



# NORRHYDRO GROUP PLC FINANCIAL REPORT

1 January - 31 December 2023

Business number: FI21446562  
Ratavartijankatu 2, 96100 Rovaniemi - Finland



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This document is a translation of Norrhydro's official financial statements for 2023, and is overridden by the original Finnish document in case of discrepancy.



# Board of Directors' report

Norrhydro Group Plc and its group companies (herein after 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-specific and energy-efficient linear motion solutions and hydraulic cylinders.

The company's majority owner and Chairman of the Board Yrjö Trög continued as CEO from May 2023 after Matias Parviainen's contract ended. As Chairman of the Board and CEO, Trög focuses not only on operative management, but also on developing the Company's strategy, possible mergers and acquisitions as well as overall continuous improvement. "In particular, the global demand for energy-efficient digital solutions and the capacity growth enabled by the new production facility will drive Norrhydro forward on the path of growth and internationalization. The operations of the new production facility have been stabilised and the customers' service capability is at a very good level. Investments made and process improvements completed, we offer even cleaner and higher quality hydraulic solutions to our existing and new customers. During the financial year 2023, adjusting our operations was necessary due to the market situation. "We succeeded in the adaptation without weakening our service capability and now we are ready to take the next step in our growth path." says Yrjö Trög.



# Turnover, profit and financial position

In 2023, Norrhydro's net sales grew by 2.2% compared to the previous financial year. Growth focused on the first half of the year.

Net sales for the financial year amounted to EUR 30,365 thousand (previous year EUR 29,705 thousand) and balance sheet total was EUR 25,365 (27,925) thousand.

Norrhydro's EBITDA was EUR 1,055 (1,697) thousand and operating profit was EUR -258 (825) thousand. EBITDA margin was 3.5 (5.7) per cent and EBIT margin -0.8 (2.8) per cent. Norrhydro's operating result was -1,443 (43) thousand euros. The operating result includes a one-time reduction in the obsolescence of exchange assets and expenses related to the ramp-up of a new production facility, a total of EUR 1,272 thousand. The company's adjusted operating result was EUR -171 thousand. There was no cash effect on the inventory write-down. Return on capital employed was -1.26 (4.2) per cent in the past financial year.

Norrhydro's liquidity measured by the Current Ratio was 1.14 (1.53) and measured by the Quick Ratio 0.29 (0.53). Norrhydro's cash flow from operating activities improved from the comparison period and was EUR 306 (-582) thousand. A significant decrease in short-term interest-free liabilities improved cash flow from operating activities.

In the comparison period, the change in working capital was particularly due to consciously increasing the levels of material inventories to ensure sufficient material.

Solvency measured by the equity ratio was 35.0 (38.3) per cent. The company's large investments in a new production facility, machinery and equipment in recent years have affected solvency, and with the repayment of investment loans, the company aims for a level of 50 per cent in equity in the next few years. The amount of interest-bearing liabilities at the end of the financial year was EUR 11,033 (10,418) thousand. Some of the covenant terms and conditions of the Group's financial loans have been breached at the end of the financial year, and the company has received waivers from its financiers after the end of the financial year, according to which financial loans will not be collected prematurely by financial institutions and financing terms will not be changed.

Norrhydro's investments in 2023 focused on product development and totalled EUR 1,620 (8,060) thousand. The investments were mainly financed by income financing. Machinery and equipment investments amounted to EUR 583 (5,372) thousand, R&D expenses to EUR 912 (398) thousand and investments in patents and other intellectual property rights to EUR 69 (71) thousand.



# Key financial figures

Thousand euros	2023	2022	2021
Turnover	30,365	29,705	24,693
Change in turnover	2.2 %	20 %	24 %
EBITDA *	1,055	1,697	2,968
EBITDA, %	3.5 %	5.7 %	12%
Adjusted EBITDA	2,327	-	-
Adjusted EBITDA, %	7.7 %	-	-
Operating profit *	-258	825	2,177
Operating profit, %	-0.8 %	2.8 %	8.8 %
Profit for the financial period *	-1,443	43	353
Profit for the financial period, %	-4.8 %	0.1 %	1.4 %
Adjusted profit for the financial period	-171	-	1,577
Adjusted profit for the financial period, %	-0.6 %	-	6.4 %
Cash flow from operating activities	306	-528	756
Return on investment, %	-1.26 %	4.2 %	15.2 %
Return on equity, %	-14.7 %	0.4 %	4.7 %
Equity ratio, %	35 %	38.3 %	50.7 %
Current ratio	1.14	1.53	1.74
Quick ratio	0.29	0.53	1.09
Earnings per share, undiluted, €	-0.133	0.004	0.4
Earnings per share, diluted, €	-0.125	0.004	0.4
Adjusted earnings per share	-0.016	-	0.19
Net interest-bearing liabilities	9,638	7,990	285
Net gearing	108.6 %	74.7 %	2.5 %
Personnel at the end of the period	168	175	148

\* Company has booked the non-recurring deduction for the obsolescence of inventories and the ramp-up cost of a new production facility, a total of EUR 1,074 thousand.



**CALCULATION OF KEY FIGURES**

**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

**OPERATING PROFIT, % =** 
$$\frac{\text{Net operating profit}}{\text{turnover}} \times 100$$

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

**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

**RETURN ON INVESTED CAPITAL =** 
$$\frac{\text{Net operating profit before tax} + \text{financial expenses}}{\text{equity (average over the year)} + \text{interestbearing financial liabilities (average over the year)}} \times 100$$

**NET INTEREST-BEARING LIABILITIES=** interest-bearing liabilities – cash and cash equivalents

**RETURN ON EQUITY =** 
$$\frac{\text{net result}}{\text{equity (average over the year)}} \times 100$$

**PROFIT FOR THE FINANCIAL PERIOD =** Net operating profit +/- financial expenses + taxes

**EQUITY RATIO, % =** 
$$\frac{\text{equity}}{\text{total capital on the balance sheet - deferred income}} \times 100$$

**NET GEARING, % =** 
$$\frac{\text{interest-bearing liabilities – cash and cash equivalents}}{\text{equity}} \times 100$$

**EARNINGS PER SHARE =** 
$$\frac{\text{profit for the period}}{\text{weighted average number of shares outstanding during the period}}$$

**CURRENT RATIO =** 
$$\frac{\text{current assets} + \text{short-term receivables} + \text{liquid assets} + \text{cash and cash equivalents} + \text{unused limit}}{\text{short-term liabilities}}$$

**QUICK RATIO =** 
$$\frac{\text{short-term receivables} + \text{liquid assets} + \text{cash and cash equivalents} + \text{unused limit}}{\text{short-term liabilities}}$$

## Strategy

# 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 target is to achieve profitable growth and a turnover of more than EUR 70 million by 2028. Growth is sought in the cylinder business as well as international operations and by increasing the share of digital solutions to over 30 per cent of turnover. In terms of the cylinder business turnover, the company aims to achieve a compound annual growth rate (CAGR) of approximately 10 per cent between 2020 and 2028.

### EXPANSION INTO NEW GEOGRAPHICAL MARKETS

Norrhydro's business consists of two pillars: the profitable hydraulic cylinder business with steady cash flow and innovative digital solutions that include both the NorrDigi® MCC and NorrDigi EMA motion control systems. According to company's strategy, Norrhydro will seek opportunities to expand into new geographical markets particularly through the commercialisation of the digital solutions, although new markets for traditional hydraulic cylinders are also being sought, mainly in Scandinavia as well as Northern and Central Europe.

Norrhydro seeks strong growth in the future through the company's digital solutions. The NorrDigi MCC and EMA motion control systems, which combine artificial intelligence and digitalisation, represent a global and advanced technology that saves energy

and significantly reduces emissions. According to the company's assessment, the NorrDigi solutions accelerate the renewal of the entire industry towards low-carbon solutions and help the company's customers reach their goals of lower carbon dioxide emissions. The aim is to commercialise NorrDigi MCC system and start serial production in 2024. At the same time, the company offers the NorrDigi MCC system to new customers and segments.

NorrDigi EMA -electromechanical cylinder is the company's environmentally friendly and energy-efficient alternative to conventional hydraulic cylinders.

### EXPANDING TECHNOLOGICAL KNOW-HOW AND PRODUCTION CAPACITY

Norrhydro aims to renew the mobile machinery and equipment industry with its innovations. The company's goal is to be the technology leader in its field, for whom patented solutions and in-house product development bring a decisive competitive advantage. The company continues its close development cooperation with leading equipment manufacturers and research institutes.

Norrhydro's goal is to expand its technological expertise and production capacity also through acquisitions and further investments in the new production facility in Rovaniemi. The new production facility, ramped-up during fall 2022 and spring 2023,

will serve both digital products and the traditional cylinder business.

### POSITION HIGHER UP IN THE CUSTOMER'S VALUE CHAIN

A significant part of Norrhydro's turnover comes from customer relationships lasting up to decades. Norrhydro's products that give customers a competitive advantage and the technology partnership model enable the company to be placed higher in the customer's value chain. The company wants to continue establishing its position as a system supplier and technology partner to its customers. The company's goal is to be a long-term strategic partner that develops solutions together with its customers.

The company provides services throughout the product life cycle: from design to manufacturing, service and maintenance. In addition, the sale of the solutions to equipment manufacturers takes place without intermediaries. Norrhydro's new energy-efficient solutions, NorrDigi MCC and NorrDigi EMA, create a competitive advantage for customers in industries where the measurable reduction of lifecycle emissions from equipment is associated with significant financial savings. The company's goal is to commercialise digital products globally during the current strategy period (2020-2028).

### KEY FACTORS OF THE STRATEGY

The decisive factors for Norrhydro in implementing

the strategy are: the ability of the production facility opened in 2022 to meet the growing demand, efficient sourcing through the global sourcing network and in-house production close to the current main customers. In addition, it is essential to ensure fast, flexible and on-time deliveries, high quality and cost-effective operations. The company's growth is also affected by the growth of its key customers, and Norrhydro intends to continue to make significant efforts in acquiring new customers, especially outside Finland. In terms of strategy implementation, emphasis will also be placed on the development of new solutions. Norrhydro's attractiveness as an employer and its ability to recruit skilled workforce are significant for the company's success and ability to achieve its strategic goals.



# Research and development

The development of digital products with the company's customers has progressed significantly during the financial year.

Norrhydro is developing the NorrDigi® multi-chamber cylinder (MCC) system for large mobile machines and the electromechanical electric cylinder (EMA) for medium-sized machines and industrial applications. The development of both product lines has progressed significantly during 2023 in close cooperation with the company's key customers. At the end of 2023, the development work focused on field tests aimed at ensuring the durability of components and the functionality of the overall system.

The development of digital products focuses on the energy efficiency of linear motion, good system controllability and seamless integration into customers' systems. The launch of NorrDigi products on an industrial scale is planned to take place at the end of 2024.

The electrification of mobile machines is now progressing rapidly for many machine manufacturers, and new fully electric versions are being launched at a rapid pace. There seems to be enough evidence of the functionality and cost-effectiveness of electric cylinders compared to traditional hydraulic systems. Overwhelming efficiency and low maintenance are key benefits of electric actuators.

NorrDigi solutions are designed to meet the aforementioned needs. In line with Norrhydro's strategy,

the company's expectation is NorrDigi business will account for a significant part of Norrhydro's net sales in the coming years

The development of digital products has continued during the financial year together with our customers. The further development of the NorrDigi MCC system and NorrDigi EMA products both play an extremely important role in the company's growth strategy.

Business Finland granted Norrhydro funding for a two-year "EMMA2 project" in 2022, aimed at creating a product concept for an electromechanical linear actuator and the company's new product solution NorrData. The estimated cost of the project was EUR 1,862 thousand, of which Business Finland will finance a maximum of 50% (EUR 931 thousand) as a grant. In the financial year 2023, a grant of EUR 466 thousand has been recognised as income in other operating income. The EMMA2 project ended towards the end of the financial year 2023.

Research and development expenses during the financial year amounted to approximately EUR 1,580 (1,754) thousand, or 5.2 (5.9) percent of net sales. EUR 912 thousand of the expenses were capitalized in the balance sheet for development expenses and the rest was recognised as an expense for the financial year.





# Near-term risks and business uncertainties

Global market volatility, recession and uncertainty in the geopolitical environment will cause a risk to the company's customer relationships and business operations during the coming financial year.

The regulation of the European money markets and the actions of the European Central Bank will continue to affect the financial markets, the availability and price of financing and thus the ability and willingness of end customers to invest, which may indirectly affect the demand for the Group's products. The above-mentioned financial market activities may also have an impact on the availability and price of the Group's financing.

Economic cycles affect Norrhydro's business, especially through the investment willingness of the end users. As in the previous year, inflation development, higher energy prices and expected rising labour costs pose a risk to profitability development in the coming financial year.

Price competition, supplier capacity and delivery reliability have a direct impact on the Group's business, profitability and scope of operations.

The rise in prices seen in the commodity markets over the past couple of years seems to have finally levelled off and even started to decline. Nevertheless, the raw material and component price development remains difficult to predict.

In terms of financing, the company has taken necessary measures to ensure the continuity of the company's business. The Group sells the majority of its trade receivables and the risk associated with them to financial institutions. The company has not identified any indication of possible decrease in the value of capitalised development costs.

The main objective of the company's financial risk management is to manage liquidity, interest rate and currency risks. To ensure liquidity, the company has a limit of EUR 1,750 thousand, of which EUR 1,617 thousand was in use at the balance sheet date. After the end of the financial year, the limit agreement has been agreed to continue in the amount of EUR 1,250 thousand until the end of January 2025.

The impact of adverse changes in interest rates is minimised by the use of fixed interest rates in addition to credit lines linked to various reference rates. The Group's exposure to foreign exchange risks is low, as the main currency for sales and purchases is the euro.



# Personnel

At the end of the financial period, the Group had 168 employees and at the beginning of the financial period, 176 employees. On average, the Group employed 172 people during the financial period. In addition, the Group had an average of 13 leased employees during the financial period.

Of the personnel, 122 (114 men and 8 women) are employed in production and 46 (33 men and 13 women) are employed as salaried employees. The average age of the employees is approximately 41 years. Gross wages and salaries paid to personnel totalled EUR 7,407 (6,973) thousand.

Number of personnel	Total	Salaried Employees	Production
Men	147	33	114
Women	21	13	8
<b>Total</b>	<b>168</b>	<b>46</b>	<b>122</b>
<b>Employment relations</b>			
Indefinite duration	165	44	121
Fixed-term	3	2	1
<b>Working time</b>			
Full-time	166	45	121
Part-time	2	1	1



# Annual General Meeting and current board authorisations

The Annual General Meeting held on 3rd of April 2023 unanimously authorized the Board of Directors to decide on the issuance of shares, option rights and other special rights entitling to shares referred to in Chapter 10, Section 1 of the Finnish Companies Act in one or more tranches so that a maximum of 1,000,000 new shares or existing shares held by the company may be issued on the basis of the authorization.

Based on the situation on the date of this notice, the maximum number of shares covered by the authorization corresponds to approximately 9.17 per cent of all the shares in the company.

Based on the authorization, the Board of Directors may also decide on a directed share issue, i.e. in deviation from the shareholders' pre-emptive subscription right. The Board of Directors may decide on the issuance of shares free of charge or against payment and on all other terms and conditions of the share issue.

The Board of Directors may use the authorization to carry out mergers and acquisitions or other arrangements related to the company's business operations, to implement a personnel incentive scheme or for other purposes decided by the Board of Directors.

The authorization is valid until the next Annual General Meeting, however no longer than until 30 June 2024.

The Board of Directors issued a convertible bond of EUR 1.5 million on 28th of December 2023, which was fully subscribed. Based on the authorization granted to the Board of Directors, the holders of the notes have been given the right to subscribe for 720,000 new shares in the company. The terms and conditions of the convertible bond are available at <https://www.norrhydro.com/en/releases-announcements>.



# 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 five.

Norrhydro's Board of Directors consists of Yrjö Trög (Chair), Pekka Helle (Vice Chair), Tapio Lehti, Hanna-Maria Heikkinen and Asko Myllymäki.

14 Board meetings were held in 2023.

On 31 December 2023, Norrhydro's Executive Management Team consisted of CEO Yrjö Trög, Vice President Sales and Marketing Anniina Piira-Wendeler, Digital Business Director Carl Mattson, CFO Hanne Sarajärvi, HR Manager Johanna Kaikkonen and Director of Quality, Sustainability and Product Management Heidi Sederholm.

In the financial period 2023, Norrhydro Group's auditor was PricewaterhouseCoopers Oy, with Sami Posti, Authorised Public Accountant, as the principal auditor.

Norrhydro's certified advisor is TranslinkCorporate Finance Oy, with Jari Laurila and Sami Miettinen as the main partners.

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## Shares and shareholders

The company has one category of shares. All shares have one vote at the General Meeting of Shareholders and are equally entitled to dividends.

The number of shares outstanding on 31 December 2023 was 10 844 638 (10 865 638 on 31 December 2022). The company's share capital at the end of the financial year was EUR 4,252,200. At the end of the review period, Norrhydro Group Oyj does not own any of its own shares. The subsidiary Norrhydro Oy owns 57,000 (36,000) shares in the parent company Norrhydro Group Oyj.

A total of 1,074,919 shares (9.86 per cent of the total number of shares) were traded on Nasdaq First

North Growth Market Finland between 1 January–31 December 2023. The value of the stock exchange was EUR 3.0 million.

The closing share price on the last trading day of the period was EUR 2.07 per share. The lowest trading price for the period was EUR 1.88 per share, the highest was EUR 3.72 per share, and the average price for the period was EUR 2.74 per share. Norrhydro's market value at the end of the reporting period was EUR 22.6 million. At the end of the reporting period, the company had 5,860 shareholders.

Norrhydro Group Oyj's share is listed on Nasdaq First North Growth Market Finland as of 1.12.2021.

### BIGGEST SHAREHOLDERS ON 31 DECEMBER 2023

	SHARES, PCS	OWNERSHIP, %
1. Economica Yrityspalvelut Oy	4 231 033	38,81
2. Helle-Kangas Consulting Oy	1 660 362	15,23
3. Keskinäinen Eläkevakuutusyhtiö Ilmarinen	595 238	5,46
4. Kari Juha Elias	329 293	3,22
5. Myllymäki Invest Oy	285 714	2,62
6. Penttinen Hannu Sakari	220 759	2,03
7. Reinzen Oy	119 048	1,09
8. Kari Kaarlo Alvar	78 165	0,70
9. Saana Partners Oy	75 600	0,58
10. Triton Seasafety Oy	76 492	0,55
<b>10 biggest, total</b>	<b>7 672 704</b>	<b>70,38</b>

The average price 1 Jan. - 31 Dec. 2023

2,74 € / osake

Market value 31 Dec. 2023

22,6 M€



# Information for shareholders and capital repayment proposal

## SHARES AND SHARE REGISTER

The Norrhydro Plc share is traded on the First North Growth Market Finland marketplace maintained by Nasdaq Helsinki Oy under the stock symbol NORRH. The company has one series of shares. Each share has equal voting rights and the company's shares give equal rights to dividends.

## THE SHARE CAPITAL OF THE COMPANY

At the end of the financial period, the share capital of the company was EUR 4,252,200 and it was divided into 10,901,638 shares. The shares are included in the book-entry system maintained by Euroclear Finland, in which a list of the company's shares and their owners is maintained. Shareholders are obligated to indicate their current address and other matters related to their shareholding in the register in which they have a book-entry account or share savings account.

## DIVIDEND POLICY AND CAPITAL REPAYMENT PROPOSAL

Norrhydro's objective is to distribute a dividend of 20–30 per cent of the result for the financial period. The company evaluates the prerequisites for profit distribution on an annual basis in such a way that the distribution does not jeopardise the company's investments in growth or other Norrhydro's financial targets in accordance with its strategy.

The parent company's distributable funds on 31 December 2023 totalled EUR 10,419,527.81.

Board of Directors' proposal for measures concerning the company's profit/loss: The parent company's loss of EUR -148,189.11 will be transferred to the account "Profit/loss from previous financial years" and no dividend will be paid.

There have been no essential changes in the company's financial position and liquidity since the end of the financial year.

## FINANCIAL REPORTING 2024

Norrhydro will publish a half-year report for the period 1 January to 30 June 2024 on 1 August 2024. From the moment of their publication, financial reports will be available on the company's website at <https://www.norrhydro.com/en/investors-reports-and-presentations>. You can use the form on our website to register as a newsletter subscriber.

The company observes a 30-day silent period before the date of publication of the financial reports.

## ANNUAL GENERAL MEETING

Norrhydro Group Plc's Annual General Meeting for 2024 is planned to be held on 26 March 2024 at 10:00 a.m. in Rovaniemi. The company's Board of Directors convenes the Annual General Meeting separately. More information is available on the company's website at <https://www.norrhydro.com/en/investors-agm>.



# Estimate of probable future development and guidance for 2024

Estimating the development of the Group's net sales 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 market share in the hydraulic cylinder market and launching new digital, energy-efficient and intelligent products and services on the market. If the market situation allows, growth is expected to accelerate significantly over the next few years as a result of the additional capacity offered by the new production facility and the launch of the above-mentioned digital products and services. The Group's target for 2028 is net sales of over EUR 70 million, digital products and services accounting for more than 30 per cent of net sales, and EBITDA for at least 16 per cent of net sales.

Investments in product development and commercialization of digital solutions will continue during the current financial year. With the new production facility and the investments in machinery and equipment, net sales growth is expected to continue in the coming years. Similarly, productivity and improved competitiveness are expected to increase as a result of new investments made and planned.

Due to the weak market situation, the company expects net sales in 2024 to be lower than in 2023 (EUR 30,365 thousand) and reported EBITDA to be better than in 2023 (EUR 1,055 thousand).



# Events after the financial year

The Board of Directors of the company resolved on 8 January 2024 on a directed share issue and completed the second phase of the transaction concerning the shares in Motiomax Oy announced on 2 December 2021 by acquiring the remaining 48.96 percent of the shares in Motiomax. The share issue decision is based on the authorization given to the Board of Directors by the Annual General Meeting of the company on 3 April 2023 and the decision of the Board of Directors on 8 January 2024 to repurchase, at the request of Motiomax's shareholders, the remaining shares in Motiomax. The purchase price was paid by directing new shares in the company to Motiomax's shareholders.

At the time of the financial statements, some of the covenants related to the Group's financing agreements have been broken. After the end of the financial year, waivers have been received, according to which financial loans will not be collected early and financing terms will not be changed.

After the end of the financial year, the limit agreement has been agreed to continue in the amount of EUR 1,250 thousand until the end of January 2025.

## ROVANIEMI 29 FEBRUARY 2024

**Norrhydro Group Ltd**  
**Board of Directors**

### ADDITIONAL INFORMATION:

Yrjö Trög, CEO and Chairman of the Board  
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### DISTRIBUTION:

Nasdaq Helsinki Oy  
Main media  
<https://www.norrhydro.com/en/investors>





**CONSOLIDATED INCOME STATEMENT**
**1 Jan. - 31 Dec. 2023**
**1 Jan. - 31 Dec. 2022**

<b>TURNOVER</b>	<b>30,365,283.93</b>	<b>29,705,204.87</b>
Stocks of finished goods and work in progress increase (+) or decrease (-)	-710,817.62	1,304,867.33
Other operating income	653,020.68	984,487.85
<b>Materials and services</b>		
<b>Raw materials and consumables</b>		
Purchases during the period	-15,550,502.26	-18,340,895.21
Increase/decrease in stocks	-183,935.40	1,650,736.47
External services	-708,913.60	-1,525,698.80
	<b>-16,443,351.26</b>	<b>-18,215,857.54</b>
<b>Personnel expenses</b>		
Salaries and fees	-7,193,247.83	-6,663,399.08
Indirect employee expenses		
Pension expenses	-1,381,069.18	-1,288,600.80
Other indirect employee expenses	-179,498.44	-87,197.49
	<b>-8,753,815.45</b>	<b>-8,039,197.37</b>
<b>Depreciation and impairment</b>		
Depreciation according to plan	-1,312,309.61	-872,676.17
<b>Other operating expenses</b>	<b>-4,055,660.47</b>	<b>-4,042,086.22</b>
<b>OPERATING PROFIT</b>	<b>-257,649.80</b>	<b>824,778.75</b>
<b>Financial income and expenses</b>		
<b>Other interest and financial income, from others</b>	9,674.10	134,064.24
<b>Interest expenses and other financial expenses, to</b>	<b>-1,194,668.32</b>	<b>-745,264.33</b>
	<b>-1,184,994.22</b>	<b>-611,200.09</b>
<b>Profit (loss) before accounting transfers and taxes</b>	<b>-1,442,644.02</b>	<b>213,578.66</b>
Income taxes	0.00	-170,765.53
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>-1,442,644.02</b>	<b>42,813.13</b>
<b>CONSOLIDATED RESULT</b>	<b>-1,442,644.02</b>	<b>42,813.13</b>

Consolidated financial statements for 2023

CONSOLIDATED BALANCE SHEET	31 Dec. 2023	31 Dec. 2022
<b>ASSETS</b>		
<b>FIXED ASSETS</b>		
Intangible rights	387,909.79	433,648.02
Consolidated goodwill	345,430.43	388,609.19
Development expenses	5,660,466.18	4,856,476.60
Other long-term expenditure	1,977,070.85	2,164,329.96
<b>Total intangible assets</b>	<b>8,370,877.25</b>	<b>7 843 063,77</b>
<b>Material goods</b>		
Machinery and equipment	6,469,020.34	6,853,687.16
Other material goods	10,926.22	10,926.22
<b>Material goods in total</b>	<b>6,479,946.56</b>	<b>6,864,613.38</b>
<b>Investments</b>		
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>14,851,631.11</b>	<b>14,708,484.45</b>
<b>CURRENT ASSETS</b>		
<b>Current assets</b>		
Raw materials and consumables	4,596,115.07	4,780,050.47
Work in progress	2,260,963.99	3,744,165.16
Finished goods and services	1,094,905.18	322,521.63
Deferred income	10,265.66	271.87
<b>Total current assets</b>	<b>7,962,249.90</b>	<b>8,847,009.13</b>
<b>Receivables</b>		
<b>Current</b>		
Trade receivables	445,250.60	767,995.04
Loan receivables	63,829.68	163,332.71
Accrued income and prepaid expenses	643,255.49	1,061,272.31
Other receivables	3,651.74	122,599.28
<b>Total short-term receivables</b>	<b>1,155,987.51</b>	<b>2,115,199.34</b>
Financial securities	0.00	1,000,000.00
Cash and cash equivalents	1,395,262.07	1,253,896.83
<b>TOTAL CURRENT ASSETS</b>	<b>10,513,499.48</b>	<b>13,216,105.30</b>
<b>ASSETS, TOTAL</b>	<b>25,365,130.59</b>	<b>27,924,589.75</b>



	31 Dec. 2023	31 Dec. 2022
<b>LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	4,252,200.00	4,252,200.00
<b>Other reserves</b>		
Invested unrestricted equity reserve	9,993,702.76	10,361,671.90
Profit/loss from previous financial periods	-3,931,022.27	-3,964,935.40
Profit/loss for the financial period	-1,442,644.02	42,813.13
<b>Total equity</b>	<b>8,872,236.47</b>	<b>10, 691,749.63</b>
<b>CURRENT LIABILITIES</b>		
<b>Long-term liabilities</b>		
Convertible loans	1,400,000.00	0.00
Loans from financial institutions	5,850,590.51	8,574,253.86
<b>Long-term liabilities, total</b>	<b>7,250,590.51</b>	<b>8,574,253.86</b>
<b>Short-term liabilities</b>		
Loans from financial institutions	3,782,364.33	1,843,720.98
Accounts payable	3,443,308.58	5,335,471.30
Other payables	764,704.04	422,275.64
Accruals and deferred income	1,251,926.66	1,057,118.34
<b>Short-term liabilities, total</b>	<b>9,242,303.61</b>	<b>8,658,586.26</b>
<b>CURRENT LIABILITIES, TOTAL</b>	<b>16,492,894.12</b>	<b>17,232,840.12</b>
<b>LIABILITIES, TOTAL</b>	<b>25,365,130.59</b>	<b>27,924,589.75</b>

**CONSOLIDATED CASH FLOW STATEMENT**

1 Jan. - 31 Dec. 2023      1 Jan. - 31 Dec. 2022

**CASH FLOW FROM OPERATING ACTIVITIES**

Profit/loss before accounting transfers and taxes

-1,442,644.02      213,578.66

**Adjustments:**

Depreciation according to plan

1,312,309.61      872,676.17

Financial income and expenses

1,184,994.22      611,200.29

**Cash flow before working capital changes**

**1,054,659.81      1,697,454.92**

**Working capital changes:**

Increase (+)/decrease (-) in short-term non-interestbearing accounts receivable

807,155.17      -901,395.66

Increase (+)/decrease (-) in current assets

884,759.23      -2,955,717.85

Increase (+)/decrease (-) in short-term non-interestbearing liabilities

-1,359,648.57      2,407,030.84

**Cash flow from operating activities before financial items and taxes**

**1,386,925.64      247,372.25**

**Financial items and taxes:**

Interest paid and payments on other financial expenses for operating activities

-1,189,171.65      -550,271.15

Direct taxes paid

108,618.07      -279,383.60

**CASH FLOW FROM OPERATING ACTIVITIES (A)**

**306,372.06      -582,282.50**

**CASH FLOW FROM INVESTING ACTIVITIES:**

Investments in intangible and tangible assets

-1,580,048.27      -7,437,151.24

Investments in other financial securities

1,000,000.00      1,000,000.00

Investment grants received

338,522.70      800,396.00

**CASH FLOW FROM INVESTING ACTIVITIES (B)**

**-241,525.57      -5,636,755.24**

**CASH FLOW FROM FINANCING ACTIVITIES:**

Dividends paid and other distributions

-331,489.14      -652,838.28

Loan disbursements

1,995,435.63      7,531,692.36

Loan repayments

-1,587,427.74      -4,059,377.35

**CASH FLOW FROM FINANCING (C)**

**76,518.75      2,819,476.73**

Change in cash flows (A+B+C) increase (+)/decrease (-)

141,365.24      -3,399,561.01

Cash and cash equivalents at the beginning of the period

1,253,896.83      4,653,457.84

**CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD**

**1,395,262.07      1,253,896.83**



# 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 2022 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 filed an appeal against the decision with the Board of Adjustment and after the Board of Adjustment rejected the appeal, the company has appealed the decision to the Administrative Court. 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		straight-line 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

### 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. 2023	1 Jan. - 31 Dec. 2022
Domestic sales	20,674,486.41	18,902,304.08
Intra-community sales	9,212,855.94	10,169,691.48
Sales outside the community	477,941.58	633,244.71
<b>Total</b>	<b>30,365,283.93</b>	<b>29,705,240.27</b>

### Other operating income

	1 Jan. - 31 Dec. 2023	1 Jan. - 31 Dec. 2022
Grants received	631,102.53	677,917.86
Other operating income	21,918.15	306,569.99
<b>Total</b>	<b>653,020.68</b>	<b>984,487.85</b>

### Remuneration to the members of the Board of Directors and the CEO

	1 Jan. - 31 Dec. 2023	1 Jan. - 31 Dec. 2022
Remuneration to the Board of Directors	84,600.00	101,800.00
Remuneration to the CEOs	404,925.31	248,099.01

### Auditor fees

	1 Jan. - 31 Dec. 2023	1 Jan. - 31 Dec. 2022
Auditing services	40,475.30	29,661.90
Legal and consulting services	0.00	7,648.80
<b>Total</b>	<b>40,475.30</b>	<b>37,310.70</b>

### Financial income and expenses

	1 Jan. - 31 Dec. 2023	1 Jan. - 31 Dec. 2022
Interest and other financial income	9,674.10	134,064.24
Interest expenses and other financial expenses	1,194,668.32	745,264.33
<b>Total</b>	<b>1,184,994.22</b>	<b>611,200.09</b>

In the financial year 2023, Norrhydro Oy has received an investment grant of EUR 124,592 from the Centre for Economic Development, Transport and the Environment for the machinery procurement of the new production plant. The purchase price of the investment has been adjusted for the amount of the grant received.

## NOTES TO THE CONSOLIDATED BALANCE SHEET ASSETS

### Intangible rights

	1 Jan. - 31 Dec. 2023	1 Jan. - 31 Dec. 2022
<b>Carrying amount at the beginning of the</b>	<b>433,648.02</b>	<b>448,454.58</b>
Increases	69,707.88	71,146.89
Decreases	24,282.20	0.00
Depreciation	91,163.90	85,953.45
<b>Carrying amounts at the end of the period</b>	<b>387,909.80</b>	<b>433,648.02</b>

### Consolidated goodwill

	1 Jan. - 31 Dec. 2023	1 Jan. - 31 Dec. 2022
<b>Carrying amount at the beginning of the</b>	<b>388,609.19</b>	<b>431,787.95</b>
Increases	0.00	0.00
Decreases	0.00	0.00
Depreciation	43,178.76	43,178.76
<b>Carrying amounts at the end of the period</b>	<b>345,430.43</b>	<b>388,609.19</b>

### Other long-term expenditure

	1 Jan. - 31 Dec. 2023	1 Jan. - 31 Dec. 2022
<b>Carrying amount at the beginning of the</b>	<b>2,164,329.96</b>	<b>256,331.75</b>
Increases	55,881.98	2,140,737.16
Decreases: Investment grant	0.00	109,186.00
Depreciation	243,141.09	123,552.95
<b>Carrying amounts at the end of the period</b>	<b>1,977,070.85</b>	<b>2,164,329.96</b>

### Development expenses

	1 Jan. - 31 Dec. 2023	1 Jan. - 31 Dec. 2022
<b>Carrying amount at the beginning of the</b>	<b>4,856,476.60</b>	<b>4,509,157.20</b>
Increases	911,624.84	398,000.16
Decreases	0.00	0.00
Depreciation	107,635.26	50,680.76
<b>Carrying amounts at the end of the period</b>	<b>5,660,466.18</b>	<b>4,856,476.60</b>

### Machinery and equipment

	1 Jan. - 31 Dec. 2023	1 Jan. - 31 Dec. 2022
<b>Carrying amount at the beginning of the</b>	<b>6,853,687.16</b>	<b>3,286,940.38</b>
Increases	583,116.93	5,372,097.56
Decreases	0.00	64,888.84
Decreases: Investment grant	140,593.16	1,169,383.73
Depreciation	827,190.59	571,078.21
<b>Carrying amounts at the end of the period</b>	<b>6,469,020.34</b>	<b>6,853,687.19</b>

### Other material goods – Art objects

	1 Jan. - 31 Dec. 2023	1 Jan. - 31 Dec. 2022
<b>Carrying amount at the beginning of the</b>	<b>10,926.22</b>	<b>10,926.22</b>
Increases	0.00	0.00
Decreases	0.00	0.00
Depreciation	0.00	0.00
<b>Carrying amounts at the end of the period</b>	<b>10,926.22</b>	<b>10,926.22</b>

**MATERIAL ITEMS RELATED TO THE GROUP'S SHORT-TERM RECEIVABLES,  
CHAPTER 2, SECTION 4 OF THE ACCOUNTING ORDINANCE**

<b>Loan receivables</b>	<b>31 Dec. 2023</b>	<b>31 Dec. 2022</b>
Receivables from employees	63,829.68	163,332.71
<b>Total</b>	<b>63,829.68</b>	<b>163,332.71</b>

<b>Accrued income and prepaid expenses</b>	<b>31 Dec. 2023</b>	<b>31 Dec. 2022</b>
Secured deposit receivables	230,289.13	175,214.22
Other deferred charges	154,204.84	193,717.27
Accrual of grants	185,428.38	614,382.56
Other accrued income and prepaid expenses	73,333.14	77,958.26
<b>Total</b>	<b>643,255.49</b>	<b>1,061,272.31</b>

**NOTES TO THE LIABILITIES ON THE CONSOLIDATED BALANCE SHEET**

<b>Itemisation of equity at 31 December 2023</b>	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>10,361,671.90</b>	<b>-3,922,122.27</b>	<b>10,691,749.63</b>
Adjusted profit of Motiomax Oy for the financial period 2022			-8,900.00	
Return of equity		-325,969.14		
Profit for the financial period			-1,442,644.03	
Other changes: acquisition of own shares		-42,000.00		
<b>Equity at the end of the period</b>	<b>4,252,200.00</b>	<b>9,993,702.76</b>	<b>-5,373,666.29</b>	<b>8,872,236.47</b>

<b>Itemisation of equity at 31 December 2022</b>	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 the end of the 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>



**NOTES CONCERNING GUARANTEES AND CONTINGENT LIABILITIES,  
CHAPTER 2, SECTION 7 OF THE ACCOUNTING ORDINANCE**

<b>LIABILITIES AND GUARANTEES BY BALANCE SHEET ITEM AND TYPE OF GUARANTEE</b>	<b>31 Dec. 2023</b>	<b>31 Dec. 2022</b>
Long-term liabilities maturing after more than 5 years	304,186.75	872,484.63
<b>Liabilities included in the balance sheet</b>	<b>31 Dec. 2023</b>	<b>31 Dec. 2022</b>
Long-term financial loans	5,850,590.51	8,574,253.40
Convertible bond	1,400,000.00	0.00
Short-term borrowings from financial institutions	3,782,364.33	1,843,720.98
<b>Total</b>	<b>11,032,954.84</b>	<b>10,417,974.38</b>

Some of the Group companies' financing agreements include the following covenant terms: interest-bearing liabilities per EBITDA < 3.0, equity ratio at least 30% and gearing below 100%. In some of the parent company's and the corporation's financial loans, some of the covenant terms have been breached at the end of the financial year. After the end of the financial year, the company has received waivers from its financiers, according to which financial loans will not be collected prematurely by financial institutions and financing terms will not be changed. Financial loans are presented as long-term and short-term debt according to the original payment plan.

A new agreement has been made after the end of the financial year concerning the revolving credit facility presented in the Group's short-term liabilities, according to which the limit of EUR 1,250 thousand is valid until the end of January 2025.

**INFORMATION ABOUT THE TERMS OF THE CONVERTIBLE BOND**

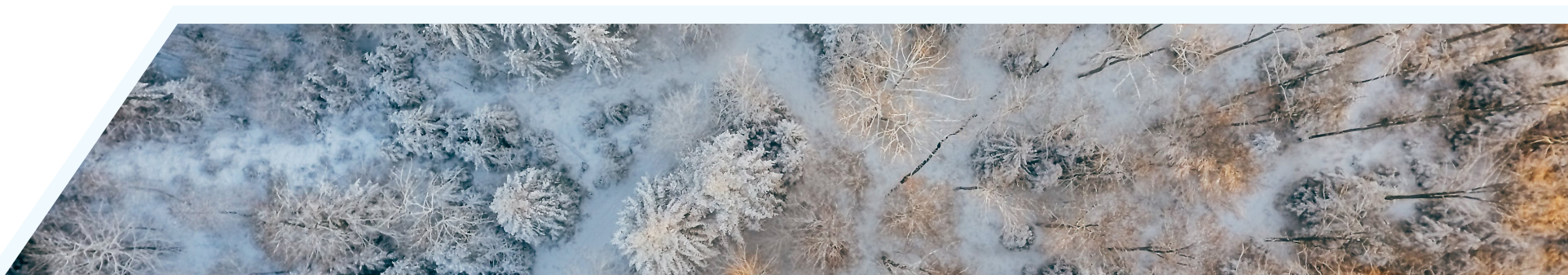
The maximum total amount of the convertible bond is EUR 1,500,000.00 and The company will take out the convertible bond and simultaneously issue 15 bonds free of charge for loan shares of EUR 100,000.00. The loan period begins when the convertible bond is paid to the company and ends on 31 December 2026, at which time the convertible bond matures in full for repayment. The convertible bond has been fully subscribed after the end of financial period 2023.

The company shall also have the right to repay all or part of the convertible bond to the Noteholders at any time prior to the Maturity Date, but not earlier than 24 months after the subscription of the convertible bond. The company shall notify the noteholder of the repayment of the note 30 days prior to the intended repayment, in which case the noteholder has the opportunity, within that 30 day period, to notify the Board of Directors of the company that he/she will exercise his/her right to subscribe for shares.

The repayment of the convertible bond shall be effected against the assignment of the notes and, in the case of partial repayment, against an entry for repayment in the note. The convertible bond shall bear an annual interest rate of 10 per cent for the loan period. The annual interest is due

and payable annually every 6 months from the date of withdrawal. The last interest period ends on the date on which the convertible notes are repaid in full. The note and related special rights may only be transferred with the consent of the company. Special rights attaching to the convertible bond may not be transferred without simultaneously transferring the claim under the convertible bond to the same assignee.

The convertible bond entitles the Noteholder to payment from the company's assets after the company's preferential obligations and on an equal footing with other non-preferential obligations. The noteholder has the right to repay the entire principal amount and interest immediately after notifying the company in writing if: the company has failed to pay the interest due in accordance with the terms of the notes and the company has not paid the payment within 30 days of the noteholder's written notice; and if the company has been placed in restructuring proceedings or declared bankrupt. Full terms of the convertible bond are available on company's website: <https://www.norrhydro.com/en/releases-announcements>





<b>MATERIAL ITEMS INCLUDED IN ACCRUALS AND DEFERRED</b>	<b>31 Dec. 2023</b>	<b>31 Dec. 2022</b>
Accrued indirect employee expenses	1,184,168.11	996,069.10
Accrued interest expense	67,758.55	60,928.94
Accrued direct taxes	0.00	120.30
<b>Total</b>	<b>1,251,926.66</b>	<b>1,057,118.34</b>

**PLEDGES AND CONTINGENT LIABILITIES PROVIDED**

<b>Guarantees</b>	<b>31 Dec. 2023</b>	<b>31 Dec. 2022</b>
Guarantees on behalf of subsidiary Norrhydro Oy	1,356,191.97	526,315.72
<b>Total</b>	<b>1,356,191.97</b>	<b>526,315.72</b>

<b>Business guarantees</b>	<b>31 Dec. 2023</b>	<b>31 Dec. 2022</b>
Norrdigi Oy's shares	100 pcs	100 pcs
Business mortgages	6,825,033.61	6,825,033.60
Business mortgages, free held by the financier	400,000.00	400,000.00
<b>Total</b>	<b>7,225,033.61</b>	<b>7,225,033.60</b>

<b>Pledges given</b>	<b>31 Dec. 2023</b>	<b>31 Dec. 2023</b>
Deposited security as collateral	24,000.00	24,000.00
Deposit for sold trade receivables	190,000.00	150,000.00
Rental deposit	16,289.13	15,624.00
<b>Total</b>	<b>230,289.13</b>	<b>189,624.00</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.

<b>OFF-BALANCE SHEET LIABILITIES, VAT. 0 %</b>	<b>31 Dec. 2023</b>	<b>31 Dec. 2022</b>
Leasing liabilities payable in the next financial period	234,759.96	207,120.06
Leasing liabilities payable later	499,002.40	556,358.44
<b>Leasing liabilities, total (VAT. 0 %)</b>	<b>733,762.36</b>	<b>763,478.49</b>
Residual value liabilities from leasing contracts	72,549.03	51,254.84
Rents payable in the next financial period	683,530.77	850,431.24
Rents payable later	12,386,019.26	11,402,639.56
<b>Rental liabilities, total (VAT. 0 %)</b>	<b>13,069,550.03</b>	<b>12,253,070.80</b>

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.



**AVERAGE NUMBER OF EMPLOYEES DURING THE FINANCIAL PERIOD**

	2023	2022
Salaried employees on average	49	47
Employees on average	123	113
<b>Total</b>	<b>172</b>	<b>160</b>

In addition to its own personnel, the average number of leased employees during the financial period was 13.

**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 2023, the company's related parties owned 6,281,649 shares, which is 57.6 per cent of the company's shares and votes (56.9 per cent on 31 December 2022). In addition, the company's related parties had 50,000 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. The maximum number of shares to be issued with the rights is 74,000 shares. The stock option program is targeted for key employees who are responsible for the development of the company's business. The implementation of the option plan is conditional on business growth and profitability as well as the successful launch of the digital business on the market.

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 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.

<b>TRANSACTIONS WITH RELATED PARTIES DURING THE FINANCIAL PERIOD</b>	<b>1 jan. -31 Dec. 2023</b>	<b>1 jan. -31 Dec. 2022</b>
Purchases from related parties	42,000	36,000
Related-party sales	0.00	0.00
Loan receivables from related parties	37,850	118,821
Liabilities to related parties	100,000	0.00
Salaries and fees paid to related parties	979,957	891,412



**PARENT COMPANY INCOME STATEMENT**

	1 Jan.-31 Dec. 2023	1 Jan.-31 Dec. 2022
<b>TURNOVER</b>	<b>420,000.00</b>	<b>360,000.00</b>
<b>Personnel expenses</b>		
Salaries and fees	-84,600.00	-101,800.00
Indirect employee expenses		
Pension expenses	-49,870.32	-48,043.70
Other indirect employee expenses	-3,258.43	- 3,152.89
	<b>-137,728.75</b>	<b>-152,996.59</b>
<b>Depreciation and impairment</b>		
Depreciation according to plan	0.00	0.00
<b>Other operating expenses</b>	<b>-215,892.51</b>	<b>-320,083.02</b>
<b>OPERATING PROFIT</b>	<b>66,378.74</b>	<b>-113,079.61</b>
<b>Financial income and expenses</b>		
Dividend income from Group companies	0.00	654,000.00
Other interest and financial income, from others	8,502.37	132,334.30
Interest and other financial expenses, to others	-223,070.22	-205,721.54
	<b>-214,567.85</b>	<b>580,612.76</b>
<b>PROFIT (LOSS) BEFORE ACCOUNTING TRANSFERS AND TAXES</b>	<b>-148,189.11</b>	<b>467,533.15</b>
Received Group support	0.00	186,500.00
Income taxes for the previous period	0.00	-99,354.87
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>-148,189.11</b>	<b>554,678.28</b>

Parent company financial statements 2023



**PARENT COMPANY BALANCE SHEET**

ASSETS	31 Dec. 2023	31 Dec. 2022
<b>FIXED ASSETS</b>		
<b>Investments</b>		
Holdings in Group undertakings	14,247,581.30	9,247,581.30
Total investments	14,247,581.30	9,247,581.30
<b>FIXED ASSETS, TOTAL</b>	<b>14,247,581.30</b>	<b>9,247,581.30</b>
<b>CURRENT ASSETS</b>		
<b>Receivables</b>		
Long-term Group loan receivables	200,000.00	200,000.00
Short-term receivables	28,400.00	0.00
Group receivables	1,890,340.68	5,652,216.38
Tax assets	0.00	37,613.81
Accrued income and prepaid expenses	41,479.65	50,050.22
<b>Total short-term receivables</b>	<b>1,960,220.33</b>	<b>5,739,880.41</b>
Financial securities	0.00	1,000,000.00
Cash and cash equivalents	1,377,182.65	1,046,50.78
<b>TOTAL CURRENT ASSETS</b>	<b>3,537,402.98</b>	<b>7,986,531.19</b>
<b>ASSETS, TOTAL</b>	<b>17,784,984.28</b>	<b>17,234,112.49</b>

LIABILITIES	31 Dec. 2023	31 Dec. 2022
<b>EQUITY</b>		
Share capital	4,252,200.00	4,252,200.00
<b>Other reserves</b>		
Invested unrestricted equity reserve	9,824,908.76	10,151,957.90
Profit/loss from previous financial periods	742,808.16	188,129.88
Profit/loss for the financial period	-148,189.11	554,678.28
<b>TOTAL EQUITY</b>	<b>14,671,727.81</b>	<b>15,146,966.06</b>
<b>CURRENT LIABILITIES</b>		
<b>Long-term</b>		
Convertible bond	1,400,000.00	0.00
Loans from financial institutions	1,312,498.00	1,625,000.00
<b>Long-term liabilities, total</b>	<b>2,712,498.00</b>	<b>1,625,000.00</b>
<b>Short-term</b>		
Loans from financial institutions	343,752.00	375,000.00
Accounts payable	29,704.94	58,263.48
Other payables	10,701.78	12,850.78
Accruals and deferred income	16,599.75	16,032.17
<b>Short-term liabilities, total</b>	<b>400,758.47</b>	<b>462,146.43</b>
<b>CURRENT LIABILITIES, TOTAL</b>	<b>3,113,256.47</b>	<b>2,087,146.43</b>
<b>LIABILITIES, TOTAL</b>	<b>17,784,984.28</b>	<b>17,234,112.49</b>

**PARENT COMPANY NOTES**
**NOTES TO THE INCOME STATEMENT OF THE PARENT COMPANY, CHAPTER 2, SECTION 3  
OF THE ACCOUNTING ORDINANCE**

<b>Geographical breakdown of turnover</b>	<b>1 Jan. - 31 Dec. 2023</b>	<b>1 Jan. - 31 Dec. 2022</b>
Domestic sales	420,000.00	360,000.00
Intra-community sales	0.00	0.00
Sales outside the community	0.00	0.00
<b>Total turnover</b>	<b>420,000.00</b>	<b>360 000.00</b>

**Remuneration to themembers of the Board of  
Directors and the CEO**

	<b>1 Jan. - 31 Dec. 2023</b>	<b>1 Jan. - 31 Dec. 2022</b>
Remuneration to the Board of Directors	84,600.00	101,800.00
Remuneration to the CEOs	0.00	0.00

**Auditor fees**

	<b>1 Jan. - 31 Dec. 2023</b>	<b>1 Jan. - 31 Dec. 2022</b>
Auditing services	18,316.00	10,300.00
Legal and consulting services	0.00	7,648.80
<b>Total</b>	<b>18,316.00</b>	<b>17,948.80</b>

**Financial income and expenses**

	<b>1 Jan. - 31 Dec. 2023</b>	<b>1 Jan. - 31 Dec. 2022</b>
Dividend income from Group companies	0.00	654,000.00
Interest and other financial income	8,502.37	132,334.30
Interest expenses and other financial expensesvähennys (-)	-223,070.22	205,721.54
<b>Total</b>	<b>-214,567.85</b>	<b>580,612.76</b>

**NOTES TO THE ASSETS OF THE PARENT COMPANY'S BALANCE SHEET**
**NOTES CONCERNING THE SUBSIDIARIES AND ASSOCIATED COMPANIES, CHAPTER 2,  
SECTION 3 OF THE ACCOUNTING ORDINANCE**

<b>Company name and form</b>	<b>Registered office</b>	<b>Ownership share</b>	<b>Equity</b>		<b>Profit/loss</b>	
			<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Norrhydro Oy	Rovaniemi	100 %	8,644,303.91	4,814,685.19	-1,170,382.03	268,461.55
NH NorrDigi Oy (Through Norrhydro Oy)	Rovaniemi	100 %	384,464.64	461,531.63	-77,066.99	481.20
Motiimax Oy	Järvenpää	51.04 %	87,678.44	90,425.57	-2,747.13	-73,709.83
Norrhydro Hydraulic System Shangzhou CO. Ltd		49 %				

**Valuation of subsidiary shares**

	<b>31 Dec. 2023</b>	<b>31 Dec. 2022</b>
Norrhydro Oy	8,832,728.18	8,832,728.18
Changes during the financial year	5,000,000.00	0,00
Norrhydro Oy	13,832,728.18	8,832,728.18
Motiimax Oy	414,853.12	414,853.12
Changes during the financial year	0.00	0,00
Motiimax Oy	414,853.12	414,853.12
<b>Total</b>	<b>14,247,581.30</b>	<b>9,247,581.30</b>

MATERIAL ITEMS RELATED TO SHORT-TERM RECEIVABLES, CHAPTER 2, SECTION 4 OF THE ACCOUNTING ORDINANCE

NOTES TO THE LIABILITIES ON THE BALANCE SHEET OF THE PARENT COMPANY, CHAPTER 2, SECTION 5 OF THE ACCOUNTING ORDINANCE

Itemisation of equity 2023	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>742,808.16</b>	<b>15,146,966.06</b>
Return of equity		-327,049.14		
Profit for the financial period			-148,189.11	
<b>Equity at end of period</b>	<b>4,252,200.00</b>	<b>9,824,908.76</b>	<b>267,569.91</b>	<b>14,671,727.81</b>

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>
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>

<u>Calculation of distributable assets in equity of the parent company</u>	<u>31 Dec. 2023</u>	<u>31 Dec. 2022</u>
Invested unrestricted equity reserve	9,824,908.76	10,151,957.90
Retained earnings	742,808.16	188,129.88
Profit for the financial period (profit+/-)	-148,189.11	554,678.28
<b>Distributable funds, total</b>	<b>10,419,527.81</b>	<b>10,894,766.06</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**

	31 Dec. 2023	31 Dec. 2022
<b>Liabilities included in the balance sheet</b>		
Long-term financial institution loans	1,312,498.00	1,625,000.00
Bond	1,400,000.00	0.00
Short-term borrowings from financial institutions	343,752.00	375,000.00
<b>Total</b>	<b>3,056,250.00</b>	<b>2,000,000.00</b>

The covenants relating to loans to financial institutions, related waivers and convertible bonds are described in the notes to the consolidated financial statements on page 36. The covenants relating to loans to financial institutions, related waivers and convertible bonds are described in the notes to the consolidated financial statements on page 36. In the notes to the consolidated financial statements on page 36.

**PLEDGES AND CONTINGENT LIABILITIES PROVIDED**

<b>Guarantees</b>	31 Dec. 2023	31 Dec. 2022
For and on behalf of subsidiary Norrhydro Oy	1,356,191.97	526,315.72
<b>Total</b>	<b>1,356,191.97</b>	<b>526,315.72</b>

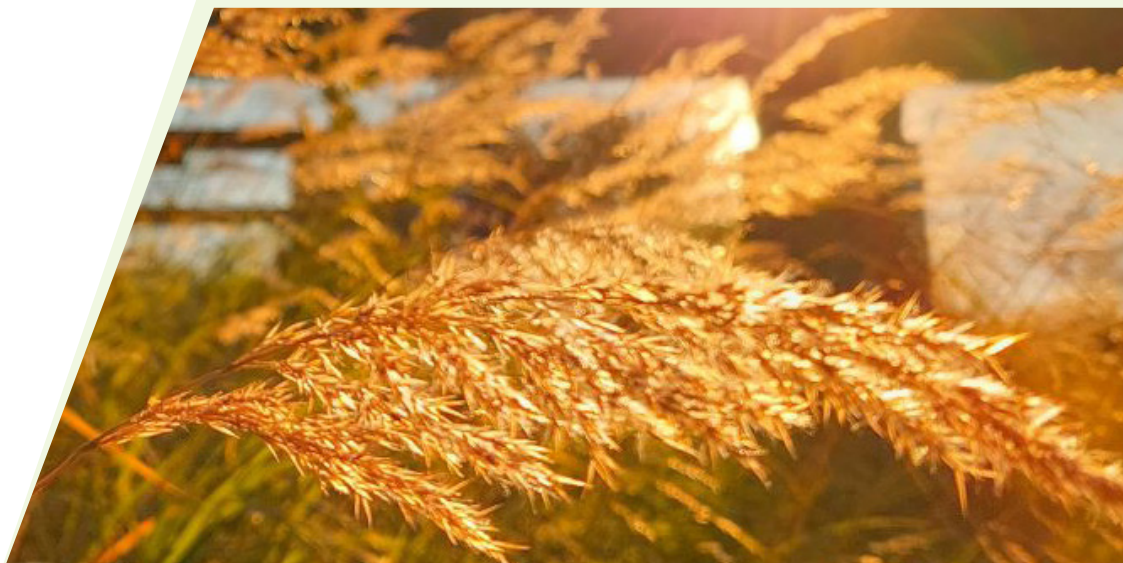
Norrhydro Group plc has provided a self-debt guarantee on behalf of its subsidiary Norrhydro Oy in connection with invoice receivables sold to OP Corporate Bank plc. The liability for guarantees is not limited in quantity or time.

<b>Cash deposits</b>	31 Dec. 2023	31 Dec. 2022
For and on behalf of subsidiary Norrhydro Oy	24,000.00	24,000.00
<b>Total</b>	<b>24,000.00</b>	<b>24,000.00</b>

<b>Business mortgages</b>	31 Dec. 2023	31 Dec. 2022
Business mortgages	2,600,000.00	2,600,000.00
Business mortgages, free held by the financier	400,000.00	400,000.00
<b>Total</b>	<b>3,000,000.00</b>	<b>3,000,000.00</b>

**LIABILITIES NOT INCLUDED IN THE BALANCE SHEET**

<b>Off-balance sheet leasing liabilities (VAT. 0 %)</b>	31 Dec. 2023	31 Dec. 2022
Leasing liabilities payable in the next financial period	0.00	9,391.26
Leasing liabilities payable later	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>9,391.26</b>



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

The financial statements and the Board of Directors' report have been signed electronically 22 February 2024 by:

Yrjö Trög, Chair of the Board of Directors and CEO

Pekka Helle, Vice Chair of the Board of Director

Asko Myllymäki, Board member

Hanna-Maria Heikkinen, Board member

Tapio Lehti, Board member

## 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



To the Annual General Meeting of Norrhydro Group Oyj

# Auditor's Report

Translation of the Finnish Original

## 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.-31.12.2023. 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 require-

ments 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.

## Auditor's report continues

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 mate-

rially 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 29.2.2024

PricewaterhouseCoopers Oy  
Authorised Public Accountants

Sami Posti  
Authorised Public Accountant (KHT)

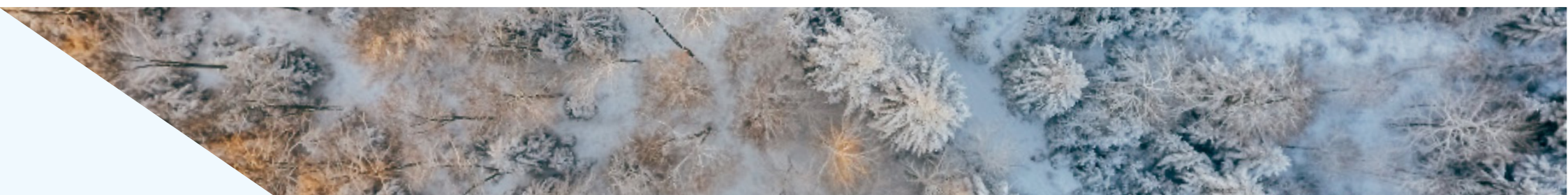
**LIST OF ACCOUNTING JOURNALS, RECEIPT TYPES AND ARCHIVING METHODS**

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
	<b>Voucher type</b>	<b>Archiving method</b>
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.**





# NORR HYDRO

NORRHYDRO GROUP PLC  
RATAVARTIJANKATU 2  
FI-96100 ROVANIEMI  
FINLAND