance

Itemisation of equity 2022	Share capital	Invested unrestricted equity reserve	Retained earnings	Total equity
<b>Shareholders' equity at beginning of period</b>	<b>4,252,200.00</b>	<b>10,151,957.90</b>	<b>842,228.16</b>	<b>15,246,386.06</b>
Initial public offering				
Transfer of own shares				
Dividend payments			-654,098.28	
Profit for the financial period			554,678.28	
<b>Equity at end of period</b>	<b>4,252,200.00</b>	<b>10,151,957.90</b>	<b>742,808.16</b>	<b>15,146,966.06</b>

Itemisation of equity 2021	Share capital	Invested unrestricted equity reserve	Retained earnings	Total equity
<b>Shareholders' equity at beginning of period</b>	<b>4,252,200.00</b>	<b>1,947,799.60</b>	<b>536,991.32</b>	<b>6,736,990.92</b>
Initial public offering		7,999,998.30		
Transfer of own shares		204,160.00		
Dividend payments			-494,543.64	
Profit for the financial period			799,780.48	
<b>Equity at end of period</b>	<b>4,252,200.00</b>	<b>10,151,957.90</b>	<b>842,228.16</b>	<b>15,246,386.06</b>

Calculation of distributable assets in equity of the parent company	31 Dec. 2022	31 Dec. 2021
Invested unrestricted equity reserve	10,151,957.90	10,151,957.90
Retained earnings	188,129.88	42,447.68
Profit for the financial period (profit+/-loss-)	554,678.28	799,780.48
<b>Distributable funds, total</b>	<b>10,894,766.06</b>	<b>10,994,186.06</b>

## Notes concerning guarantees and contingent liabilities, chapter 2, section 7 of the Accounting Ordinance

### Liabilities and guarantees by balance sheet item and type of guarantee

Liabilities included in the balance sheet	31 Dec. 2022	31 Dec. 2021
Long-term financial institution loans	1,625,000.00	353,640.98
Bond	0	1,670,000.00
Short-term borrowings from financial institutions	375,000.00	192,894.87
<b>Total</b>	<b>2,000,000.00</b>	<b>2,216,535.85</b>

### Material items included in accruals and deferred income, chapter 2, section 5, subsection 1 and 4 of the Accounting Ordinance

Material items included in accruals and deferred income	31 Dec. 2022	31 Dec. 2021
Accrued indirect employee expenses	0	0
Accrued compulsory premiums	0	0
Accrued interest expense	16,032.17	33,603.41
Accrued direct taxes	0	0
<b>Total</b>	<b>16,032.17</b>	<b>33,603.41</b>

## Pledges and contingent liabilities provided

Guarantees	31 Dec. 2022	31 Dec. 2021
For and on behalf of subsidiary Norrhydro Oy	526,315.72	1,474,210.48
<b>Total</b>	<b>526,315.72</b>	<b>1,474,210.48</b>
<b>Business mortgages</b>		
Business mortgages	2,600,000.00	2,000,000.00
Business mortgages, free held by the financier	400,000.00	1,000,000.00
<b>Total</b>	<b>3,000,000.00</b>	<b>3,000,000.00</b>

## Off-balance sheet leasing liabilities

Leasing liabilities	31 Dec. 2022	31 Dec. 2021
Leasing liabilities payable in the next financial period	11,645.18	12,361.26
Leasing liabilities payable later	0	0
<b>Total</b>	<b>11,645.16</b>	<b>12,361.26</b>

# Signatures to the financial statements and the Board of Directors' report

In Rovaniemi, 16 February 2023

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Yrjö Trög  
Chair of the Board of Directors

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Juhani Kangas  
Board member

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Jukka Jokinen  
Deputy Chair of the Board of Directors

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Hannu Rusanen  
Board member

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Asko Myllymäki  
Board member

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Tapio Lehti  
Board member

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Hanna-Maria Heikkinen  
Board member

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Matias Parviainen  
CEO

## Auditor's note

Our auditor's report on the conducted audit was issued today.

PricewaterhouseCoopers Oy

Audit firm

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Sami Posti  
APA

# Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Norrhydro Group Oyj

## Report on the Audit of the Financial Statements

### Opinion

In our opinion, the financial statements give a true and fair view of the group's and the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

### What we have audited

We have audited the financial statements of Norrhydro Group Oyj (business identity code 2144656-2) for the financial period 1.1.-31.12.2022. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement and notes to the financial statements, as well as the parent company's balance sheet, income statement and notes to the financial statements.

### Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements

are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the 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 good auditing practice 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 financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the 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 parent company's or 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 the Board of Directors' and the Managing Director'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 parent company's or 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 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 parent company or the group to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

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.

## Other Reporting Requirements

### Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Oulu 23.2.2023

PricewaterhouseCoopers Oy  
Authorised Public Accountants

Sami Posti  
Authorised Public Accountant (KHT)

## List of accounting journals, receipt types and archiving methods

Journal		Electronic
General ledger		Electronic
Accounts receivable		Electronic
Accounts payable		Printed/electronic
Payroll accounting		Printed
Financial statements		Separately bound
Balance sheet breakdowns		Separately bound
Note information breakdowns		Separately bound
	Voucher type	Archiving method
Bank vouchers Nordea	460	Printed/electronic
Sales ledger vouchers	131	Printed/electronic
Purchase ledger vouchers	232	Printed/electronic
Purchase ledger vouchers	231	Printed/electronic
Memo vouchers	460	Printed/electronic
Pay slips	310	Printed/electronic
VAT receipts	210	Printed/electronic
Bank transfers	241	Printed/electronic
In accordance with section 10 of the Accounting Act, the minimum retention periods for accounting material are:		
• signed financial statements	10	years
• balance sheet breakdowns	10	years
• accounting	10	years
• vouchers (6 years)	6	years
• correspondence relating to transactions forming part of the accounts	6	years
• list of accounting accounts (10 years)	10	years
• a list of the accounting records on which the financial statements are based and the types of supporting documents and other accounting records showing the links between them and how they are stored	10	years

The retention period is calculated from the end of the financial period.

**Norrhydro Group Plc**

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FI-96100 Rovaniemi  
FINLAND

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