

Partner in Success

NORRHYDRO GROUP OYJ

Business ID: FI21446562

Financial Statement Bulletin

1 January – 31 December 2023

**NORR  
HYDRO**



Financial Statement Bulletin 2023 of Norrhydro Group Plc:

## New factory tuned for growth

Norrhydro is a Finnish pioneer in motion control and one of the leading providers of energy-efficient hydraulic cylinders in the Nordic countries.

The company develops and manufactures innovative and environmentally friendly hydraulic and linear motion solutions for the needs of the forest machinery, material handling, mining, construction, and marine industries, among others. Our NorrDigi® motion control system, which combines artificial intelligence and digitalisation, represents a globally leading state-of-the-art technology that significantly reduces emissions and will revolutionize the entire industry.

Norrhydro has almost 40 years of experience in providing high-quality hydraulic solutions for demanding environments. The company's customers are globally operating manufacturers of mobile machinery and equipment, for whom the company is a long-term strategic partner. Our tailor-made solutions create competitive advantage for our customers and contribute to a cleaner tomorrow.

Financial Statement Bulletin has not been audited.

### July-December 2023 in brief

- Turnover decreased 8.0 % to EUR 12,044 (13,088) thousand
- EBITDA was EUR -312 (36) thousand
- EBITDA margin was -2.6 % (0.3 %)
- Operating profit was EUR -973 (-457) thousand
- Loss for the period was EUR -1,579 (-735) thousand
- Earnings per share were EUR -0.145 (-0.07)
- Diluted earnings per share were -0.137

### January-December 2023 in brief

- Turnover increased 2.2 % to EUR 30,365 (29,705) thousand
- EBITDA was EUR 1,055 (1,697) thousand
- EBITDA margin was 3.5 % (5.7 %)
- Adjusted EBITDA was EUR 2,327 thousand
- Adjusted EBITDA margin was 7.7 %
- Operating loss was EUR EUR -258 (825) thousand
- Loss for the period was EUR -1,443 thousand, -4.8 % of the turnover
- Adjusted loss for the period was EUR -171 thousand, -0.6 % of the turnover
- Earnings per share were EUR -0.133 (0.004)
- Diluted earnings per share were EUR -0,125
- Adjusted earnings per share were EUR -0,016
- Return on equity was -14.7 % (0.48 %)
- Equity ratio was 35.0 % (38.3 %)
- Cash flow from business operations was EUR 306 (-582) thousand

- Company has booked a one-time reduction in the obsolescence of exchange assets of EUR 872 thousand, with no effect on cash flow. In addition, a one-time expense of EUR 400 has been booked related to ramp-up of the new production facility
- The Board of Directors proposes no dividend to be paid

Thousand euros	1 July –31 Dec. 2023	1 July –31 Dec.2022	Change	1 Jan. –31 Dec. 2023	1 Jan. –31 Dec. 2022	Change
Turnover	12,044	13,088	-8.0 %	30,365	29,705	2.2 %
EBITDA	-312	36	-973.6 %	1,055	1,697	-37.9 %
EBITDA, %	-2.6 %	0.3 %		3.5 %	5.7 %	
Adjusted EBITDA				2,327		
Adjusted EBITDA, %				7.7 %		
Operating profit	-973	-457	-113,2 %	-258	825	-131,2 %
Operating profit, %	-8.1 %	-3.5 %		-0.8 %	2.8 %	
Result for the financial period	1,579	-735		1,443	43	
Result for the financial period, %	-13,1 %	-5.6 %		-4,8 %	0.1 %	
Adjusted result for the financial period				-171		
Adjusted result for the financial period, %				-0.6 %		
Cash flow for business operations				306	-582	
Return on investment, %				-1.3 %	4.2 %	
Return on equity, %				-14.7 %	0.4 %	
Equity ratio, %				35,0 %	38.3 %	
Current ratio				1.14	1.53	
Quick ratio				0.29	0.53	
Earnings per share, undiluted €	-0.145	-0.07		-0.133	0.004	
Earnings per share, diluted, €	-0.137	-0.07		-0.125	0.004	
Adjusted EPS, €				-0.016		
Personnel at the end of the period				168	175	

\* Company has booked a one-time reduction in the obsolescence of exchange assets of EUR 872 thousand, with no effect on cash flow. In addition, a one-time expense of EUR 400 has been booked related to ram-up of the new production facility.



## 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 to expand its business by increasing its market share in the hydraulic cylinder market and by launching new digital, energy-efficient and intelligent products and services into 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 competitiveness improvements are expected to improve 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).

## Board of Directors report

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 and 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 our capacity to serve our customers is at a very good level. With the 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, we adjusted our operations as required by the market situation without weakening our service capability. We are ready to take the next step in growth." says Yrjö Trög.

## 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 above EUR 70 million by 2028. Growth is sought in the cylinder business as well as in 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 and in Northern and Central Europe.

In the future, Norrhydro seeks strong growth through the company's digital solutions. The NorrDigi<sup>®</sup> MCC, which combines artificial intelligence and digitalisation, represents a global and advanced technology that saves energy and significantly reduces emissions. According to the company's assessment, the NorrDigi MCC system has the potential to revolutionise the entire industry. The aim is to commercialise the system and start serial production in 2024. At the same time, the company offers the NorrDigi<sup>®</sup> MCC 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 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 to be more than a component supplier 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 whole product life cycle: from design to manufacturing, service and maintenance. In addition, the sales to mobile machine manufacturers takes place without intermediaries. Norrhydro's new energy-efficient solutions, such as NorrDigi MCC<sup>®</sup> and NorrDigi<sup>®</sup> EMA, create a competitive advantage for customers in industries with significant potential for emission reduction. The company's goal is to commercialise digital products globally during the current strategy period (2020-2027).

#### KEY FACTORS OF THE STRATEGY

Norrhydro's key factors for the strategy implementation are: the ability of the production facility (opened in 2022) to meet 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, as well as 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 for its ability to achieve the strategic goals.

## Turnover, profitability, and performance

### July-December 2023

In July-December 2023 turnover was EUR 12,044 (13,088) thousand, a decrease of 8.0 per cent. The EBITDA was EUR -312 (36) thousand, representing -2.6 (0.3) per cent of turnover.

Personnel expenses during the second half of 2023 amounted to EUR 3,558 (3,825) thousand. Other operating expenses amounted to EUR 1,759 (2,428) thousand. Net financial expenses amounted to EUR 624 (441) thousand.

Profit for the period was EUR -1,579 (-735) thousand. Earnings per share were EUR -0.145 and diluted earnings per share were -0.137.

### January-December 2023

In January-December 2023 turnover was EUR 30,365 (29,705) thousand, an increase of 2.2 per cent. EBITDA was EUR 1,055 (1,697) thousand, representing 3.5 (5.7) per cent in the period under review. Group's return on capital employed (ROCE) was -1.26 (4.2) per cent.

Personnel expenses during the period amounted to EUR 8,754 (8,039) thousand. Other operating expenses amounted to EUR 4,056 (4,042) thousand. Net financial expenses amounted to EUR 1,195 (745) thousand. Exchange rate gains and losses due to changes in exchange rates have been recognised in financial items, with a net effect of EUR 0,2 (-4) thousand.

Profit for the period was EUR -1,443 (43) thousand. Undiluted earnings per share were EUR -0.133 (0.004) and diluted earnings per share were EUR -0.125. Profit for the period includes a one-time reduction in the obsolescence of exchange assets and a one-time expense related to ramp-up of the new production facility of total EUR 1,272. Reduction in the obsolescence of exchange assets had no effect on cash flow. Adjusted EBITDA was EUR 2,327 thousand, adjusted profit was EUR -171 thousand and adjusted EBITDA was EUR -0,016.

## Balance sheet and financial position

Balance sheet total at the end of the financial period was EUR 25,365 (27,925) thousand. Current assets amounted to EUR 7,962 (8,847) thousand. Short-term receivables amounted to EUR 1,156 (2,155) thousand and liquid assets to EUR 1,395 (2,428) thousand. Group equity amounted to EUR 8,872 (10,692) thousand and parent company's equity amounted to 14,672 (15,147) thousand.

Interest-bearing liabilities amounted to EUR 11,033 (10,418) thousand. The company has access to a financial facility (EUR 113 thousand) to ensure liquidity. The Group's loans from financial institutions consist of both secured and unsecured loans. Some of these loans are subject to financial covenants that may affect the loan terms, mainly the interest rate payable. The review date of the covenants is at the end of the financial year on 31 December 2023. Some of covenant terms were broken at the end of financial year 2023 and after the reporting period the company has received waivers from financiers stating that loans are not subject to premature collection and term will not be changed. The Group's net debt amounted to EUR 9,638 (7,990) thousand, and the net gearing ratio was 108.6 (74.7) per cent. Equity ratio was in the end of period 35.0 (38.3)

per cent. Cash flow from operating activities in 2023 amounted to EUR 306 (-582) thousand. Cash flow from investing activities amounted to EUR -242 (-5.637) thousand.

## Personnel and management

At the end of the financial period, the Group had 168 employees and at the beginning of the financial period, 175 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.

31.12.2023 the company's Executive Management Team consists 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.

## 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.

28th of December 2023 the Board of Directors issued a convertible bond of EUR 1.5 million, 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>.

Norrhydro's Board of Directors is formed by Yrjö Trög (Chairman of the Board), Pekka Helle (Vice Chairman of the Board), Asko Myllymäki, Tapio Lehti and Hanna-Maria Heikkinen.

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

## Shares and shareholders

Norrhydro Group Plc held 10,901,638 shares at the end of the financial period. The average number of shares issued in the market during the financial period was 10,844,638. 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, the company's share capital amounted to EUR 4,252,200. At the end of the review period, the Company does not hold any of its own shares. The subsidiary Norrhydro Oy owns 57,000 shares of the parent company Norrhydro Group Plc.

Between 1 January and 31 December 2023, a total of 1,074,919 Norrhydro shares were traded, representing 9.86% of the total number of shares. The value of the exchange was approximately EUR 3 million.

The closing price of the share on the last trading day of the review period was EUR 2.07 per share. The lowest trading price during the review period was EUR 1.88 per share, the highest EUR 3.72 per share and the average price during the period EUR 2.74 per share. Norrhydro Group's market capitalization at the end of the review period was EUR 22.6 million.

At the end of the financial period on 31 December 2023, the company had 5,860 (6,277) shareholders.

### Largest shareholders on 31 December 2023

	Shares, pcs	Ownership, %
Economica Yrityspalvelut Oy	4,231,033	38.81 %
Helle-Kangas Consulting Oy	1,660,362	15.23 %
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	595,238	5.46 %
Kari Juha Elias	329,293	3.02 %
Myllymäki Invest Oy	287,714	2.62 %
Penttinen Hannu Sakari	220,759	2.03 %
Reinzen Oy	119,048	1.09 %
Kari Kaarlo Alvar	78,165	0.72 %
Saana Partners Oy	76,600	0.70 %
Triton Seasafety Oy	76,492	0.70 %
<b>10 largest, total</b>	<b>7,672,704</b>	<b>70.38 %</b>

### 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 willingness of end users to invest. As in the previous year, inflation developments, higher energy prices and expected rising labour costs pose a risk to profitability development in the coming financial year.

Price competition, supplier capacity and supplier delivery reliability have a direct impact on the Group's business, profitability and scope of operations. The price increases seen in the commodity markets over the past couple of years seems to have finally levelled off and even started to decline. Nevertheless, the price development of raw materials and components 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 impairment 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 EUR 1,750 thousand credit limit, where EUR 1,617 used in the end of the period. 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.

## Proposal for the distribution of profit

The parent company's distributable funds on 31 December 2023 were EUR 10,419,527.18 where loss of financial year 2023 was EUR -148,189.11. The Board of Directors proposes that no dividend shall be distributed.

## Financial reporting and the Annual General Meeting 2024

Financial Statements 2023 and Annual Report will be published 29 February 2024. Half-year report January–June 2024 will be published on 1 August 2024. The Annual General Meeting is scheduled for Tuesday, 3 April 2024. The company's Board of Directors convenes the Annual General Meeting separately.

Rovaniemi, 22 February 2024

Norrhydro Group Plc  
Board of Directors

### Additional information:

Yrjö Trög  
Chairman of the Board, CEO  
Norrhydro Group Plc  
Tel. +358 400 291 229  
Email: yrjo.trog@norrhydro.com

**Certified advisor:**

Translink Corporate Finance Oy  
Jari Lauriala, Managing Partner  
Tel. +358 40 091 8855  
Email: jari.lauriala@translinkcf.fi

Sami Miettinen, Partner  
Tel. +358 400 735 835  
Email: sami.miettinen@translinkcf.fi

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**Norrhydro Group Plc in brief**

Norrhydro, founded in 1985, is a Finnish forerunner in motion control and a provider of energy-efficient hydraulic cylinders and system suppliers specialising in high-quality, customised and energy-efficient hydraulic cylinders and demanding linear motion control systems and mobile equipment. The company has almost 40 years of experience in developing and manufacturing customised hydraulic cylinders and liners motion control systems for the most demanding conditions and environments. In 2023, the company generated revenues of EUR 30.4 million, EBITDA of EUR 2.3 million (adjusted) and operating profit of EUR -0,2 million.

# Tables 1 January-31 December 2023

## Consolidated income statement

Thousand euros	1 July – 31 Dec. 2023	1 July – 31 Dec. 2022	1 Jan.- 31 Dec. 2023	1 Jan. – 31 Dec. 2022
<b>Turnover</b>	<b>12,044</b>	<b>13,088</b>	<b>30,365</b>	<b>29,705</b>
Stocks of finished goods and work in progress increase (+) or decrease (-)	-1,281	574	-711	1,305
Other operating income	220	718	653	984
Materials and services	-5,977	-8,092	-16,443	-18,216
Personnel expenses	-3,558	-3,825	-8,754	8,039
Depreciation and impairment	-661	-492	-1,312	-873
Other operating expenses	-1,759	-2,428	-4,056	-4,042
<b>Operating profit</b>	<b>-973</b>	<b>-457</b>	<b>-258</b>	<b>825</b>
Financial income	-17	76	10	134
Financial expenses	-624	-441	-1,195	-745
<b>Profit (loss) before taxes</b>	<b>-1,613</b>	<b>-822</b>	<b>-1,443</b>	<b>214</b>
Income taxes	34	87	0	-171
<b>Consolidated result</b>	<b>-1,579</b>	<b>-735</b>	<b>-1,443</b>	<b>43</b>

## Consolidated balance sheet

Thousand euros	31 Dec. 2023	31 Dec. 2022
<b>ASSETS</b>		
<b>Fixed assets</b>		
Intangible rights	8,371	7,843
Material goods	6,480	6,865
Investments	1	1
<b>Fixed assets, total</b>	<b>14,852</b>	<b>14,708</b>
<b>Short-term assets</b>		
Current assets	7,962	8,847
Short-term receivables	1,156	2,115
Liquid assets	0	1,000

Cash and cash equivalents	1,395	1,254
<b>Short-term assets, total</b>	<b>10,513</b>	<b>13,216</b>
<b>ASSETS, TOTAL</b>	<b>25,365</b>	<b>27,925</b>
<b>LIABILITIES</b>		
<b>Equity</b>		
Share capital	4,252	4,252
Invested unrestricted equity	9,994	10,362
Profit/loss from previous financial periods	-3,931	-3,965
Profit/loss for the financial period	-1,443	43
<b>Total equity</b>	<b>8,872</b>	<b>10,692</b>
<b>Current Liabilities</b>		
Long-term liabilities		
Convertible bond	1,400	0
Loans from financial institutions	5,851	8,574
Long-term liabilities, total	7,251	8,574
Short-term liabilities		
Loans from financial institutions	3,782	1,844
Deferred income	0	0
Trade payables and other current liabilities	5,460	6,815
Short-term liabilities, total	9,242	8,659
<b>Current liabilities, total</b>	<b>16,493</b>	<b>17,233</b>
<b>LIABILITIES, TOTAL</b>	<b>25,365</b>	<b>27,925</b>

## Cash flow statement

31 Dec. 2023

31 Dec. 2022

<b>Cash flow from operating activities</b>		
Profit (loss) before accounting transfers and taxes	-1,443	214
Adjustments:		
Depreciation according to plan	1,312	873
Financial income and expenses	1,185	611

Other adjustments	0	0
<b>Cash flow before working capital changes</b>	<b>1,055</b>	<b>1,697</b>
<b>Working capital changes:</b>		
Increase (-) / decrease (+) in short-term non-interest-bearing accounts receivable	807	-901
Increase (-) / decrease (+) in current assets	885	-2,956
Increase (+) / decrease (-) in short-term non-interest-bearing liabilities	-1,360	2,407
<b>Cash flow from operating activities before financial items and taxes</b>	<b>1,387</b>	<b>247</b>
<b>Financial items and taxes:</b>		
Interest paid and payments on other financial expenses for operating activities	-1,189	-550
Direct taxes paid	109	-279
<b>Cash flow from operating activities (A)</b>	<b>306</b>	<b>-582</b>
<b>Cash flow from investing activities:</b>		
<b>Investments in tangible and intangible assets</b>	<b>-1,580</b>	<b>-7,437</b>
<b>Investments in other financial securities</b>	<b>1,000</b>	<b>1,000</b>
Acquisition of subsidiaries	0	0
Investment grants received	339	800
Sale of shares	0	0
Sale of fixed assets	0	0
Investments in other investments	0	0
<b>Cash flow from investing activities (B)</b>	<b>-242</b>	<b>-5,637</b>
<b>Cash flow from financing activities:</b>		
Sale of (+) acquisition (-) of treasury shares	0	0
Dividends paid and other distributions	-331	-653
Loan disbursements	1,995	7,532
Loan repayments	-1,587	-4,059
<b>Cash flow from financing (C)</b>	<b>77</b>	<b>2,819</b>
Change in cash and cash equivalents (A+B+C) increase (+) / decrease (-)	-141	3,400
Cash and cash equivalents at the beginning of the period	1,254	4,653
<b>Cash and cash equivalents at the end of the period</b>	<b>1,395</b>	<b>1,254</b>



## Statement of changes in equity

Thousand euros	Share capital	Invested unrestricted equity reserve	Retained earnings	Total equity
1 January – 31 December 2023				
<b>Equity at the beginning of the period</b>	<b>4,252</b>	<b>10,362</b>	<b>-3,922</b>	<b>10,692</b>
Adjusting Motiomax Oy's result 2022			-9	
Return of equity		-326		
Profit for the financial period			-1,443	
Other changes, acquisition of own shares		-42		
<b>Equity at the end of the period</b>	<b>4,252</b>	<b>9,994</b>	<b>-5,374</b>	<b>8,872</b>
Thousand euros		Invested unrestricted		
1 January – 31 December 2022	Share capital	equity reserve	Retained earnings	Total equity
<b>Equity at the beginning of the period</b>	<b>4,252</b>	<b>10,398</b>	<b>-3,312</b>	<b>11,338</b>
Dividend payments			-653	
Profit for the financial period			43	
Other changes, acquisition of own shares		-36		
<b>Equity at the end of the period</b>	<b>4,252</b>	<b>10,362</b>	<b>-3,922</b>	<b>10,692</b>

## Principles of preparation of financial statements

Financial statement bulletin, including periods 1 July–31 December 2023 and 1 July–31 December 2022, has been prepared in accordance with good accounting practice and Finnish legislation. The figures are unaudited and have been prepared according to the Finnish Accounting Standards (FAS). The consolidated financial statements have been prepared using the acquisition cost method. Figures are presented in thousands of euros unless otherwise stated, and the figures presented have been rounded to the nearest thousand, so that the sum of the figures in a column or row may not always correspond exactly to the figure presented as the final total of the column or row.

Financial information presented here does not include all the notes to the financial statements and should be read in conjunction with the financial statements for the year ended 31 December 2023.

Acquisition cost method is applied when preparing consolidated financial statements. Consolidated statements include Norrhydro Llc (acquired 30 August 2007) and NH Norrdigi Llc, 100 % owned by Norrhydro Llc and Motiomaxx Llc, subsidiary of Norrhydro Group Plc. Norrhydro Llc has not prepared consolidated financial statement. Chinese associate company Norrhydro Hydraulic System Changzhou Co. Ltd has not been included in consolidated financial statements.

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.

## Turnover

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

The Group's turnover also includes 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 the technology. The part of the consideration relating to the transfer of rights to use the technology to the customer has been recognized as income in connection with the transfer. Revenues related to continuous improvement are recognized 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

Grants received by the company are recognized in other operating income for the same period for which the company recognizes 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 recognized 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

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 recognized 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.

## 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

## Current assets

Current assets are valued in accordance with the weighted average price method or at a lower replacement price or a probable sales 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

Foreign currency transactions are converted into EUR at the exchange rate prevailing on the date of the transaction, foreign currency assets and liabilities are converted into EUR at the exchange rate of the reporting date. Exchange differences are recorded in financial income and expenses.

## Geographical breakdown of turnover

Thousand euros	1 Jan. -31 Dec. 2023	1 Jan. -31 Dec. 2022
Domestic sales	20,674	18,902
Sales to other countries	9,691	10,803
<b>Total</b>	<b>30,365</b>	<b>29,705</b>

## Changes in intangible rights and material goods

Thousand euros	1 Jan.-31 Dec. 2023	1 Jan.-31 Dec. 2022
<b>Intangible rights</b>		
Carrying amount at the beginning of the period	434	448
Increases	70	71
Decreases	24	0
Depreciation	91	1
<b>Carrying amounts at the end of the period</b>	<b>388</b>	<b>434</b>

Thousand euros	1 Jan.–31 Dec. 2023	1 Jan.–31 Dec. 2022
<b>Consolidated goodwill</b>		
Carrying amount at the beginning of the period	389	432
Increases	0	0
Decreases	0	0
Depreciation	43	43
<b>Carrying amounts at the end of the period</b>	<b>345</b>	<b>389</b>

Thousand euros	1 Jan.–31 Dec. 2023	1 Jan.–31 Dec. 2022
<b>Other long-term expenditure</b>		
Carrying amount at the beginning of the period	2,164	256
Increases	56	2,141
Decreases: Investment grant	0	109
Depreciation	243	124
<b>Carrying amounts at the end of the period</b>	<b>1,977</b>	<b>2,164</b>

Thousand euros	1 Jan.–31 Dec. 2023	1 Jan.–31 Dec. 2022
<b>Development expenses</b>		
Carrying amount at the beginning of the period	4,856	4,509
Increases	912	398
Decreases	0	0
Depreciation	108	51
<b>Carrying amounts at the end of the period</b>	<b>5,660</b>	<b>4,856</b>

Thousand euros	1 Jan.–31 Dec. 2023	1 Jan.–31 Dec. 2022
<b>Machinery and equipment</b>		
Carrying amount at the beginning of the period	6,854	3,287
Increases	583	5,372
Decreases	0	65
Decreases: Investment grant and insurance benefit	141	1,169
Depreciation	827	571
<b>Carrying amounts at the end of the period</b>	<b>6,469</b>	<b>6,854</b>

Thousand euros	1 Jan.–31 Dec. 2023	1 Jan.–31 Dec. 2022
<b>Other material goods – Art objects</b>		
Carrying amount at the beginning of the period	11	11
Increases	0	0
Decreases	0	0
Depreciation	0	0
<b>Carrying amounts at the end of the period</b>	<b>11</b>	<b>11</b>

## Current assets

Thousand euros	1 Jan.–31 Dec. 2023	1 Jan.–31 Dec. 2022
Raw materials and consumables	4,596	4,780
Work in progress	2,261	3,744
Finished goods	1,095	323
Deferred income	10	0
<b>Total current assets</b>	<b>7,962</b>	<b>8,847</b>

## Maturity of loans

Thousand euros	< 1 year	1–5 years	> 5 years
Convertible bond		1,400	
Long-term financial loans	3,782	5,547	304
<b>Total</b>	<b>3,782</b>	<b>6,947</b>	<b>304</b>

Some of covenant terms were broken at the end of financial year 2023 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.

## Pledges and contingent liabilities provided

### Guarantees

Thousand euros	31 Dec. 2023	31 Dec. 2022
Guarantees on behalf of subsidiary companies	1,356	526
Business guarantees, NH Norrdigi Oy's shares	100 pcs	100 pcs
Business mortgages	6,825	6,825
Business mortgages, free held by the financier	400	4000
<b>Business mortgages, total</b>	<b>7,225</b>	<b>7,225</b>

Norrhydro Llc, a subsidiary of Norrhydro Group Plc sells most of the trade receivables to the financier and the risk of credit loss is limited to 500 thousand euros.

Norrhydro Group Plc has given a guarantee on behalf of subsidiary company Norrhydro Oy to OP Yrityspankki Oyj for sold trade receivables. Guarantee is not limited quantitatively or timely.



## Pledges given

Thousand euros	31 Dec. 2023	31 Dec. 2022
Deposited security	230	190

## Off-balance sheet liabilities, VAT 0 %

Thousand euros	31.12.2023	31.12.2022
Leasing liabilities payable in the next financial period	235	207
Leasing liabilities payable later	499	556
<b>Leasing liabilities, total</b>	<b>734</b>	<b>763</b>
Residual value liabilities from leasing contracts	73	51

## Rents payable, VAT 0 %

Thousand euros	31 Dec. 2023	31 Dec. 2022
Rents payable in the next financial period	684	850
Rents payable later	12,386	11,403
<b>Rental liabilities, total</b>	<b>13,070</b>	<b>12,253</b>

In 2021, Norrhydro Llc, 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.

## 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 6,202,157 shares, which is 56.9 per cent of the company's shares and votes (57.3 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. 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. Related parties that have subscribed for 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 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 to encourage and commit them. The purpose of the scheme is to combine the objectives of the company's shareholders and key employees to increase the company's value in 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 concern financial periods 2023–2025.

Thousand euros	1 Jan. -31 Dec. 2023	Jan. -31 Dec. 2022
Purchases from related parties	42	36
Related-party sales	0	0
Loan receivables from related parties	38	119
Liabilities to related parties	100	0
Salaries and fees paid to related parties	980	891

## 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	$\frac{\text{= net result}}{\text{equity (average over the year)}} \times 100$
Profit for the financial period	= Operating profit +/- financial expenses + taxes
Equity ratio, %	$\frac{\text{= equity}}{\text{total capital on the balance sheet - deferred income}} \times 100$
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	$\frac{\text{= current assets + short-term receivables + liquid assets + cash and cash equivalents}}{\text{short-term liabilities}}$
Quick Ratio	$\frac{\text{= short-term receivables + liquid assets + cash and cash equivalents + overdraft limit}}{\text{short-term liabilities}}$

**Norrhydro Group Plc**

Ratavartijankatu 2  
FI-96100 Rovaniemi  
FINLAND

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