

ANNUAL REPORT 2022



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NORDIC LIGHTS IN 2022

Nordic Lights, based in Jakobstad, Finland, has paved its way as a global premium supplier of high-quality lighting solutions for heavy-duty vehicles in several demanding industrial sectors.

Net sales

82

EUR million

Adjusted EBITA

16%

NORDIC LIGHTS IN BRIEF

Originating in Jakobstad, Nordic Lights' customer base include many of the world's largest manufacturers of heavy-duty vehicles. Since 2016, Nordic Lights has clearly grown faster than the market and doubled its market share in its target markets.

Access to the right kind of lighting is a critical factor at work sites across the globe, without which the efficient and safe use of heavy-duty vehicles is not possible. Nordic Lights manufactures work lights, headlights and signal lights for heavy machinery, primarily using energy-efficient LED technology, which the company was among the first lighting manufacturers to introduce to the heavy-duty vehicle market in 2008. The company is one of the pioneers and innovation leaders in lighting fixtures for heavy-duty vehicles.

Clients see Nordic Lights as a specialized premium supplier with high-quality products and services. The company has an established position among well-known global OEM* manufacturers – such as Caterpillar, Hitachi, John Deere, Komatsu, Liebherr, Sandvik and Ponsse – as well as the lighting aftermarket, where Nordic Lights cooperates with distributors. Many of the company's key client relationships have continued for more than 20 years and cooperation with clients is carried out from design to production and aftermarket support, with more than three decades of experience.

The global supply chain and sales network is one of Nordic Lights' strengths. The company has factories in Finland and China, as well as sales representation in Finland, the United States, Germany, Brazil, China and Vietnam.

Nordic Lights has strong past evidence of double-digit, organic growth significantly exceeding the market growth, and high profitability. The company's revenue grew by an annual average of 19% between 2016 and 2022. Since 2016, the company has more than doubled its market share in its target markets. The company's profitability has also remained at a high level. In 2022, Nordic Lights' net sales increased by 24.3% in comparison with the previous year, reaching EUR 82.4 million.

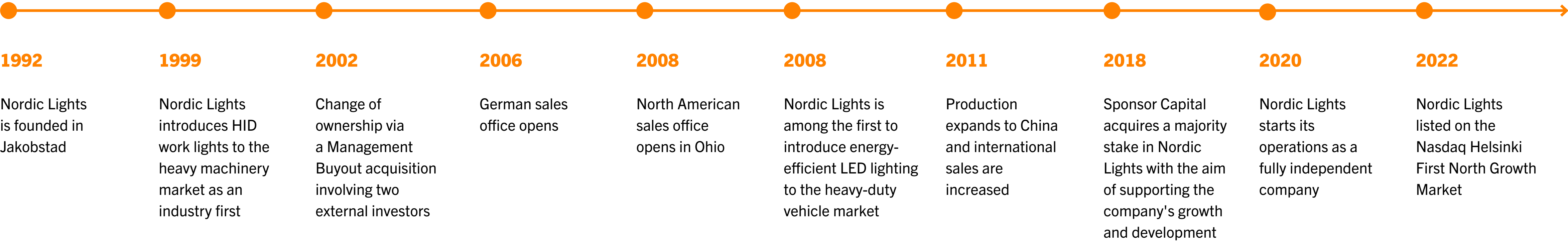
OEM = Original Equipment Manufacturer



30 YEARS OF EXPERIENCE

Nordic Lights commenced operations in 1992 in Jakobstad as part of the Herrmans company, which was founded in 1959 and manufactured plastic components. Nordic Lights started as a separate business unit, manufacturing work lights for heavy-duty vehicles. Already in the first year Nordic Lights started collaboration with a leading OEM*, which is still a significant customer of the company. Since its establishment, Nordic Lights has invested in research and product development to guarantee its position as a pioneer in the technological development of premium lighting solutions. Strong product development expertise is one of the company's strengths, and it has 30 years of experience of close cooperation with manufacturers of heavy-duty vehicles.

*OEM = Original Equipment Manufacturer



KEY FIGURES

FAS, 1,000 EUR	2022	2021	2020	2019
Income statement and profitability				
Net sales	82,448 ¹	66,337 ¹	43,665 ¹	44,578 ¹
Change in net sales, %	24.3	51.9	-2.0	3.4
Gross margin	28,652	21,374	16,834	16,240
Gross margin, % of net sales	34.8	32.2	38.6	36.4
EBITDA	14,272	9,996	8,562	6,837
EBITDA, %	17.3	15.1	19.6	15.3
Adjusted EBITDA	15,463	10,555	8,562	6,837
Adjusted EBITDA, %	18.8	15.9	19.6	15.3
EBITA	12,238	8,378	6,959	5,452
EBITA, %	14.8	12.6	15.9	12.2
Adjusted EBITA	13,428	8,937	6,959	5,452
Adjusted EBITA, %	16.3	13.5	15.9	12.2
EBIT	8,962 ¹	5,320 ¹	3,909 ¹	2,401 ¹
EBIT, %	10.9	8.0	9.0	5.4
Adjusted EBIT	10,152	5,878	3,909	2,401
Adjusted EBIT, %	12.3	8.9	9.0	5.4
Return on capital employed (ROCE), %	21.3	12.4	8.6	4.9
Adjusted return on capital employed (ROCE), %	62.8	44.2	35.8	25.9
Research and development expenses	2,863	2,332	2,149	2,064

¹ Audited

Nordic Lights Group Plc's shares have been listed on the First North Growth Market Finland market place maintained by Nasdaq Helsinki since July 5, 2022.

BASIC SHARE INFORMATION

Trading code: NORDLIG

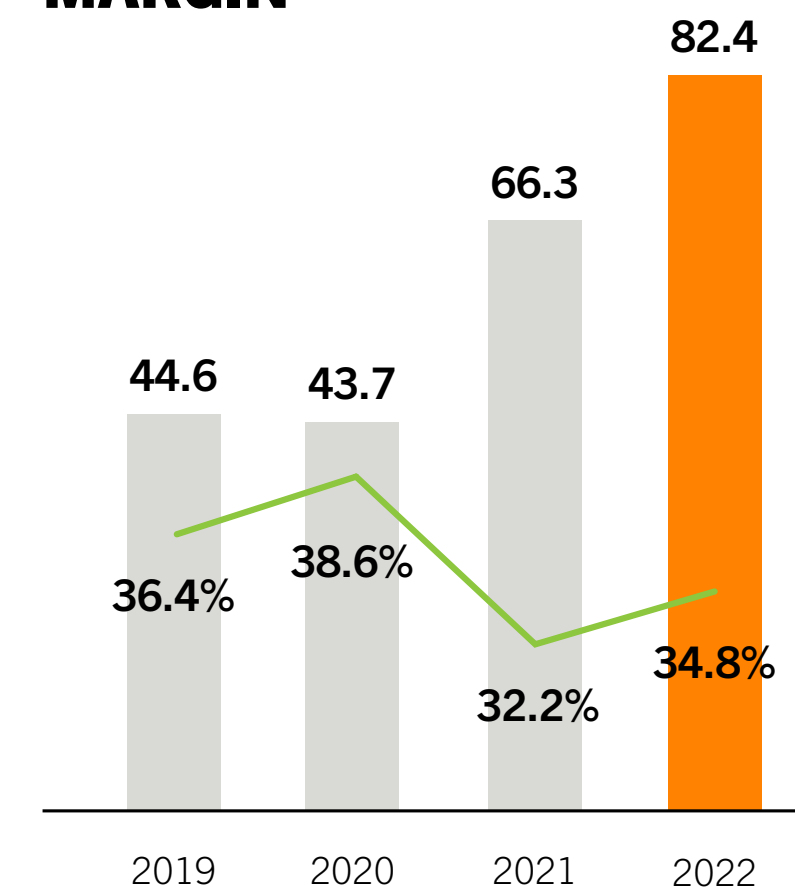
ISIN: FI4000518345

Listing date: 05.07.2022

Currency: EUR

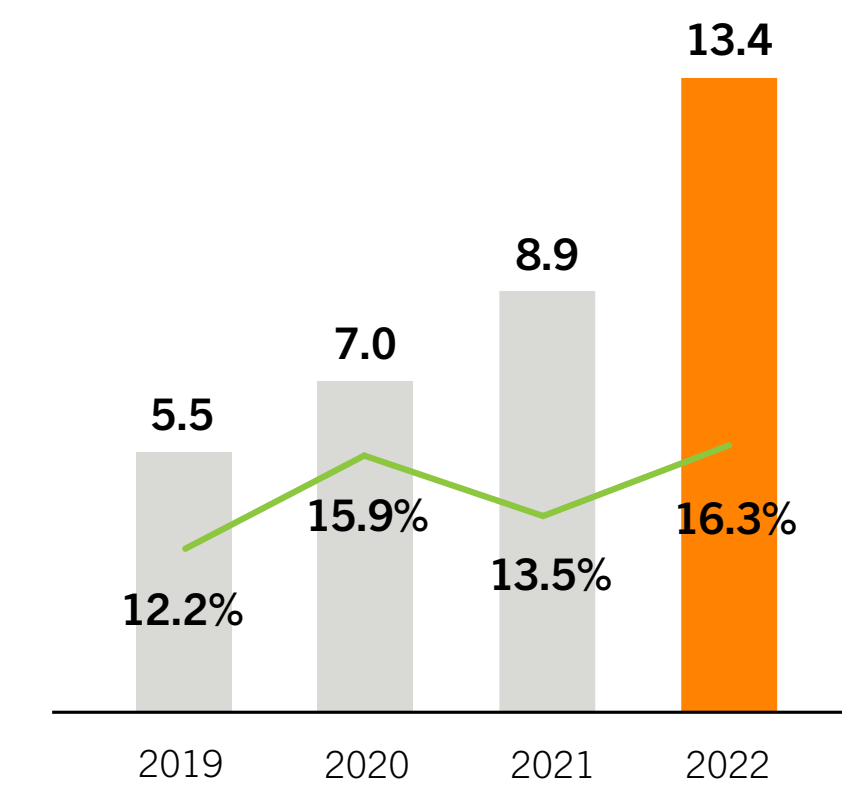
Market: First North GM Finland

NET SALES & GROSS MARGIN



■ Net sales, MEUR — Gross margin, %

ADJUSTED EBITA MARGIN



■ Adjusted EBITA margin, MEUR
— Adjusted EBITA Margin, %

YEAR 2022 AT A GLANCE

Nordic Lights continued to deliver good growth in 2022, with net sales increasing by 24% to EUR 82.4 million from the previous year. The company retains a clear focus on operational excellence: Active pricing efforts, successful cost management, increasing production efficiency, and broadening of our supplier network further enhanced profitability throughout 2022, following successful efforts initiated in 2021.

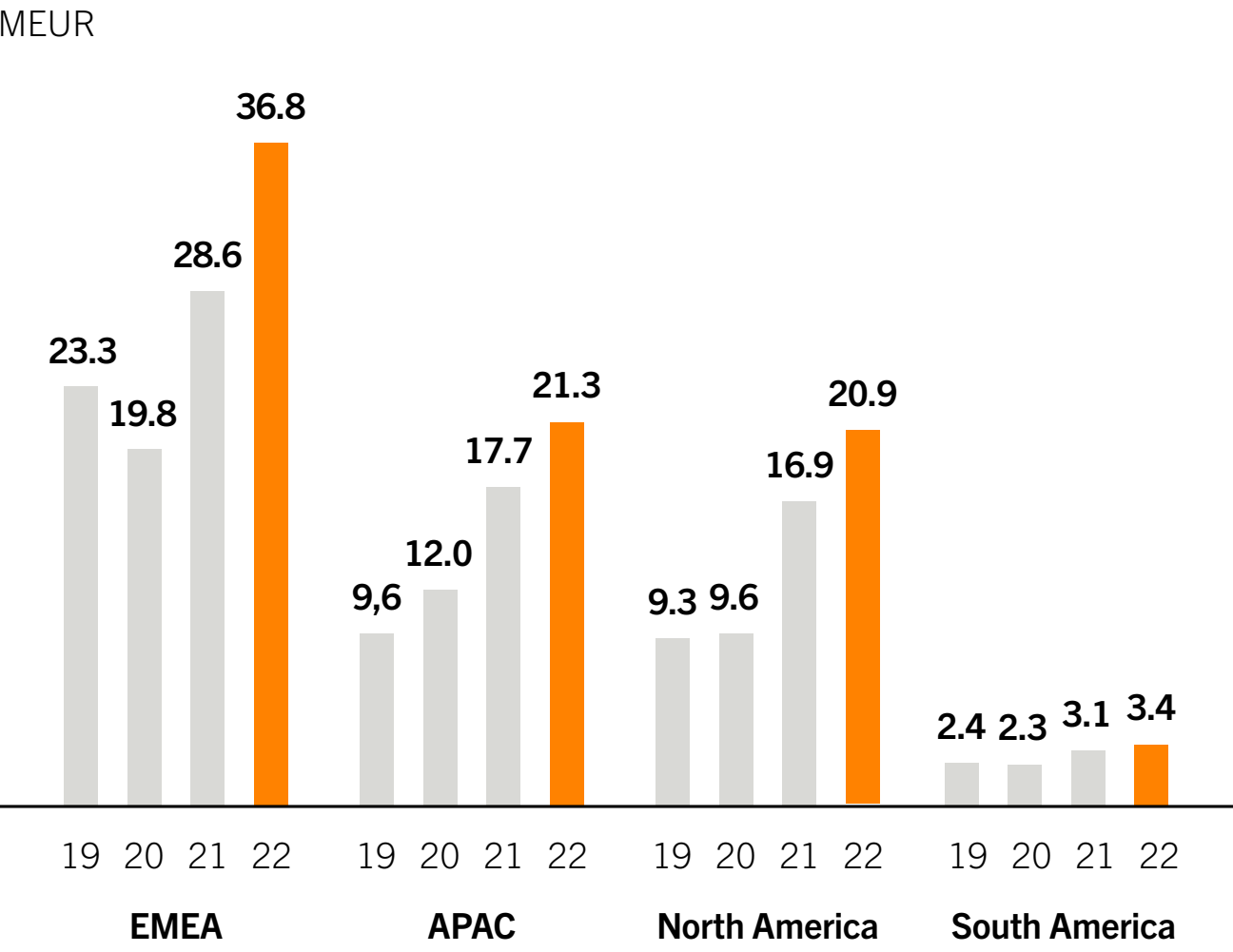
Nordic Lights continued to see strong demand especially in agriculture, where new business has been successfully ramped up during the year. Robust growth in the construction industry continued to be driven by the infrastructure business and projects in the energy sector, including renewables. Forestry and material handling businesses developed as expected. Overall, despite seasonality, we continued to see good underlying development in the mining industry.

Adjusted EBITA increased by 50 percent to EUR 13.4 million (16.3% margin) during the full year, compared to the previous year. At the same time, cash flow has remained strong, and leverage low. Nordic Lights continue to strive to further improve profitability, towards the medium and long-term target of an adjusted EBITA margin above 18 percent.

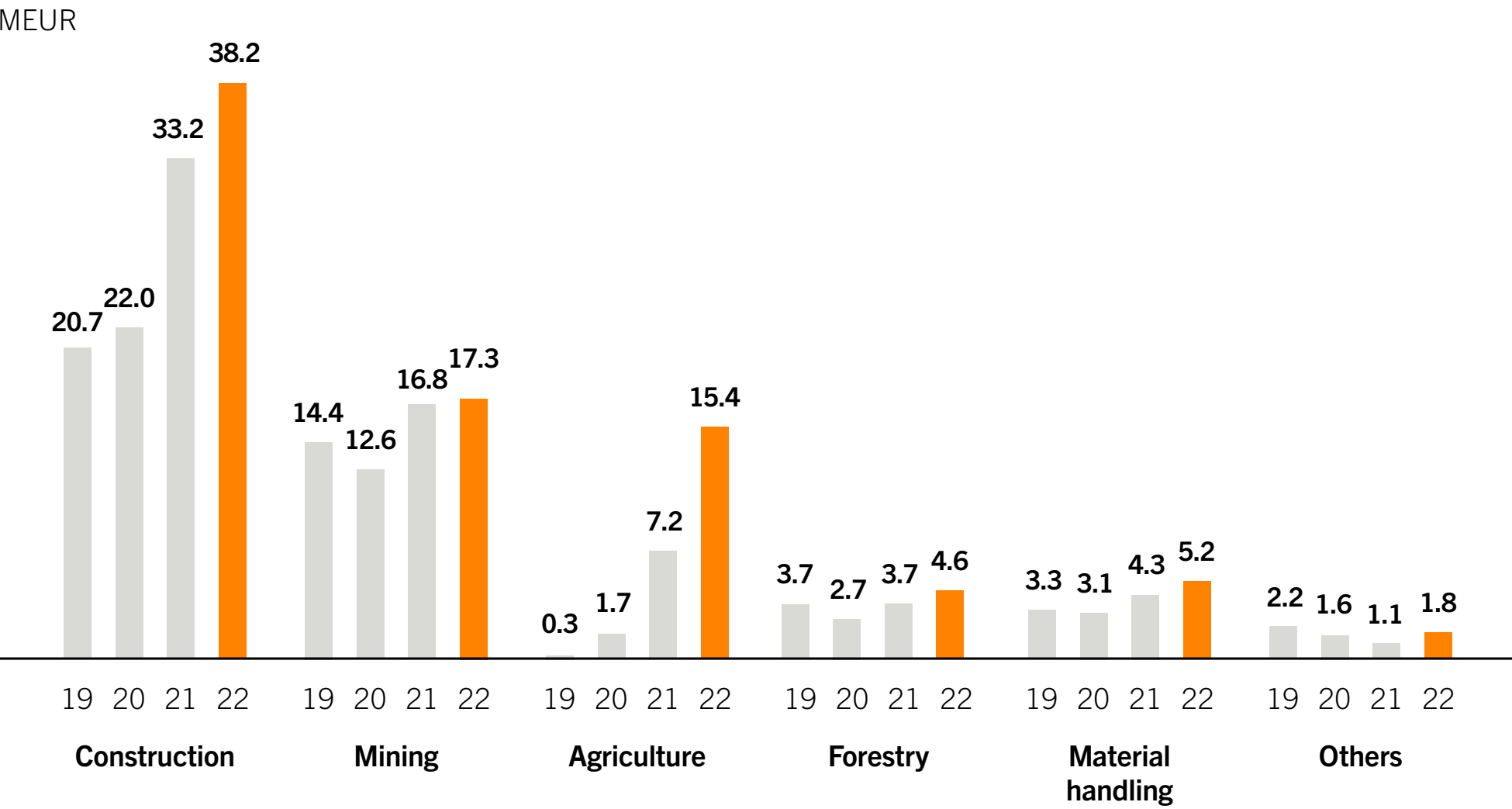
The business impact of the exit from Russia has remained limited, and mostly affected the mining business. Similarly, the impacts of the continued COVID-19 pandemic in China have been successfully mitigated and remained very limited.



NET SALES BY GEOGRAPHY



NET SALES BY END-INDUSTRY



CEO'S REVIEW

A YEAR OF STRONG PROFITABLE GROWTH

I am pleased to report that Nordic Lights has achieved another year of strong growth and profitability in 2022. We believe our commitment to innovation, customer satisfaction, operational excellence and sustainability continues to drive our success in both the short and long term, following our successful listing on Nasdaq First North Growth Market Finland in July.

LED TRANSITION EXPANDS IN NEW PRODUCT CATEGORIES

The growth of our core addressable EUR 1 billion lighting market is driven by several strong megatrends: an increase in the number of heavy equipment, an increase in the number of lights on heavy equipment, and an increase in the share of LED lights.

We constantly see customers from every industry tightening their sustainability goals and take steps towards more sustainable business operations. This means, for example, an increasingly widespread use of LED technology which is more energy-efficient and longer-lasting compared to halogen bulbs.

Back in 2008, Nordic Lights was one of the first companies to introduce energy efficient LED lights for heavy-duty machines. Since then, we have continued the development of LED lighting in close cooperation with industry leaders.

We believe our focus on quality, efficiency and sustainability is a clear competitive advantage. Nordic Lights strives to be the leading premium supplier of high-quality work, driving and signal lights for heavy-duty equipment to Original Equipment Manufacturers (OEM) and the aftermarket.



We believe our focus on quality, efficiency and sustainability is a clear competitive advantage.

I am pleased to see that this LED transition continues in the heavy-duty vehicle market. During the year, we saw our customers increasingly replacing halogen driving lights with energy-efficient LED technology. Nordic Lights has successfully expanded the company's offering to match this rising demand. This allows us to strengthen relationship with our existing customers, as well as expand our business by acquiring new customers in new product categories.

STRONG PROFITABLE GROWTH CONTINUED

During recent years, we have continued to strengthen our position and have clearly outpaced the market. By the end of 2022, our market share had increased to approximately 8 percent, up from 6 percent in the previous year.

In 2022, our net sales increased by 24% from the previous year to EUR 82.4 million. I am pleased to see growth in all end-user segments and geographies. We continued to see strong demand especially in agriculture, where new business has been successfully ramped up during the year. The business impact of our exit from Russia remained limited and similarly the impacts of the continued COVID-19 pandemic in China have been successfully mitigated and remained very limited. While Nordic Lights has continued its rapid growth, we have also successfully retained our focus on operational

excellence. Through active pricing efforts, successful cost management, increasing production efficiency, and broadening of our supplier network we have further enhanced our profitability.

During the year, our adjusted EBITA increased by 50 percent to EUR 13.4 million (16.3% margin). We continue to strive to further improve our profitability, towards our medium and long-term target of an adjusted EBITA margin above 18 percent. At the same time, our cash flow has remained strong, and our leverage low.

DEMAND EXPECTED TO REMAIN AT A HISTORICALLY HIGH LEVEL

Despite increasing general uncertainty in the economy, we expect overall market demand to remain at a historically high level also in 2023, albeit demand is likely to be weaker compared to the previous year.

There is an overall uncertainty in general market conditions, and it is hard to predict the impact from potential changes in inflation, cost of energy, component availability, customer inventories or further escalation of geopolitical tensions. Following Nordic Lights' rapid net sales growth in 2022, we now expect net sales in 2023 to remain at approximately previous year's level, while we expect full year adjusted EBITA-% to be above previous year.

Our diversified customer base, the recurring nature of our sales and a growing presence in the aftermarket continue to help us to weather fluctuations in demand while also providing us with growth opportunities.

Original Equipment Manufacturers of heavy-duty machines will continue to look for providers of efficient lighting solutions that satisfy their quality, safety and increasingly also sustainability requirements.

Despite a softer market, we believe we have opportunities to continue strengthening our market position.

Tom Nordström

While Nordic Lights has continued its rapid growth, we have also successfully retained our focus on operational excellence.

NORDIC LIGHTS AS AN INVESTMENT

1**MARKET POSITION & BRAND**

A strong and stable market position as a global premium supplier specializing in business-critical lighting solutions for work machines

2**BROAD CUSTOMER BASE**

Recurring orders from major OEMs* operating in different segments and significant opportunities in the aftermarket

3**GLOBAL OPERATION**

Ability to serve customers globally

4**TECHNOLOGY**

Strong product and technology development competence and experience in collaboration with OEM*

5**ESG OBJECTIVES**

Safe operations of heavy-duty vehicles and energy efficient lighting solutions

6**PERFORMANCE INDICATORS**

Strong performance with double-digit growth and high scalable margins

7**GROWTH PROSPECTS**

Attractive growth possibilities within the core market, in adjacent markets and through aftermarket expansion, along with a demonstrated track record of winning new business

8**PERSONNEL**

Committed and professional personnel

*OEM = original equipment manufacturer



STRATEGY & BUSINESS

Nordic Lights operates in the global lighting market for heavy-duty vehicles. The goal of Nordic Lights is to be the leading supplier of high-quality lighting solutions to OEM* manufacturers and to the aftermarket. The product range includes work-, head- and signal lights to five end-user industries: construction, agriculture, mining, forestry and material handling.

* OEM = Original Equipment Manufacturer

STRONG POSITION IN A GROWING MARKET

Nordic Lights focuses on selected product segments, primarily related to work-, head- and signal lights. The size of these key target markets last year totaled 970 million euros, and they are projected to grow on average by approximately 4% annually between 2021 and 2026.*

The historically stable growth of the lighting market is due to several megatrends: an increase in the number of heavy-duty vehicles, an increase in the number of lights per vehicles, and an increase in the proportion of LED lights.

Last year, the size of Nordic Lights' core addressable market for work lights was estimated at approximately 600 million euros, for headlights at about 250 million euros and for signal lights at about 120 million euros. Strong underlying growth drivers in the market are the technology shift from halogen to LED and the awareness of safety at workplaces leading to more lights installed per vehicle as well as more advanced lighting solutions.

In recent years, Nordic Lights has clearly grown faster than the market, and its global market share has more than doubled since 2016, reaching 8% in 2021. Nordic Lights' business has grown especially in the agriculture sector.



* Market data from 2021.

PROJECTED TRENDS ENHANCING GROWTH

THE NUMBER OF HEAVY-DUTY VEHICLES IS INCREASING

- Urbanization and general infrastructure development increase the need for heavy machinery
- Electrification and investments in sustainable energy solutions

ENHANCED SAFETY AT WORKPLACES AND HIGHER PRODUCTIVITY

- Investing in occupational safety and efficiency requires more and better lights per vehicle
- More advanced lighting solution with adaptive lights
- Self-driving vehicles need more advanced lighting solutions

THE PROPORTION OF LED LIGHTS IS INCREASING

- Smarter lighting
- Energy efficiency
- Increased cost-effectiveness increases the demand for LED lights

MARKET OVERVIEW

Nordic Lights is a premium provider of lighting solutions for heavy-duty equipment, in which the lighting solution is an integral part of the functionality and safety. Nordic Lights focuses on providing solutions to five main end-user segments: mining, construction, forestry, agriculture and material handling. Nordic Lights has an established position in both the original equipment manufacturing (OEM) and aftermarket channels.

Nordic Lights manufactures three types of lights: work lights, driving lights and signal lights. Nordic Lights' products are based on light-emitting diode (LED) technology, but its product offering also includes halogen and high-intensity discharge (HID) lights (i.e. Xenon lights). The three largest sub-segments within the heavy-duty lighting market by their estimated sizes in 2021 were work lights (EUR 600 million), driving lights (EUR 250 million), and signal lights (EUR 120 million).

The market in which Nordic Lights operates, can also be split into three main points of mounting: Original mounted lights, upgrade on new equipment as well as repair and upgrade on installed base. Original mounted lights are sold directly to OEMs, or through a distributor, and mounted on original equipment during manufacturing. Upgrade on new equipment means that additional lights or new type of lights are sold to OEMs or distributors and mounted on top of the standard lights that the vehicles come equipped with. Repair and upgrade on installed base means that lights are sold through distributors and used as upgrades, repairs or replacement of lights on the installed base.

Nordic Lights has an established position in both the OEM and the aftermarket. The OEM channel includes lights that are mounted on original equipment during manufacturing. The aftermarket channel includes spare parts used to upgrade equipment or repair and upgrade installed equipment. The aftermarket channel includes both original equipment spare parts and independent spare parts, which are used either to upgrade existing lights or to repair or replace broken light. Original equipment spare parts are sold to OEMs as original spare parts.

TRENDS AND GROWTH DRIVERS

The demand within the heavy-duty lighting market is driven by the overall volume of heavy-duty vehicles. The volume of heavy-duty equipment has historically correlated with the mechanization and development of infrastructure. The volume is estimated to have grown at a CAGR of approximately 2.6% during years 2016–2021. The volume of heavy-duty equipment is expected to grow at a CAGR of 4 % during years 2021–2026. The growth in 2021 and 2022 exceeded significantly the expected average growth for 2021–2026. Consequently, the growth is expected to flatten out in 2023, though remaining on a historical high levels.

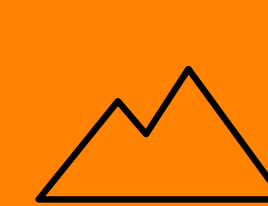
Number of Deployed Lights per Heavy-Duty Vehicle

In addition to the volume of heavy-duty equipment, the demand for heavy-duty lights is affected by the number of lights per individual equipment. The increased focus on safety of work environment is expected to lead to increased demand for additional work lights, contributing positively to the number of work lights mounted per

EUR
1bn

Nordic Lights core
adressable market.

TRUSTED PARTNER IN MANY SEGMENTS



Mining



Construction



Agriculture



Forestry



Material
Handling

heavy-duty equipment. A newer, yet prevalent trend in the industry is the increased use of autonomous vehicles. Nordic Lights estimates that autonomous vehicles require more advanced lighting solutions to ensure proper function of cameras, which increases the need for additional number of lights mounted on equipment.

LED Penetration

Nordic Lights’ products are mainly based on LED technology, and the LED penetration in heavy-duty vehicle lighting market has been growing. Over the last five years, there has been an ongoing shift from halogen lights to LED lights. Nordic Lights expects the trend to continue over the coming years. The shift from halogen lights to LED lights is driven by growing importance of lighting, where LED is superior to halogen in lumen output, better energy efficiency and decreased cost levels for LEDs. Nordic Lights estimates that more sophisticated LED developments, such as colour rendering, quality and adjustability of lights will become more prevalent in the future while other technologies, for example laser lights, which have developed in the past years, will remain rather niche with respect to applications in work or driving lights for heavy-duty vehicles.

Long-term Trends

Long-term trends in the work lights industry, expected to become more relevant within the next 5 to 10 years,

include particularly the Internet of Things (“IoT”) and electrification of fleet. In addition, the increased use of autonomous vehicles is expected to affect the market by creating new use cases for lights. In Nordic Lights’ view, these trends would also affect positively to the heavy-duty equipment lighting market.

Nordic Lights' growth strategy in its current core markets is ambitious. The strategy is based on nurturing a position as a premium player in the heavy-duty vehicle lighting market by growing the company’s core business activities, expanding its share of the client procurement budget when dealing with existing OEM clients, and targeting new significant OEM clients. In addition, Nordic Lights intends to strengthen the position of headlights and signal lights in its product range and establish a stronger position in the aftermarket. In addition to the targeted growth of its current core markets, Nordic Lights sees further potential for organic growth in adjacent end-user segments, as well as using corporate acquisitions and deals as an additional channel to accelerate growth.

Nordic Lights aims to be the leading premium supplier of high-quality work-, head- and signal lights for heavy-duty vehicles, both among OEMs and in the aftermarket. The company's management believes that it has the capability to aim for double-digit organic growth as part of its current core business operations in the medium to long term.

WHAT HAS SUPPORTED OUR HIGH PROFITABILITY?

Nordic Lights' strong position as a premium supplier	Nordic Lights focuses on research and development and the introduction of new improved products to the market, which creates significant added value for customers. Nordic Lights’ processes are set up to combine solutions with the latest technologies, and understanding the requirements of demanding OEM customers and end-users is central. The in-house expertise is enhanced with market knowledge to anticipate and take advantage of the latest trends and developments, which allows for creating improvements to existing models while concurrently bringing new products to the market.
New competitors experience difficulties when attempting to enter the market	Nordic Lights' market position is enhanced by the fact that the products are used in heavy-duty vehicles, where the lighting solution is an integral part of functionality and safety. In addition, switching suppliers often entails significant costs for OEMs, making it difficult to switch suppliers.
The company's operational efficiency and cost control	Nordic Lights has continued to increase the degree of production automation and its use of modular design concepts. In addition, investments have been made in the local procurement of components to reduce transport costs and reduce the risks associated with disruptions in supply chains.

GROWTH

Continuous growth of core business operations

Nordic Lights aims to increase its share of wallet with its existing OEM customers as well as expanding its client base through selected new OEM clients.

Growth in the aftermarket

Nordic Light aims to focus more strongly than before on the aftermarket for lighting. In order to accelerate the growth of aftermarket sales, the company intends to increase its investments in its aftermarket organization, capabilities and network.

Expanding into new markets

In addition to the growth sought within its current core market and product portfolio, the company can also seek growth by expanding its product portfolio and reaching new end-user segments.

Acquisitions as a growth accelerator

Acquisitions that support growth in the OEM and after market business will also be considered.

PROFITABILITY

Continuous development of operations

Nordic Lights intends to continue investing in increasing the degree of automation in production and making production more efficient. The company sees operational excellence and continuous development as part of its corporate culture and way of working. The company will also continue its significant investments in research and development.

ADDITIONAL OPPORTUNITIES TO ACCELERATE GROWTH

OBJECTIVES

MEDIUM- AND LONG-TERM FINANCIAL TARGETS

Growth
Annual organic revenue growth averages more than 10%. Growth can be accelerated through selected acquisitions in line with the Nordic Lights strategy.

Profitability
Adjusted EBITA margin above 18%.

Indebtedness
The ratio of net debt to adjusted EBITDA is less than 2.0x. The target level may be temporarily exceeded, for example, in connection with acquisitions.

DIVIDEND POLICY

The company aims to distribute an annual dividend totaling 30–40% of its reported result for the financial year, adjusted for amortization of goodwill.



A TRULY GLOBAL PLAYER

Nordic Lights serves its global client base from its offices on four continents. The company's two high-quality production facilities are located in Finland and China.



1 FINLAND

Head Office
Production
Sales office
Product development

2 GERMANY

Sales office

3 USA

Sales office

4 BRAZIL

Sales office

5 CHINA

Production
Sales office

6 VIETNAM

Sales office

SALES EVENLY DISTRIBUTED AROUND THE WORLD

Nordic Lights has a wide client base around the world. During 2022, 45% of the company's revenue came from Europe, the Middle East and Africa, 25% from North America, 26% from Asia, and 4% from South America.

2.3 MILLION HIGH-QUALITY WORK LIGHTS

In 2022, Nordic Lights increased its production volume by approximately 15% to a total of approximately 2.3 million units. A total of 70% of the products sold by the company were manufactured in Finland and 30% in China. The company is currently investigating a possible further expansion of the Jakobstad production plant.



EFFECTS OF THE WAR IN UKRAINE

Nordic Lights has phased out its sales to Russia in 2022. In 2021, 3% of the company's revenue was generated by clients in Russia.

BROAD AND DIVERSE CLIENT BASE

Nordic Lights' clients include OEMs* for heavy-duty vehicles and lighting retailers who the company has worked closely with for three decades.

Nordic Lights has an established position as a premium supplier of high-quality lighting solutions to leading OEMs* such as Caterpillar, Hitachi, John Deere, Komatsu, Liebherr, Ponsse and Sandvik. Their end users, in turn, extensively use heavy-duty vehicle machinery in industries such as mining, construction, forestry, agriculture and material handling around the world.

Lighting plays a critical role in the efficiency and safety of heavy equipment, and only a limited number of lighting manufacturers are able to meet the requirements of the OEM manufacturers.

The diversified business operations of the company in collaboration with numerous OEMs, large and small, has created a recurring flow of orders for lighting. In 2022, about 70% of the company's sales consisted of lighting installed on heavy-duty vehicles at the manufacturers' factories.

The remaining 30% of the revenue of Nordic Lights in 2022 consisted of aftermarket sales. In connection with the commissioning process, the lighting used by heavy-duty vehicles is often further improved. On the other hand, heavy machinery is typically used under physically demanding conditions, and as a result, lighting fixtures

are often physically damaged. During the 10–15 years of the heavy machinery lifecycle, lights are repaired or replaced in extreme conditions up to four times.

Cooperation with customers is often carried out from design to production, also including aftermarket support. As part of the close collaborations with OEMs, some clients share their forecasts with Nordic Lights up to 12 months ahead. OEMs typically order lighting for each of their heavy-duty vehicle models from the same supplier throughout the model-specific average lifecycle of 5–15 years and are not willing to change suppliers during the production lifecycle of the heavy equipment in question. This increases the stability and predictability of demand for lighting products manufactured by Nordic Lights.

Cooperation with well-known original equipment manufacturers (OEMs) forms a significant part of the operations undertaken by Nordic Lights. Cooperation typically begins with a joint development project related to a new heavy-duty vehicle model. When the company has been awarded to manufacture lighting for one heavy-duty vehicle model, the cooperation has often expanded to lighting for other heavy machinery models from the same manufacturer. This way, the annual turnover per customer has increased over time.

OEM CUSTOMERS*

Examples of large and medium-sized OEM clients. In addition, the client base includes numerous smaller and medium size manufacturers.

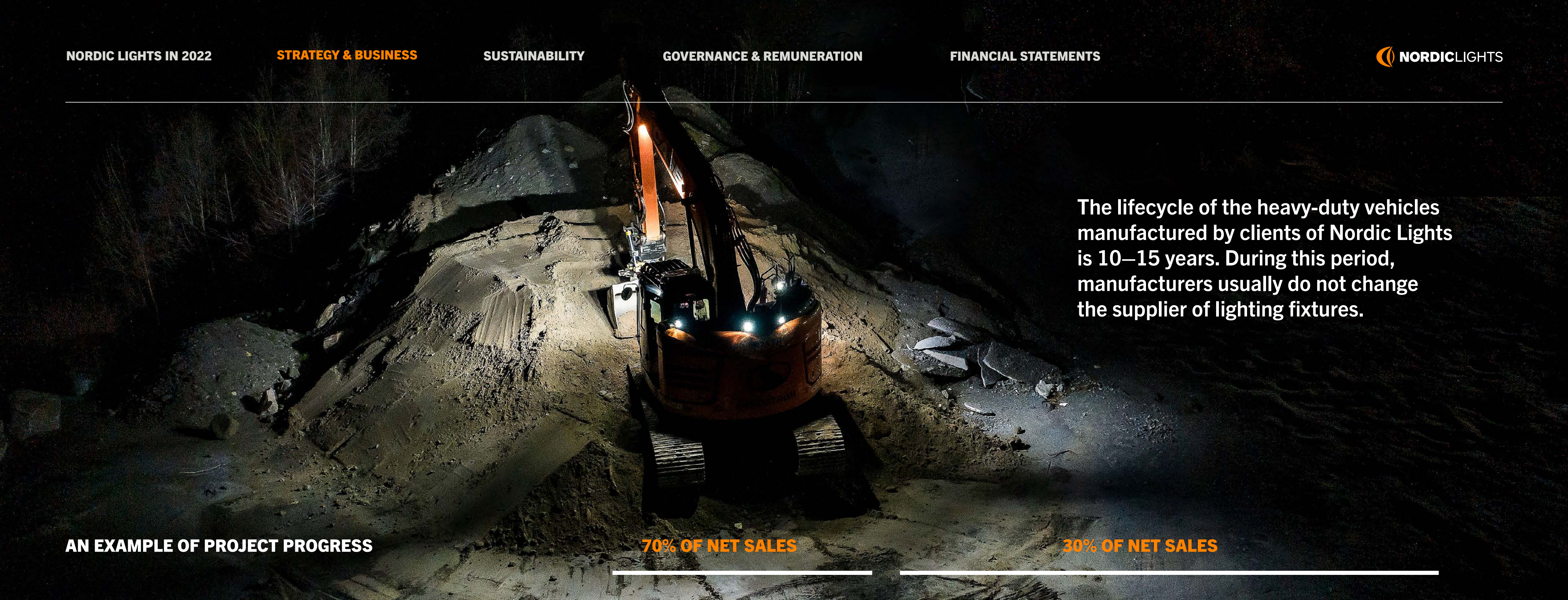
**CATERPILLAR | HITACHI |
JOHN DEERE | KOMATSU |
LIEBHERR | PONSSE |
SANDVIK**

DEALERS

Nordic Lights has dozens of carefully selected retailers and distributor partners across the globe.



Nordic Lights' customers see the company as a premium supplier of high-quality products and services, focusing on selected special segments, primarily involving work-, head- and signal lights.



The lifecycle of the heavy-duty vehicles manufactured by clients of Nordic Lights is 10–15 years. During this period, manufacturers usually do not change the supplier of lighting fixtures.

AN EXAMPLE OF PROJECT PROGRESS

70% OF NET SALES

30% OF NET SALES

Launching collaborations

Nordic Lights secures a lighting project with an OEM heavy machinery manufacturer. A project can mean developing completely new types of lights or customizing an existing product to the client's needs.

Product development

The client and Nordic Lights work together to develop lighting solutions that are optimally suited for the specific heavy-duty vehicle.

Installation of lighting at the heavy machinery production line

Lighting designed for the model is installed on heavy-duty vehicles at the production line located at the client's factories.

Possible replenishment and update

During the commissioning process, additional lights are often installed on heavy-duty vehicles.

Aftermarket

The heavy-duty vehicle models are in production for 5–15 years. During the lifetime of heavy-duty vehicles, lighting is repaired or replaced up to four times.

A FORERUNNER IN INNOVATION

The ability to launch new products on the market is a significant competitive advantage. Nordic Lights considers itself a forerunner in innovations in lighting for heavy-duty vehicles. Close cooperation with customers is central to product development.

Nordic Lights was one of the first companies to introduce energy-efficient LED lights to the heavy-duty vehicle lighting market and has since continued to develop LED lighting in close cooperation with leading manufacturers of heavy machinery.

Understanding the needs of demanding OEM customers and their end users is important in the industry, and Nordic Lights often develops products in close cooperation with its clients. The company proactively offers new products and product features to its clients, and the company typically has 15–20 ongoing R&D projects at the same time. Traditionally, Nordic Lights has launched 5–10 new products or product updates every year.

Nordic Lights' R&D expertise covers project management, advice, design, testing, simulation, volume production and ensuring compliance – all key areas. In product

development work, the key issues are, in particular, customer centricity, product modularity and using the latest technology.

In recent years, Nordic Lights has invested in the development of new types of smart lighting and in increasing the energy efficiency and environmental friendliness of its products. In addition, Nordic Lights is studying new product structures that enable cost-effectiveness and technical performance improvement.

Efficiency has further been improved by increasing the level of automation of the production process, which has also increased the company's production capacity. The first automated production line used by Nordic Lights was commissioned at the company's Finnish production plant in 2020 and the second in 2021.

Nordic Lights launched the industry's first HID work lights and was among the first to bring LED lighting to the market.





SUSTAINABILITY

We want to stand out in our industry by providing lights that have a small negative impact and a large positive impact on the environment and people. That is why we accelerated our sustainability work in 2022.

MORE SUSTAINABLE LIGHTING SOLUTIONS

Nordic Lights' mission is to enable the safe and efficient use of heavy-duty machinery. Sustainability – taking care of the environment, people and business – is part of this mission. We have an impact on society through our upstream supply chain, our own factories and our lights. We want to stand out in our industry by providing lights that have a small negative impact and a large positive impact on the environment and people.

We accelerated our sustainability work in 2022. We defined the most material sustainability topics for our business, set goals, created a plan of action, and took steps towards more sustainable lighting solutions.

Nordic Lights' sustainability is based on UN's Sustainable Development Goals:

- 3 Good health and well-being,
- 9 Industry, innovation and infrastructure,
- 12 Responsible consumption and production

These three goals guide our sustainability actions.

The majority of our own carbon emissions come from our factories. We calculate the carbon footprint of our factories annually, and we aim for carbon neutrality of our Finnish factory by 2024. This is based on the Greenhouse Gas Protocol scopes 1 and 2. One step

towards carbon neutrality is improving the energy efficiency of the factory.

Most of our lights use LED technology, which is much more energy efficient and longer lasting compared to halogen bulbs. We actively develop our products by using materials and components that are higher in quality and last longer.

It is essential that lights are used where they are needed. Optimal lighting means reducing unnecessary light pollution and glare. This is possible with our well-targeted lighting.

In addition to environmental sustainability, we take care of our people and develop the working conditions in our factories. We improve the health and safety of our



We defined the most material sustainability topics for our business and set goals.

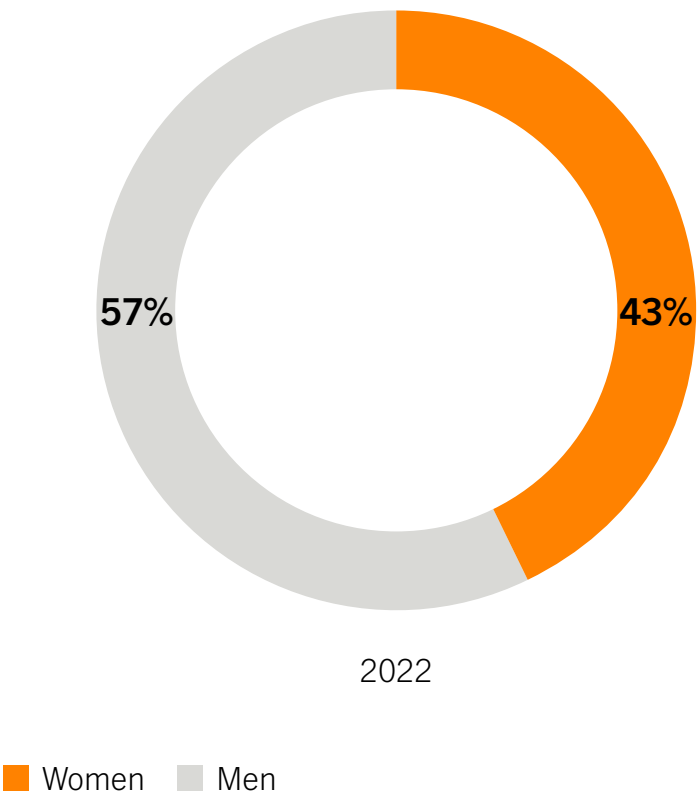
employees by risk monitoring, risk assessments and safety trainings. In 2023, we will adopt the ISO 45001 standard, which will guide us in creating a management system that fosters safe and healthy workplaces. All our employees are committed to our Code of Conduct.

Our sustainability is not only limited to our own actions. Instead, we work closely with our suppliers to improve their sustainability. Every new supplier is required to sign the Supplier Code of Conduct. Furthermore, we will calculate the carbon footprint of our suppliers and that of chosen products.

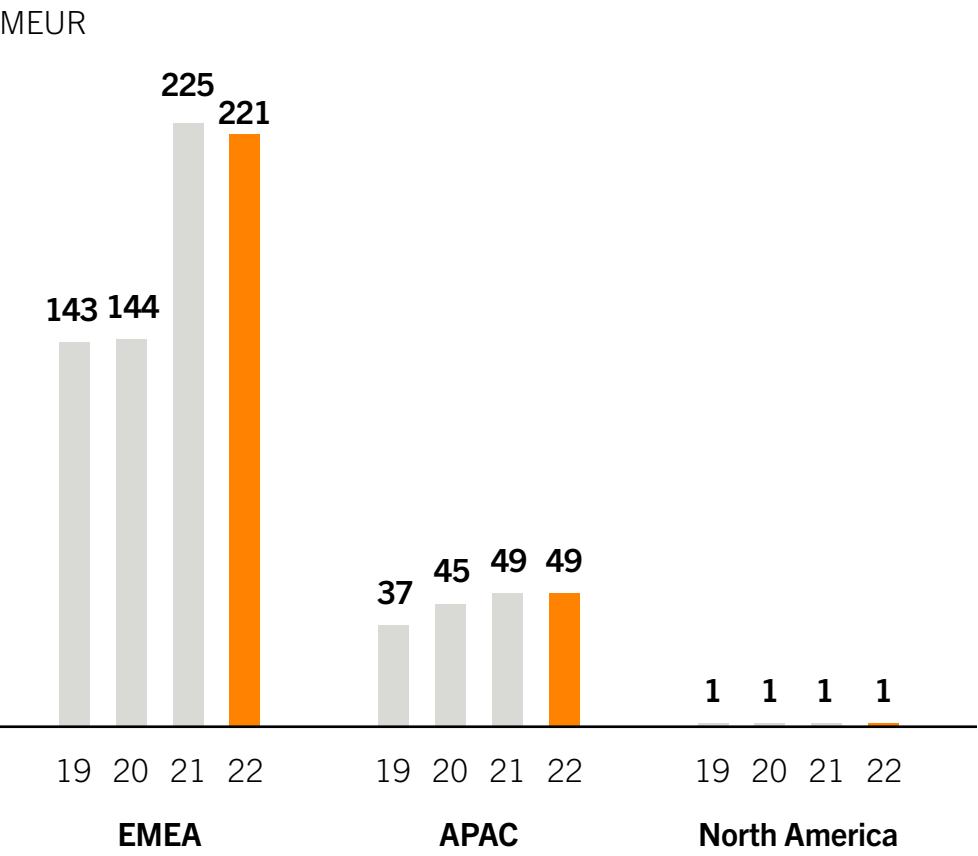
One example of developing more sustainable products is creating a lighting range that has a smaller carbon footprint compared to industry standards. As well as using suppliers that are committed to strict sustainability standards. Another example is also to develop products that create as little light pollution as possible. Developing this lighting range is underway.

Number of employees by area	As at 31 December			
	2022	2021	2020	2019
EMEA	221	225	144	143
APAC	49	49	45	37
North-America	1	1	1	1
Total	271	275	190	181

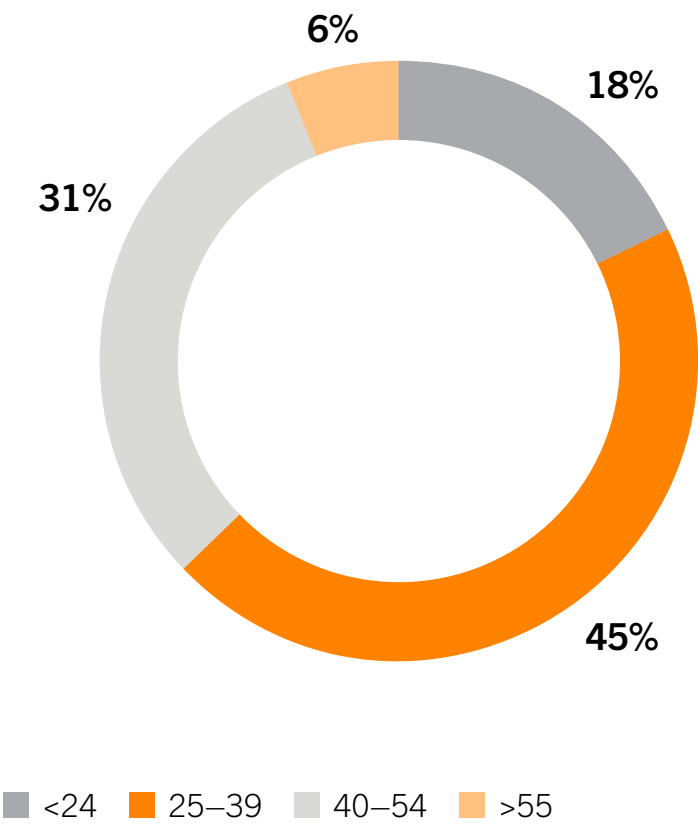
EMPLOYEE GENDER DISTRIBUTION



EMPLOYEE PER AREA



EMPLOYEE AGE DISTRIBUTION





GOVERNANCE AND REMUNERATION



GOVERNANCE AND REMUNERATION

BOARD OF DIRECTORS

The Board of Directors supervises the company's operations and management, deciding on significant matters concerning the company's strategy, investments, organization and finance in accordance with the Finnish Companies Act or Articles of Association to other corporate governing bodies. The Board of Directors has general competence to decide and act in all such matters that are not reserved by the Finnish Companies Act.

The Board of Directors shall convene according to a pre-agreed schedule, normally from six (6) to ten (10) times a year, and hold extraordinary meetings, if necessary. The General Meeting of Shareholders elects a minimum of four (4) and a maximum of eight (8) Board members. The term of office of a Board member commences at the close of the next Annual General Meeting. The Board of Directors elects a chairperson among its members.

The Board prepares the proposal for the composition of the Board to the Annual General Meeting. The company's board has not established any committees.

The company was created by the demerger of Sponfyr Ltd in 2021, and the members of the Board of Directors were previously members of the Board of Directors of Sponfyr Ltd.

CEO AND MANAGEMENT TEAM

The CEO is responsible for the supervision and control of the group's day-to-day operations in accordance with the Finnish Companies Act and authorisations and guidelines issued by the Board of Directors. The Company's Board of Directors appoints the CEO and decides on the terms and conditions of his/her executive contract in writing.

Company's management team supports the CEO in handling operational matters. Members of the management team have specific authority in their individual areas of responsibility, and their duty is to develop the group's operations in line with the targets set by the Board of Directors and the CEO. The management team meets regularly on a monthly basis.

REMUNERATION

The remuneration of the Board of Directors is decided by the Annual General Meeting. According to the decisions made in the Annual General Meeting 2022, the members of the Board of Directors are paid a fixed monthly compensation. The members of the Board of Directors are not eligible for any incentive plan or any other variable incentives, nor supplementary pension plans. Board work related travel expenses are reimbursed to the Board members according to the Nordic Lights Group travel policy.

Commencing from the listing (5 July 2022), the Chair of the Board of Directors receives a monthly remuneration of EUR 4,000 and each member a monthly remuneration of EUR 2,000. Prior listing, the Chair received a monthly remuneration of EUR 2,500 and each member a monthly remuneration of EUR 1,700.

The board of Directors determines the remuneration paid and the basic principles of remuneration for the CEO and the other members of the management team. The remuneration paid to CEO and the other members of the management team consists of a monthly salary, fringe benefits and bonus. Additionally, the CEO's total remuneration includes contributions to a supplementary pension.

Nordic Lights has established a short-term incentive scheme for the personnel where the incentive bonus is connected to the achievement of financial and operational targets. The objective of the incentive scheme is to engage the participants and motivate them to improve performance that supports Nordic Lights' growth and competitiveness. Payments under the incentive scheme are discretionary.

The terms and objectives of the incentive are determined by the Board of Directors.



NORDIC LIGHTS BOARD OF DIRECTORS



GÖRAN CARLSON
Chairman of the Board

Chairman of the Nordic Lights Board from 2022
Member of the Nordic Lights Board from 2019
Born 1958, Electrical Engineering and Computer Science, University of Lund
Joined the company in 2019

Positions of Trust

- Chairman of the Board, Månson Holding Ab, 2017–
- Member of the Board, Herrmans Bike Components, 2019–
- Member of the Board, Finncont, 2022–
- Member of the Board, Professionell Ägarstyrning PÅAB II, 2015–
- Chairman of the Board, Bright Group Oy, 2019–2021
- Chairman of the Board, Sally R AB, 2017–2021

Relevant Work Experience

- CEO, Cramo AB, 2015–2017
- Member of Executive Board, Pon Holdings BV, 2013–2015
- CEO, Pon Equipment and Pon Power BV, 2013–2015
- Deputy CEO, Cramo Group Oyj, 2006–2013
- CEO, Cramo Group AB, 2004–2006
- Various global positions Electrolux AB, 1981–2003

Shareholding in Nordic Lights 49,100 (31.12.2022)



THOMAS SANDVALL
Member of the Board

Member of the Nordic Lights Board from 2019
Born 1975, PhD in economics
Joined the company in 2019

Positions of Trust

- Member of the Board, Finncont 2022–
- Chairman of the Board, Herrmans Bike Components, 2019–
- Member of the Board, Duell, 2018–
- Member of the Board, StaffPoint, 2017–
- Member of the Board, Fresh Servant, 2022–
- Member of the Board, Orthex, 2015–2021
- Member of the Board, Myllyn Paras, 2018–2019
- Member of the Board, Realia, 2015–2016

Relevant Work Experience

- Partner, Sponsor Capital Oy, 2014–
- Partner, HLP Corporate Finance Oy, 2001–2014

Shareholding in Nordic Lights 66,120 (31.12.2022)



PÄIVI LINDQVIST
Member of the Board

Member of the Nordic Lights Board from the first day of share trading at First North 5.7.2022
Born 1970, Master of Business Administration, MBA
Joined the company in 2022

Positions of Trust

- Chair of the Audit Committee since 2022, Etteplan Oy
- Member of the Board and Audit committee since 2020, Etteplan Oy

Relevant Work Experience

- CFO, Glaston Oyj Abp, 2016–
- VP Business Control, Basware Oyj, 2014–2016
- Senior VP Finance & Control, Outokumpu Oyj, 2012–2013
- Senior VP Communications & Investor Relations, Outokumpu Oyj, 2007–2011

Shareholding in Nordic Lights 8,800 (31.12.2022)



SAMI HEIKKILÄ
Member of the Board

Member of the Nordic Lights Board from 2019
Born 1971, Master of Business Administration
Joined the company in 2018

Positions of Trust

- Chairman of the Board, LTP Group, 2023–
- Chairman of the Board, Fresh Servant, 2022–
- Chairman of the Board, Myllyn Paras, 2018–
- Member of the Board, Saalro Oy, 2020–
- Member of the Board, Herrmans Bike Components Oy, 2019–
- Chairman/Member Duell, 2018–
- Member of the Board, Lehtipiste Oy, 2013–2016
- Memeber of the Board, Espotel, 2013–2016

Relevant Work Experience

- Partner, Sponsor Capital Oy, 2004

Shareholding in Nordic Lights 66,120 (31.12.2022)



JYRKI PERTTUNEN
Member of the Board

Member of the Nordic Lights Board from 2019
Born 1963, Master of Law and MSc in Engineering
Joined the company in 2019

Positions of Trust

- Chairman of the Board, Lean Institute Finland Oy, 2019–2021
- Deputy member of the board, EKE Finance Oy, 2020–
- Member of the Board, Herrmans Bike Components, 2021–
- Member of the Board, PaloDEX Group Oy, 2006–2009
- Chairman of the Board, PaloDEX Group Oy, 2009–2013

Shareholding in Nordic Lights 49,100 (31.12.2022)



RISTO SIIVONEN
Member of the Board

Member of the Nordic Lights Board from 2019
Born 1975, Master of Business Administration
Joined the company in 2019

Positions of Trust

- Chairman of the Board, Bravedo Oy, 2021–
- Member of the Board, Finncont, 2022–
- Member of the Board, Herrmans Bike Components, 2019–2022
- Member of the Board, Realia Group Oy, 2016–2017
- Member of the Board, Health and Fitness Nordic Ab, 2015–2017

Relevant Work Experience

- CEO, Manihi Oy, 2008–
- Partner, Altor, 2008–2017

Shareholding in Nordic Lights 73,650 (31.12.2022)



CAJ-ANDERS SKOG
Member of the Board

Member of the Nordic Lights Board from 2001
Born 1957, Master of Business Administration
Joined the company in 2001

Positions of Trust

- Member of the Board, Purmo Autic Ab, 1994–
- Chairman of the Board, Ab Furiren Oy, 2005–
- Chairman of the Board, Ab Cap North Oy, 1997–
- Member of the Board, KWH–yhtymä, 2016–
- Chairman of the Board, Ab Norlic Oy, 2013–2021
- Chairman of the Board, Oy Rikta Ab, 2008–2021
- Chairman of the Board, Ab Comfort Home Hotels Oy, 1997–2007
- Member of the Board, Oy Fondex Ab, 2000–2008
- Member of the Board, Baltic Yachts Oy Ab, 2010–2015

Relevant Work Experience

- CEO, Purmo Autic Ab, 1994–

Shareholding in Nordic Lights 1,473,000 (31.12.2022)

NORDIC LIGHTS CEO AND MANAGEMENT TEAM



TOM NORDSTRÖM
CEO

Member of the Management Team from 2015
Born 1963, Bachelor of Mechanical Engineering
Joined the company in 2015

Positions of Trust

- Chairman of the Board, Oy Frontline Audio Ab, 2013–
- Member of the Board, Herrmans Bike Components Oy, 2019–
- Member of the Board, Procons Oy Ab, 2015–
- Member of the Board, Nordic Lights Oy, 2013–2015

Relevant Work Experience

- CEO, Herrmans Oy Ab, 2015–2019
- CEO, LKI Kälðman Oy, 2011–2015
- Executive Vice President, Mirka Ltd, 2006–2011

Shareholding in Nordic Lights 90,000 (31.12.2022)



**ANN-LOUISE
BRÄNNBACK**
CFO

Member of the Management Team from 2019
Born 1964, Master of Business Administration
Joined the company in 2019

Relevant Work Experience

- CFO, Herrmans Bike Components Oy 2019–2021
- Senior Director, Finance & Site Controlling, Danfoss Drives, 2015–2019
- CFO and Director of Business Control, Vacon Oyj 2001–2014

Shareholding in Nordic Lights 100,000 (31.12.2022)



ANTTI TURJA
Sales and Marketing Director

Member of the Management Team from 2021
Born 1976, Bachelor of Business Administration and Management.
Joined the company in 2011

Relevant Work Experience

- CEO of APAC, Nordic Lights Oy, 2018–
- CEO and Business Development Director, Nordic Lights subsidiary China, 2011–2018
- General Manager, Trafox subsidiary in China, and Production Manager in Estonia, Muuntosähkö Oy, 2002–2011

Shareholding in Nordic Lights 150,000 (31.12.2022)



HELEN DAHL
HR Manager

Member of the Management Team from 2020
Born 1968, M.Sc. in Process Engineering
Joined the company in 2020

Relevant Work Experience

- HR Manager, Herrmans Bike Components Oy, 2020–01/2022
- Logistics and Production Manager, Löfs Ab Oy, 2014–2020
- Project consultant, ERP Systems Oy Ab:n and Monitor System Finland Ab, 2010–2014
- Quality Manager, Oy Prevox Ab, 2007–2010

Shareholding in Nordic Lights 2,212 (31.12.2022)



TOMAS SKOTT

Director, Production & Supply Chain

Member of the Management Team from 2016
Born 1975, Technician Engineer
Joined the company in 2016

Relevant Work Experience

- Director Production & Supply chain, Herrmans Oy Ab 2016–2019
- Business Manager Power Tools, Mirka Ltd, 2014–2016
- Production Manager, Oy Limetec Ab, 2010–2014

Shareholding in Nordic Lights 70,000 (31.12.2022)



MATTI LEIPÄLÄ

Operational Excellence Manager

Member of the Management Team from 2012
Born 1976, MSc in Engineering
Joined the company in 2012

Relevant Work Experience

- Operational Excellence Manager, Herrmans Oy Ab, 2016–2019
- Quality & Development Manager, Herrmans Oy Ab, 2012–2016
- Product Manager, Herrmans Oy Ab, 2007–2012
- Product Development Engineer, Metso Oyj, 2004–2007

Shareholding in Nordic Lights 85,000 (31.12.2022)



JYRKI MIKKOLA

Research & Development Director

Member of the Management Team from 2019
Born 1976, MSc in Electrical Engineering
Joined the company in 2019

Relevant Work Experience

- Director of Product Development and Technology, Beamex Oy Ab, 2011–2019
- Delivery Manager, Sasken Finland Oy, 2006–2010

Shareholding in Nordic Lights 85,000 (31.12.2022)

FINANCIAL STATEMENTS 2022



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REPORT OF THE BOARD OF DIRECTORS

Nordic Lights continued to deliver good growth in 2022, with net sales increasing by 24% to EUR 82.4 million from the previous year. The company retains a clear focus on operational excellence: Active pricing efforts, successful cost management, increasing production efficiency, and broadening of the supplier network, which further enhanced profitability throughout 2022, following successful efforts commenced in 2021.

2022 HIGHLIGHTS

- Net sales increased by 24% and totaled EUR 82.4 million (66.3)
- EBITA increased by 46% and totaled EUR 12.2 million (8.4)
- EBITA margin was 14.8% (12.6%)
- Adjusted EBITA increased by 50% and totaled EUR 13.4 million (8.9)
- Adjusted EBITA margin was 16.3% (13.5%)
- Operating profit increased by 69% and totaled EUR 9.0 million (5.3)
- Operating profit margin was 10.9% (8.0%)
- Net cash flow from operating activities were EUR 11.3 million (-2.1)
- The balance sheet totaled EUR 73.8 million (63.7)
- Trading of the shares of Nordic Lights Group Corporation commenced on Nasdaq First North Growth Market in Finland on 5 July 2022

NORDIC LIGHTS IN BRIEF

Nordic Lights, based in Jakobstad, Finland, has paved its way as a global premium supplier of high-quality lighting

solutions for heavy-duty equipment in several demanding industrial sectors. Nordic Lights' mission is to enable the safe and efficient use of equipment. With three decades of experience Nordic Lights works with the most demanding manufacturers of machinery from design to production and aftermarket support.

Nordic Lights is headquartered in Jakobstad, Finland, with production facilities in Jakobstad and in China and offices/representatives on four continents. Nordic Lights Group Corporation is the parent company in the Group consisting of the following companies: Sponbeam Ltd, Nordic Lights Ltd, Nordic Lights NA., Inc. (USA), Nordic Lights (Suzhou) Co. Ltd. (China), Herrmans Nordic Lights GmbH (Germany), Nordic Lights APAC PTE Ltd (Singapore), and Sandsund Lights Ltd.

Nordic Lights Group Corporation was founded when Sponfyr Ltd demerged 30 September 2021, into two companies, Nordic Lights Group Corporation (former Sponled Ltd) and Sponspeed Ltd.

MARKET OVERVIEW

Nordic Lights operates in the global heavy-duty equipment lighting market. The addressable market includes work lights, driving lights and signal lights for five end-user segments; construction, agriculture, mining, forestry and material handling. Long-term growth drivers for the market are the strong demand for heavy-duty vehicles due to infrastructure development and urbanization, the increasing number of lights per vehicle

to improve safety and efficiency, and the continuing transition to LED technology.

Nordic Lights has an established position in both the OEM and aftermarket channels. The OEM channel includes lights that are mounted on the equipment during manufacturing. The aftermarket channel includes spare parts used to upgrade equipment or repair and upgrade installed equipment. The aftermarket channel includes both original equipment spare parts and spare parts of the supplier network, which further are used either to upgrade existing lights or to repair or replace broken lights. Independent spare parts include white-label spares as well as upgrades sold independently to end-users without going via an OEM.

The company's core adressable market is estimated to be approximately EUR 1.1 billion. In recent years, average annual market growth has been estimated to have been around 4-5 percent (Source: International management consultant analysis in spring 2021, commissioned by Nordic Lights). Nordic Lights has significantly outpaced the market and its market share has risen to approximately 8% (2021: 6%, 2016: 3%, company estimate).

Nordic Lights expect overall market demand to be weaker in 2023, but to still to remain at a historically high level. There is an overall uncertainty in general market conditions and it is hard to predict the impact from potential changes in inflation, cost of energy, component availability or further escalation of geopolitical tensions.

STRATEGY

Nordic Lights strives to be the leading premium supplier of high-quality work, driving and signal lights for heavy-duty equipment to OEMs and the aftermarket.

Strategic focus areas:

- **Continued growth in core business:** Nurture the position as a premium player in the heavy-duty equipment lighting market by growing the core business both by expanding the share of wallet within current OEM customers and targeting new landmark OEM customers.
- **Growth in the aftermarket:** Establish a stronger position in the aftermarket.
- **Expansion in new markets:** Seek additional growth in adjacent markets, end-user segments and product categories, by expanding the product portfolio and market activities.
- **M&A:** Consider mergers and acquisitions as an additional avenue for further accelerating growth.
- **Continued improvement of operations:** Continue to invest in increased level of automation and efficiency in production, as well as continue significant investments in R&D. Operational excellence and continued improvement as part of the corporate culture and ways of working.

MEDIUM AND LONG-TERM FINANCIAL TARGETS

Nordic Lights has the following medium and long-term financial targets:

- **Growth:** Annual organic net sales growth of over 10 percent on average. Growth can be further accelerated via selected mergers and acquisitions, in line with Nordic Lights' strategy.
- **Profitability:** Adjusted EBITA margin above 18 percent.

- **Leverage:** Net debt in relation to adjusted EBITDA below 2.0x. Target may temporarily be exceeded, for example in conjunction with acquisitions.

FINANCIAL PERFORMANCE

In 2022, net sales increased by 24.3% to EUR 82.4 million. Net sales increased in all end-industries, especially in agriculture, and in all regions.

Net sales

(EUR million)	1-12/2022	1-12/2021	Change
EMEA	36.8	28.6	28.7%
APAC	21.3	17.7	20.5%
North America	20.9	16.9	23.9%
South America	3.4	3.1	7.6%
Total	82.4	66.3	24.3%

(EUR million)	1-12/2022	1-12/2021	Change
Construction	38.2	33.2	15.3%
Mining	17.3	16.9	2.5%
Agriculture	15.4	7.2	114.6%
Forestry	4.6	3.7	23.8%
Material handling	5.2	4.3	19.9%
Other	1.8	1.1	59.0%
Total	82.4	66.3	24.3%

Nordic Lights continued to see strong demand especially in agriculture, where new business has been successfully ramped up during the year. Robust growth in the construction industry continued to be driven by the infrastructure business and projects in the energy sector, including renewables. Forestry and material handling businesses developed as expected. The small increase in mining net sales were driven by customers' efforts to optimize their stock levels following large orders placed during 2021 and first half of 2022. Overall, despite seasonality, there is a good underlying development in the mining industry.

The business impact of the exit from Russia has remained limited, and mostly affected the mining business. Similarly, the impacts of the continued COVID-19 pandemic in China have been successfully mitigated and remained very limited.

Overall, approximately 70% of the sales typically come from OEM key accounts, while the aftermarket represents around 30% of net sales. Nordic Lights' customer base is diverse and spans across four continents, serving various end-industries, including leading OEMs and small-to-medium-sized OEMs and distributors. Over the past five years, the company has gained new key accounts and significantly grown its market share. Additionally, a significant portion of Nordic Lights' net sales are recurring, while project-based sales make up a relatively small portion of overall net sales.

Profitability

Gross margin increased with 34% and totaled EUR 28.7 million (21.4). Gross margin in % of net sales increased with 2.5%-units to 34.8% compared to 2021.

Nordic Lights gross margins were in the second half year of 2021 negatively impacted by the rapidly increasing costs of raw material, components, and freight costs. Mitigating actions including an active pricing strategy and different supply chain measures were implemented, with a positive effect during 2022. Activities to compensate the impact from cost inflation will continue in 2023.

Adjusted EBITA increased with 50% and totaled EUR 13.4 million (8.9). Adjusted EBITA margin in % of net sales increased with 2.8%-units to 16.3% compared to 2021.

The increase in net sales in combination with the improved gross margin are the reasons for the improved adjusted EBITA margins.

Nordic Lights' financial expenses for 2022 amounted to EUR 1.9 million (2.3) and included listing costs of EUR 1.1 million in 2022.

Profit before taxes in 2022 was EUR 7.1 million (3.0) and net profit for the period was EUR 4.6 million (1.6).

The total listing cost amounted to EUR 2.8 million, out of which EUR 0.5 million affected 2021 year's result and EUR 2.3 million 2022 result. Out of the EUR 2.3 million, EUR 1.2 million is included in other operating expenses and EUR 1.1 million in financial expenses.

Further potential for profitability improvement

Nordic Lights will continue to focus on operational excellence, improve profitability and increase efficiency with the aim of progressing towards the medium and long-term target, an adjusted EBITA margin of over 18%.

The company sees opportunities to further automate assembly and testing to increase production efficiency and speed up deliveries. By optimizing supply chain management and procurement practices as well as by increasing the share of local procurement, the company may increase its negotiating power, shorten its supply chains, and reduce transport costs.

Financial position and cash flow

The balance sheet totaled at the end of the review period EUR 73.8 million (63.7), of which equity constituted EUR 37.4 million (18.0).

The company received EUR 15.1 million gross proceeds from the offering, of which EUR 5.0 million was used to repay non-current debt. As a result the Group's net debt

was at end of December EUR 3.8 million (26.6). Interest-bearing liabilities were 22.1 million (29.5)

During the period January – December 2022, the Group's net cash flow from operating activities amounted to EUR 11.3 million (-2.1). Cash and cash equivalents amounted to EUR 18.3 million (2.9) at the end of the year.

The strong cash flow is a result of a strong profit in combination with a decrease of net working capital.

Net debt/adjusted EBITDA was 0.2x. Nordic Lights' long term target is to keep net debt/adjusted EBITDA below 2x.

At the end of the review period the Group's Equity ratio was 50.7% (28.2). Adjusted return on capital employed (ROCE) was 62.8% (44.2).

Investments

Nordic Lights' investments during January – December amounted to EUR 1.9 million (3.6) and were mainly related to production machinery and tooling and R&D capitalization.

RESEARCH AND DEVELOPMENT

R&D expenditure in January - December totaled EUR 2.9 million (2.3), of which EUR 0.5 million (0.4) was capitalized as development costs in intangible assets. R&D costs accounted for 3.5% (3.5%) of Net sales.

Nordic Lights has a very strong lighting technology know-how and solid experience from collaborating with demanding customers and meeting their requirements. Our experienced in-house R&D organization covers electronic, optical, and mechanical design. With the help of advanced simulation tools, we support our customers to choose the optimal light set-up for their equipment.

In recent years, Nordic Lights has taken measures with regards to development of smart lighting solutions, increased energy efficiency of lights and development of more environmentally friendly products. Continuous research for cost-effective product design with increased technical performance, such as optimized lighting properties has high priority. In Q4, Nordic Lights expanded its offering of driving lights with new LED technology (Sculptor 2). LED penetration has recently increased also in the driving lights category, which represents an opportunity for Nordic Lights.

SUSTAINABILITY

Nordic Lights' mission is to enable the safe and efficient use of heavy-duty machinery. Sustainability – taking care of the environment, people and business – is part of this mission. We have an impact on society through our upstream supply chain, our own factories and our lights. We want to stand out in our industry by providing lights that have a small negative impact and a large positive impact on the environment and people.

We accelerated our sustainability work in 2022. We defined the most material sustainability topics for our business, set goals, created a plan of action, and took steps towards more sustainable lighting solutions. Nordic Lights' sustainability is based on UN's Sustainable Development Goals:

- 3. Good health and well-being,
- 9. Industry, innovation and infrastructure,
- 12. Responsible consumption and production.

These three goals guide our sustainability actions.

Most of our lights use LED technology, which is much more energy efficient and longer lasting compared to halogen bulbs. We actively develop our products by using sustainable materials and components that are higher in quality and last longer.

It is essential that lights are used where they are needed. Optimal lighting means reducing unnecessary light pollution and glare. This is possible with our well-targeted lighting.

The majority of our own carbon emissions come from our factories. We calculate the carbon footprint of our factories annually, and we aim for the carbon neutrality of our Finnish factory by 2024. This is based on the Greenhouse Gas Protocol scopes 1 and 2. We also aim to improve energy efficiency of the factory. The energy used is carbon neutral, which is one step towards our carbon neutrality goals.

In addition to environmental sustainability, we take care of our people and develop the working conditions in our factories. We improve the health and safety of our employees by risk monitoring, risk assessments and safety trainings. In 2023, we will adopt the ISO 45001 standard, which will guide us in creating a management system that fosters safe and healthy workplaces. All our employees are committed to our Code of Conduct.

Our sustainability is not only limited to our own actions. Instead, we work closely with our suppliers to improve their sustainability. Every new supplier is required to sign the Supplier Code of Conduct.

PERSONNEL

At the end of the review period, Nordic Lights had 271 employees (excluding rental employees). Since beginning of 2021 the number of personnel has increased with 81 people.

SHARES AND SHAREHOLDERS

Trading of the shares of Nordic Lights Group Corporation commenced on Nasdaq First North Growth Market Finland on 5 July 2022. The company has a single series of shares, and each share entitles its holder to one vote in the General Meeting of shareholders of the company. The subscription price for the Offer Shares was EUR 5.02 per share in the Public Offering and the Institutional Offering, and EUR 4.52 per share in the Personnel Offering. The trading code is NORDLIG and the ISIN code is FI4000518345.

BOARD'S AUTHORISATIONS

The Board has a valid authorization for a paid directed share issue. According to the authorization a maximum of 3,000,000 new shares of the company may be issued, deviating from the shareholders' pre-emptive rights, if there is a compelling reason for this. The authorization is valid until the close of the next annual general meeting, however, no longer than until 30 June 2023.

NORDLIG	31.12.2022
No. of shares and votes	20,957,962
Share turnover, EUR million (5.7.2022-31.12.2022)	23.7
Market value, EUR million	91.0
Number of shareholders, excl. nominee reg.	1,210
Foreign ownership, %	9%

Share price, EUR	5.7.2022–31.12.2022
Highest	5.30
Lowest	3.72
Closing	4.34
Average price, volume-weighted	4.86

Major registered shareholders, as of 31 December 2022	Number of shares	% of shares
Sponsor Fund IV Ky	7,664,065	36.57
Elo Mutual Pension Insurance Company	2,162,086	10.32
Purmo Autic Oy Ab	1,473,000	7.03
Ilmarinen Mutual Pension Insurance Company	936,254	4.47
Danske Invest Finnish Equity Fund	690,786	3.30
Evli Finland Select Fund	520,000	2.48
Thomasset Oy	498,007	2.38
Veritas Pension Insurance Company Ltd.	400,000	1.91
Varma Mutual Pension Insurance Company	400,000	1.91
Tiuraniemi Reijo	397,618	1.90
Oy Wedeco Ab	397,618	1.90

BOARD OF DIRECTORS, MANAGEMENT TEAM, AND AUDITOR

On 31 December 2022, the company's Board of Directors consisted of the following members: Göran Carlson (Chair), Sami Heikkilä, Päivi Lindqvist (from 5.7.2022), Jyrki Perttunen, Thomas Sandvall, Risto Siivonen and Caj-Anders Skog.

The Nordic Light Group's Management Team consisted of the following persons:

- **Tom Nordström**, CEO
- **Ann-Louise Brännback**, CFO
- **Helen Dahl**, HR Manager
- **Matti Leipälä**, Operational Excellence Manager
- **Jyrki Mikkola**, Research & Development Director
- **Tomas Skott**, Production & Supply Chain Director
- **Antti Turja**, Sales and Marketing Director

Nordic Light Group's statutory auditor is KPMG Oy Ab, Authorized Public Accountants, with Authorized Public Accountant Hans Bertell as the auditor with principal responsibility.

RISKS AND RISK ASSESSMENT

The uncertainty in the global markets, overall geopolitical tension and the general cost increase might have a negative impact on the global economy. This might have impact on the investments in new equipment in several end-user segments.

Fluctuations in component prices and disruptions in their availability may have an adverse effect on Nordic Lights' profitability. The components needed by Nordic Lights in its production include, for example, electronic components, housings, brackets and optics. Price increases of components may result in higher manufacturing costs. Further, the prices and availability of components depend on factors beyond Nordic Lights' control, such as global supply chains, production capacity, disruptions in infrastructure, regulation, export restrictions, political stability, level of import duties, demand among other users and currency exchange rates.

If Nordic Lights is not successful in recruiting and retaining qualified personnel and key personnel, this may affect its competitive position and ability to grow capacity.

Further information on the company's main strategic, operative and financial risks is described in detail in the offering circular, which was published on 27 June 2022 and is available on the corporate website.

EVENTS AFTER THE REVIEW PERIOD

There have not been any material events after the review period.

GUIDANCE FOR FINANCIAL YEAR 2023

Following rapid net sales growth in both 2022 (24.3%) and 2021 (51.9%), mostly driven by gains in market share, Nordic Lights continues to see opportunities to strengthen its market position in 2023, but the overall market demand is expected to be weaker, in particular during the first half of 2023. Furthermore, in 2022 profitability increased significantly mainly due to successful mitigation of cost inflation and increased production efficiency, and the company sees opportunities for further margin improvement also for the full year 2023.

The company has issued the following guidance for 2023:

- Nordic Lights net sales is expected to remain at approximately previous year's level (2022: EUR 82.4 million). Particularly in Q1 2023, and also in Q2 2023, net sales is expected to be below corresponding Q1 and Q2 2022 levels, while H2 2023 net sales is expected to be above H2 2022 levels.
- Full year 2023 adjusted EBITA-% is expected to be above previous year.

ANNUAL GENERAL MEETING

Nordic Lights' Annual General Meeting is planned to be held on Thursday, April 20, 2023.

THE BOARD'S PROPOSAL TO THE ANNUAL GENERAL MEETING

The parent company's non-restricted equity on 31 December 2022 is EUR 17,878,042 of which the profit for the financial year is EUR 2,867,081.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.12 per share be paid from the parent company's profit for the financial year and the remaining of the profit for the year be transferred to retained earnings. According to the proposal, a total of EUR 2,514,955 would be paid in dividend.

FINANCIAL RATIOS

FAS 1,000 EUR	2022	2021	2020	2019
Income statement and profitability				
Net sales	82,448 ¹	66,337 ¹	43,665 ¹	44,578 ¹
Change in net sales, %	24.3	51.9	-2.0	3.4
Gross margin	28,652	21,374	16,834	16,240
Gross margin, % of net sales	34.8	32.2	38.6	36.4
EBITDA	14,272	9,996	8,562	6,837
EBITDA, %	17.3	15.1	19.6	15.3
Adjusted EBITDA	15,463	10,555	8,562	6,837
Adjusted EBITDA, %	18.8	15.9	19.6	15.3
EBITA	12,238	8,378	6,959	5,452
EBITA, %	14.8	12.6	15.9	12.2
Adjusted EBITA	13,428	8,937	6,959	5,452
Adjusted EBITA, %	16.3	13.5	15.9	12.2
EBIT	8,962 ¹	5,320 ¹	3,909 ¹	2,401 ¹
EBIT, %	10.9	8.0	9.0	5.4
Adjusted EBIT	10,152	5,878	3,909	2,401
Adjusted EBIT, %	12.3	8.9	9.0	5.4
Return on capital employed (ROCE), %	21.3	12.4	8.6	4.9
Adjusted return on capital employed (ROCE), %	62.8	44.2	35.8	25.9
Research and development expenses	2,863	2,332	2,149	2,064
Research and development expenses, % of net sales	3.5	3.5	4.9	4.6

FAS 1,000 EUR	2022	2021	2020	2019
Gross capital expenditure	1,899	3,645	1,639	3,665
Gross capital expenditure, % of net sales	2.3	5.5	3.8	8.2
Balance sheet and solvency				
Capital employed	41,243	44,581	43,411	47,373
Adjusted capital employed	21,329	21,419	19,006	19,917
Net interest bearing debt	3,816	26,589	27,115	30,869
Net interest bearing debt/Adjusted EBITDA, 12 kk	0.2	2.5	3.2	4.5
Equity ratio, %	50.7	28.2	25.1	26.4
Net gearing, %	10	148	166	187
Personnel				
Personnel, average	296	237	185	194
Personnel, at the end of the period	271	275	190	181
Per share data				
Earnings per share	0.23	0.09	0.03	-0.02
Number of shares at end of year	20,957,962	17,940,430	17,940,430	17,940,430

¹ Audited

CALCULATION OF CERTAIN ALTERNATIVE PERFORMANCE MEASURES AND OTHER KEY FIGURES

Alternative performance measure	Definition	Purpose of use
Change in net sales (%) = $\frac{\text{Change in net sales during the financial year}}{\text{Net sales for the previous financial year}}$		Change in net sales indicates the development of Nordic Lights’ operations.
Gross margin = $\frac{\text{Net sales} - \text{direct material and direct labor}}{\text{Net sales}}$		Gross margin is a measure used to assess Nordic Lights’ efficiency at using its labor resources and supplies in producing goods and service.
Gross margin, % of net sales (%) = $\frac{\text{Gross margin}}{\text{Net sales}} \times 100$		Gross margin is a measure used to assess Nordic Lights’ efficiency at using its labor resources and supplies in producing goods and service.
EBITDA = $\frac{\text{Operating profit} + \text{Depreciation and amortization of tangible and intangible assets} + \text{amortization of consolidated goodwill}}{\text{Net sales}}$		EBITDA is an internal measure used to assess Nordic Lights’ performance.
EBITDA margin (%) = $\frac{\text{EBITDA}}{\text{Net sales}} \times 100$		EBITDA is an internal measure used to assess Nordic Lights’ performance.
Adjusted EBITDA = $\frac{\text{EBITDA} + \text{items affecting comparability}}{\text{Net sales}}$		Adjusted key figures are used to improve the comparability between different periods.
Adjusted EBITDA margin (%) = $\frac{\text{Adjusted EBITDA}}{\text{Net sales}} \times 100$		Adjusted key figures are used to improve the comparability between different periods.
EBITA = $\frac{\text{Operating profit} + \text{amortization of consolidated goodwill}}{\text{Net sales}}$		EBITA is an internal measure used to assess Nordic Lights’ performance.
EBITA margin (%) = $\frac{\text{EBITA}}{\text{Net sales}} \times 100$		EBITA is an internal measure used to assess Nordic Lights’ performance.
Adjusted EBITA = $\frac{\text{EBITA} + \text{items affecting comparability}}{\text{Net sales}}$		Adjusted key figures are used to improve the comparability between different periods.
Adjusted EBITA margin (%) = $\frac{\text{Adjusted EBITA}}{\text{Net sales}} \times 100$		Adjusted key figures are used to improve the comparability between different periods.
Operating profit margin (%) = $\frac{\text{Operating profit}}{\text{Net sales}} \times 100$		Operating profit margin is an internal measure used to assess Nordic Lights’ performance.
Adjusted operating profit = $\frac{\text{Operating profit} + \text{items affecting comparability}}{\text{Net sales}}$		Adjusted key figures are used to improve the comparability between different periods.

Alternative performance measure		Definition		Purpose of use
Adjusted operating profit margin (%)	=	$\frac{\text{Adjusted EBIT}}{\text{Net sales}}$	x 100	Adjusted key figures are used to improve the comparability between different periods.
Return on capital employed (ROCE) (%)	=	$\frac{\text{Profit before taxes + financial expenses (rolling 12 months)}}{\text{Equity + net interest bearing debt, average of the financial period}}$	x 100	Return on capital employed is an internal indicator to evaluate capital employed and to assess different businesses and opportunities, taking into account the capital they require.
Adjusted return on capital employed (ROCE) (%)	=	$\frac{\text{Adjusted EBITA (rolling 12 months)}}{\text{Equity + net interest bearing debt – goodwill, average of the financial period}}$	x 100	Return on capital employed is an internal indicator to evaluate capital employed and to assess different businesses and opportunities, taking into account the capital they require.
Research and development expenses	=	Personnel expenses of research and development personnel as well as other expenses related to the research and development work, including capitalized product development expenses		Research and development expenses indicate Nordic Lights' investments in research and development work, including capitalized product development expenses.
Research and development expenses, % of net sales (%)	=	$\frac{\text{Research and development expenses}}{\text{Net sales}}$	x 100	Research and development expenses indicate Nordic Lights' investments in research and development work, including capitalized product development expenses.
Purchase of tangible and intangible assets, % of net sales (%)	=	$\frac{\text{Purchase of tangible and intangible assets + other investments}}{\text{Net sales}}$	x 100	The key figure provides additional information on the cash flow needs of the organic business.
Capital employed	=	Equity + net interest bearing debt		Capital employed is a measure used to assess Nordic Lights' invested capital, in addition, it is used to calculate the return on capital employed.
Adjusted capital employed	=	Capital employed – consolidated goodwill		Capital employed is a measure used to assess Nordic Lights' invested capital, in addition, it is used to calculate the return on capital employed.
Net interest bearing debt	=	Loans from financial institutions + convertible loans - cash and cash equivalents		Net interest bearing debt and adjusted EBITDA describes on the financial stability of Nordic Lights.
Net interest bearing debt/Adjusted EBITDA (ratio)	=	$\frac{\text{Net interest bearing debt}}{\text{Adjusted EBITDA}}$		Net interest bearing debt and adjusted EBITDA describes on the financial stability of Nordic Lights.
Equity ratio (%)	=	$\frac{\text{Equity total}}{\text{Total assets – advances received}}$	x 100	Equity ratio describes the financial risk level and is a useful measure for Nordic Lights' management to monitor the capital required for its business operations.
Net gearing (%)	=	$\frac{\text{Net interest-bearing debt}}{\text{Equity}}$	x 100	Net gearing describes the indebtedness of Nordic Lights.
Earnings per share	=	$\frac{\text{Profit for the financial year}}{\text{Adjusted average number of shares}}$		

GROUP INCOME STATEMENT

1,000 EUR	Note	1.1–31.12.2022	Carve-out 1.1–31.12.2021	30.9–31.12.2021
Net sales	1.	82,448	66,337	18,039
Change in stocks of finished and work-in-progress products (+/-)		64	855	351
Other operating income	2.	8	14	8
Materials and services	3.			
Raw materials and consumables				
Purchases during the period		-43,973	-44,820	-13,826
Increase (-) or decrease (+) in inventories		-1,233	5,436	1,957
External services		-1,971	-1,839	-442
Total materials and services		-47,178	-41,224	-12,311
Personnel expenses	4.			
Wages and salaries		-12,376	-9,992	-2,924
Social security expenses				
Pension expenses		-2,080	-1,666	-514
Other social security expenses		-512	-364	-138
Total personnel expenses		-14,967	-12,021	-3,576

1,000 EUR	Note	1.1–31.12.2022	Carve-out 1.1–31.12.2021	30.9–31.12.2021
Depreciation, amortization and impairment	5.			
Depreciation and amortization according to plan		-5,311	-4,677	-1,328
Total depreciation, amortization and impairment		-5,311	-4,677	-1,328
Other operating expenses	6.	-6,103	-3,965	-1,339
Operating profit / Loss		8,962	5,320	-156
Financial income and expenses	7.			
Other interest income and other financial income		161	119	50
Interest expense and other financial expenses		-2,032	-2,439	-740
Total financial income and expenses		-1,870	-2,320	-689
Profit / Loss before appropriations and taxes		7,092	2,999	-845
Income taxes	8.	-2,527	-1,359	-134
Profit / Loss for the period		4,565	1,640	-980

GROUP BALANCE SHEET

1,000 EUR	Note	31.12.2022	31.12.2021
Assets			
Fixed assets			
Intangible assets			
Development expenditure	9.	1,217	811
Goodwill	10.	19,914	23,162
Other intangible assets	9.	623	366
Total intangible assets		21,754	24,340
Tangible assets	9.		
Land and waters		140	73
Buildings and constructions		2,988	3,097
Machinery and equipment		5,201	5,432
Advance payments and construction in progress		1,063	1,590
Total tangible assets		9,393	10,191
Investments	11.		
Other shares and similar rights of ownership		98	111
Total investments		98	111
Total fixed assets		31,245	34,642
Current assets			
Inventories	12.		
Raw materials and consumables		8,328	9,568
Finished products / goods for resale		2,140	2,070
Total inventories		10,468	11,637
Short-term receivables			
Trade receivables		12,546	13,324
Other receivables		681	1,065
Prepayments and accrued income		526	163
Total short-term receivables		13,753	14,552

1,000 EUR	Note	31.12.2022	31.12.2021
Financial assets			
		4,000	
Cash and cash equivalents		14,315	2,861
Total current assets		42,536	29,050
Total assets		73,781	63,692
Equity and liabilities			
Equity	13.		
Share capital		12,663	12,663
Reserve for invested non-restricted equity		15,113	
Retained earnings		5,086	3,689
Profit of the year		4,565	1,640
Total equity		37,427	17,992
Liabilities			
Non-current liabilities	14.		
Loans from financial institutions		20,094	26,850
Long term provisions		55	
Total non-current liabilities		20,149	26,850
Current liabilities			
Loans from financial institutions		2,038	2,600
Accounts payable		9,506	10,822
Other liabilities		330	2,269
Accrued expenses and deferred income	15.	4,120	2,916
Deferred tax liabilities		211	242
Total current liabilities		16,205	18,849
Total liabilities		36,354	45,699
Total equity and liabilities		73,781	63,692

GROUP CASH FLOW STATEMENT

1,000 EUR	1.1–31.12.2022	Carve-out 1.1–31.12.2021	30.9–31.12.2021
Cash flow from operating activities			
Profit / loss before appropriations and taxes	7,092	2,999	-845
Adjustments for			
Depreciation and amortization according to plan	5,311	4,677	1,328
Financial income and expenses	1,870	2,377	689
Other adjustments	-246	112	185
Cash flow before working capital changes	14,027	10,165	1,358
Working capital changes			
Increase (-) / decrease (+) in trade and other short-term interest-free receivables	989	-4,688	-782
Increase (-) / decrease (+) in inventories	1,169	-6,291	-2,399
Increase (+) / decrease (-) in current interest-free liabilities	-635	5,420	767
Operating cash flow before financing items and taxes	15,550	4,607	-1,056
Interests and other financial expenses paid relating to operating activities	-2,029	-5,063	-4,634
Interest received relating to operating activities	136	61	33
Income taxes paid	-2,334	-1,665	-185
Net cash flow from operating activities	11,323	-2,060	-5,842

1,000 EUR	1.1–31.12.2022	Carve-out 1.1–31.12.2021	30.9–31.12.2021
Cash flow from investing activities			
Purchase of tangible and intangible assets	-1,899	-3,632	-887
Purchase of other investments	13	-13	-13
Proceeds from repayment of loans		3,735	2,085
Adjustment to purchase price of subsidiaries	-1,778	-130	9
Net cash flow from investing activities	-3,664	-40	1,194
Cash flow from financing activities			
Proceeds from paid in capital	15,113		
Proceeds from long-term loans		30,750	30,750
Repayment of long-term loans	-7,319	-38,001	-36,968
Net cash flow from financing activities	7,795	-7,251	-6,218
Net increase (+)/ decrease (–) in cash and cash equivalents	15,454	-9,351	-10,865
Cash and cash equivalents at the beginning of period	2,861	12,212	13,726
Cash and cash equivalents at the end of period	18,315	2,861	2,861

Short term financial assets have been included in cash and cash equivalents at the end of the period.

ACCOUNTING POLICIES

GROUP STRUCTURE

Nordic Lights Group Corporation was founded when Sponfyr Oy demerged, 30.9.2021, into two companies, Nordic Lights Oyj (former Sponled Ltd) and Sponspeed Ltd.

Nordic Lights Group Corporation is the parent company of Nordic Lights Group, that consist of the 100% owned companies: Sponbeam Ltd, Nordic Lights Ltd, Sandsund Lights Ltd, Nordic Lights NA Inc. (USA), Nordic Lights (Suzhou) Co Ltd (China), Herrmans Nordic Lights GmbH (Germany) and Nordic Lights APAC PTE Ltd (Singapore).

Finnish Accounting Principles ('FAS') have been applied in the preparation of the financial statements of Nordic Lights Group. The financial statements are prepared based on the principle of going concern and the acquisition cost method.

All Group companies are consolidated into the consolidated financial statements. No sub consolidated financial statements have been made for Nordic Lights Ltd; all companies have been directly combined with Nordic Lights Group Corporation's consolidated financial statements.

Copies of the consolidated financial statements are available at Nordic Lights Corporation's office at Pännäistentie 155, 68600 Jakobstad, Finland or online at www.nordiclights.com

COMPARATIVE FIGURES TO PREVIOUS PERIOD

The first financial period of Nordic Lights Group Corporation was 30.9-31.12.2021. Carve-out financial statements were made for the purpose of being incorporated into the offering circular. The carve-out financial statement for 2021 is based on the audited consolidated financial statements of Sponfyr Ltd for the period ending 30.9.2021 and the first three-month period audited consolidated financial statement of Nordic Lights Group Corporation. The carve-out financial statements were prepared by excluding historical income and expenses, assets and liabilities as well as cash flows of the Herrmans Bike Components business.

Both carve-out figures for 2021 and the official three months figures are presented as comparative figures in Nordic Lights Group Corporation's income and cash flow statements for the period 1.1.-31.12.2022.

BUSINESS OF THE NORDIC LIGHTS GROUP

Nordic Lights manufactures work, head, and signal lights for heavy-duty vehicles with a mission to provide visibility for safe operations. The company uses primarily energy-efficient LED technology and was among the first lighting manufacturers to introduce LED to the heavy-duty vehicle market in 2008. The company is one of the pioneers in the industry in innovation in lighting fixtures for heavy-duty machinery.

INTER-COMPANY TRANSACTIONS

In the financial statements inter-company business transactions between the companies of the Nordic Lights Group have been eliminated as well as asset and liability items.

INTERNAL OWNERSHIP

Consolidated financial statements have been prepared with the acquisition cost method. The difference between acquisition cost of subsidiaries and the acquired equity has been recognized in goodwill.

GOODWILL

Goodwill is amortized in 10 years.

DEFERRED TAX LIABILITIES

Deferred tax liabilities are calculated in respect of temporary differences between the taxation and the financial statements by applying the enacted tax rate on the balance sheet date. Deferred tax liabilities are presented in the current balance sheet items.

TRANSLATION DIFFERENCES

Income statements of foreign group companies have been converted into euros by using the average rate for the financial period and the balance sheets by using the exchange rate of the balance sheet date. Exchange difference arising from conversion, and translation difference arising from the conversion of the equity

of a foreign subsidiary, are recognized in 'retained earnings / losses'.

FOREIGN CURRENCY ITEMS

Receivables and liabilities denominated in foreign currencies have been translated to euros by using the exchange rate at the balance sheet date. Exchange differences related to tangible assets have been recognized as adjustment of the acquisition cost of the tangible asset.

MEASUREMENT OF INVENTORIES

Inventories have been recognized in the balance sheet at acquisition cost with using the FIFO-method or the lower replacement cost or probable selling price.

INTANGIBLE AND TANGIBLE ASSETS

The acquisition cost of tangible and intangible assets recognized in the balance sheet has been deducted with amortization and depreciation according to plan. The acquisition cost includes purchase price and directly attributable production costs. Subsidies received have been recognized as deduction to the acquisition cost. Amortization and depreciation according to plan are calculated, using the straight-line method, based on the useful life of the intangible and tangible assets.

Amortization and depreciation have been started at the month when the asset has been taken into use.

The amortization and depreciation periods are:

IT systems	3–5 years
Development expenditure	5 years
Other intangible assets	10 years
Goodwill	10 years
Machinery and equipment	5–10 years
Molds for LED work lights	4 years
Vehicles	5 years
ICT equipment	3 years
Buildings	25 –30 years
Constructions	15 years

Development expenditure generating income in several financial years have been capitalized. Development expenditure includes also the incomplete acquisitions. Other research and development expenditure have been expensed in the financial year in which those have been incurred.

Acquisition cost of fixed assets with probable useful life less than three years have been expensed in full in the acquisition period.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR OF 2022

The parent company's name was changed in February 2022 to Nordic Lights Group Ltd and to Nordic Lights Group Corporation in June 2022.

Nordic Lights Group Corporation’s shares were listed in July 2022. The trade of the shares started on the First North Growth Market on July 5, 2022. Totally 3,017,532 new shares were issued.

The business impact of the exit from Russia has remained limited, and mostly affected the mining business. Similarly, the impacts of the continued COVID-19 pandemic in China have been successfully mitigated and remained very limited.

SIGNIFICANT EVENTS AFTER THE FINANCIAL YEAR

On December 14, 2022 the board of directors signed a merger-plan with Sponbeam Ltd. The planned merger between the two companies is registered on April 30, 2023.

NOTES TO GROUP INCOME STATEMENT

1. NET SALES BY MARKET AREA

1,000 EUR	2022	Carve-out 1.1–31.12.2021	30.9–31.12.2021
Market area			
APAC	21,337	17,713	4,559
EMEA	36,821	28,607	8,241
North America	20,921	16,885	4,624
South America	3,368	3,132	616
Total	82,448	66,337	18,039

Nordic Lights Group's business consists of manufacturing high-quality lights for heavy-duty equipment used in demanding conditions.

2. OTHER OPERATING INCOME

1,000 EUR	2022	Carve-out 1.1–31.12.2021	30.9–31.12.2021
Other income	8	14	8
Total	8	14	8

3. MATERIALS AND SERVICES

1,000 EUR	2022	Carve-out 1.1–31.12.2021	30.9–31.12.2021
Purchases during the period	43,973	44,820	13,826
Changes in inventories	1,233	-5,436	-1,957
External services	1,971	1,839	442
Total	47,178	41,224	12,311

4. PERSONNEL EXPENSES

1,000 EUR	2022	Carve-out 1.1–31.12.2021	30.9–31.12.2021
Wages and salaries	12,376	9,992	2,924
Pension expenses	2,080	1,666	514
Other social security expenses	512	364	138
Total	14,967	12,021	3,576

Pension expenses are recognized with applying each country's local legislation.

Average number of personnel during the financial year

	2022	Carve-out 1.1–31.12.2021	30.9–31.12.2021
Employees	296	237	237

Wages and salaries of directors and management

1,000 EUR	2022	Carve-out 1.1–31.12.2021	30.9–31.12.2021
Wages and salaries of the CEO and the members of the Boards of Directors	436	318	72

5. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

1,000 EUR	2022	Carve-out 1.1.–31.12.2021	30.9–31.12.2021
Buildings and constructions	175	174	45
Machinery and equipment	1,730	1,378	493
Other long-term expenditure	129	67	27
Amortization of goodwill	3,276	3,058	765
Total	5,311	4,677	1,328

6. OTHER OPERATING EXPENSES

1,000 EUR	2022	Carve-out 1.1.–31.12.2021	30.9–31.12.2021
Premises expenses and other maintenance	799	607	198
Sales	706	339	76
Administrative expenses	2,202	1,772	231
Other operating expenses	2,395	1,246	834
Total	6,103	3,965	1,339

Auditor's fees

1,000 EUR	2022	Carve-out 1.1.–31.12.2021	30.9–31.12.2021
Audit	67	36	
Tax consulting	4	13	
Other services	307	88	79
Total	378	137	79

7. FINANCIAL INCOME AND EXPENSES

1,000 EUR	2022	Carve-out 1.1.–31.12.2021	30.9–31.12.2021
Dividend income	0	0	
Other financial income	161	119	50
Interest expense	848	1,932	237
Other financial expenses	1,184	507	503
Total	-1,870	-2,320	-689

8. INCOME TAXES

1,000 EUR	2022	Carve-out 1.1.–31.12.2021	30.9–31.12.2021
Current tax expense	2,557	1,359	134
Change in deferred tax liabilities	-30	0	0
Total	2,527	1,359	134

NOTES TO GROUP BALANCE SHEET

9. INTANGIBLE AND TANGIBLE ASSETS

Intangible assets

1,000 EUR	2022	2021
Development expenditure		
Acquisition cost on 1 January	823	377
Additions	446	446
Acquisition cost on 31 December	1,268	823
Accumulated amortization on 1 January	11	3
Amortization for the financial year	40	8
Accumulated amortization on 31 December	51	11
Carrying value on 31 December	1,217	811
IT-systems		
Acquisition cost on 1 January	602	438
Additions	338	164
Acquisition cost on 31 December	940	602
Accumulated amortization on 1 January	316	269
Amortization for the financial year	71	47
Accumulated amortization on 31 December	387	316
Carrying value on 31 December	553	286

1,000 EUR	2022	2021
Other long-term expenditure		
Acquisition cost on 1 January	215	216
Additions	9	4
Deductions	-2	-5
Acquisition cost on 31 December	222	215
Accumulated amortization on 1 January	135	123
Amortization for the financial year	18	12
Accumulated amortization on 31 December	152	135
Carrying value on 31 December	70	80
Total intangible assets	1,839	1,177

Tangible assets

1,000 EUR	2022	2021
Land and waters		
Acquisition cost on 1 January	73	73
Additions	68	0
Acquisition cost on 31 December	140	73
Carrying value on 31 December	140	73
Buildings and constructions		
Acquisition cost on 1 January	4,899	4,889
Additions	67	10
Acquisition cost on 31 December	4,966	4,899
Accumulated depreciation on 1 January	1,802	1,629
Depreciation for the financial year	175	174
Accumulated depreciation on 31 December	1,978	1,802
Carrying value on 31 December	2,988	3,097
Machinery and equipment		
Acquisition cost on 1 January	18,136	15,466
Additions	1,500	2,670
Acquisition cost on 31 December	19,636	18,136
Accumulated depreciation on 1 January	12,705	11,325
Depreciation for the financial year	1,730	1,379
Accumulated depreciation on 31 December	14,435	12,705
Carrying value on 31 December	5,201	5,432

1,000 EUR	2022	2021
Advance payments and construction in progress		
Acquisition cost on 1 January	1,590	1,236
Additions	966	2,499
Transfers between items	-1,492	-2,145
Carrying value on 31 December	1,063	1,590
Total tangible assets	9,393	10,191

10. GOODWILL

1,000 EUR	2022	2021
Acquisition cost on 1 January	32,322	30,507
Additions	28	1,815
Acquisition cost on 31 December	32,350	32,322
Accumulated amortization on 1 January	9,159	6,101
Amortization for the financial year	3,276	3,058
Accumulated amortization on 31 December	12,435	9,159
Carrying value on 31 December	19,914	23,162

11. INVESTMENTS

1,000 EUR	2022	2021
Other shares and similar rights of ownership		
Acquisition cost on 1 January	111	98
Additions	-13	13
Acquisition cost on 31 December	98	111
Other receivables		
Acquisition cost on 1 January	0	3,735
Decreases	0	-3,735
Acquisition cost on 31 December	0	0
Total investments	98	111

Group companies

Subsidiaries	Country of domicile	Ownership interest held by the group
Sponbeam Ltd	Finland	100%
Nordic Lights Ltd	Finland	100%
Sandsund Lights Ltd	Finland	100%
Herrmans Nordic Lights GmbH	Germany	100%
Nordic Lights NA Inc.	USA	100%
Nordic Lights (Suzhou) Co.	China	100%
Nordic Lights APAC PTE, LTD	Singapore	100%

12. INVENTORIES

1,000 EUR	2022	2021
Raw materials and consumables	8,328	9,568
Finished products / goods for resale	2,140	2,070
Total	10,468	11,637

13. EQUITY

1,000 EUR	2022	2021
Restricted equity		
Share capital on 1 January	12,663	12,663
Share capital on 31 December	12,663	12,663
Total restricted equity	12,663	12,663
Unrestricted equity		
Reserve for invested non-restricted equity on 1 January		
Additions	15,113	
Reserve for invested non-restricted equity on 31 December	15,113	
Retained earnings on 1 January	5,328	3,632
Translation differences	-216	102
Other corrections to retained earnings	-27	-46
Retained earnings on 31 December	5,086	3,689
Profit of the year	4,565	1,640
Total unrestricted equity	24,764	5,329
Total equity	37,427	17,992

Shares of the parent company

1,000 EUR	2022	2021
Shares of the parent company	20,957,962	17,940,430

All shares have similar rights, and each share entitles to one vote.

Boards proposal for the distribution of profit

The parent company's non-restricted equity on 31 December 2022 is EUR 17,878,042 of which the profit for the financial year is EUR 2,867,081.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.12 per share be paid from the parent company's profit for the financial year and the remainder of the profit for the year be transferred to retained earning. According to the proposal, a total of EUR 2,514,955 would be paid in dividend.

14. NON-CURRENT LIABILITIES

1,000 EUR	2022	2021
Loans from financial institutions	20,094	26,850
Total	20,094	26,850

Covenants of the loans from financial institutions are based on debt-to-equity rate. The covenant was met when calculated based on the Financial Statements as of 31 December 2022.

1,000 EUR	2022	2021
Long term provisions	55	
Total	55	

15. MATERIAL ITEMS IN THE ACCRUED EXPENSES AND DEFERRED INCOME

1,000 EUR	2022	2021
Wages and salaries including social security costs	2,513	1,984
Accrual of income taxes	1,338	756
Other	269	176
Total	4,120	2,916

16. GUARANTEES AND OFF-BALANCE SHEET LIABILITIES

1,000 EUR	2022	2021
Liabilities and other obligations for which pledges were given		
Loans from financial institutions	22,131	29,450
Agreed overdraft limit	3,000	3,000
Overdraft limit in use	0	0
Registered mortgages		
Floating charge notes	167,700	167,700
Real estate mortgages	10,584	10,584
Total mortgages	178,284	178,284
Released mortgages		
Floating charge notes	167,700	0
Real estate mortgages	10,584	0
Total mortgages	178,284	0

1,000 EUR	2022	2021
Mortgages given for loans to financial institutions		
Floating charge notes	0	167,700
Real estate mortgages	0	10,584
Total mortgages	0	178,284

1,000 EUR	2022	2021
Leasing liabilities		
Payable during the following financial year	120	185
Payable in later years	131	231
Total	250	416
Other commitments	100	100
Rental liabilities	35	36

17. VAT REFUND LIABILITY OF REAL ESTATE INVESTMENTS

Related to completed investments in real estate the group has an obligation to revise the VAT deducted if the VAT-deductible use decreases during the revision period.

Acquisition year	Acquisition price	VAT deducted	Last revision period	Refund liability at 31 December
2015	444	107	2024	21
2016	9	2	2025	1
2017	43	10	2026	4
2018	382	92	2027	46

Acquisition year	Acquisition price	VAT deducted	Last revision period	Refund liability at 31 December
2019	706	169	2028	102
2020	23	5	2029	4
2021	10	2	2030	2
2022	67	16	2031	14
Total	1,683	404		194

18. RELATED PARTY TRANSACTIONS

1,000 EUR	2022	2021
Sales of services		174
Purchase of goods		455
Loans to related parties		
Loans issued		
Repayments of loans		2,085
Interest income from loans		28
Loans from related parties		
Repayments of convertible loan		12,533
Interest payments of convertible loans		3,756
Earn out payment	1,750	

Terms and conditions of transactions between related parties are the same as those between unrelated parties.

PARENT COMPANY INCOME STATEMENT

EUR	Note	1.1–31.12.2022	30.9–31.12.2021
Net sales	1.	723,607.99	143,012.26
Personnel expenses	2.	-730,603.30	-123,966.07
Depreciation and amortization according to plan	3.	-1,200.00	-300.00
Other operating expenses	4.	-1,386,218.68	-136,487.36
Operating profit / Loss		-1,394,413.99	-117,741.17
Financial income and expenses	5.	-521,733.54	118,458.03
Profit / Loss before appropriations and taxes		-1,916,147.53	716.86
Group contribution		5,500,000.00	470,000.00
Income taxes	6.	-716,771.49	-260.00
Profit / Loss for the period		2,867,080.98	470,456.86

PARENT COMPANY BALANCE SHEET

EUR	Note	31.12.2022	31.12.2021
Assets			
Fixed assets			
Tangible assets	7.	3,900.00	5,100.00
Investments	8.	3,501,750.00	3,501,750.00
		3,505,650.00	3,506,850.00
Current assets			
Long-term receivables		13,545,000.00	8,545,000.00
Short-term receivables			
Account receivables		9,889.98	
Other receivables		5,506,307.11	470,000.00
Prepayments and accrued income		188,054.57	
Financial assets			
Short-term deposits		4,000,000.00	
Cash and equivalents		5,031,991.50	264,801.39
Total current assets		28,281,243.16	9,279,801.39
Total assets		31,786,893.16	12,786,651.39

EUR	Note	31.12.2022	31.12.2021
Equity and liabilities			
Equity	9.		
Share capital		12,663,301.00	12,663,301.00
Reserve for invested non-restricted equity		15,113,348.14	
Retained earnings		-102,386.71	-572,843.57
Profit of the year		2,867,080.98	470,456.86
		30,541,343.41	12,560,914.29
Liabilities			
Current liabilities			
Accounts payables		164,468.10	54,593.49
Other liabilities		131,442.54	20,663.72
Accrued expenses and deferred income	10.	949,639.11	150,479.89
Current liabilities		1,245,549.75	225,737.10
Total equity and liabilities		31,786,893.16	12,786,651.39

PARENT COMPANY CASH FLOW STATEMENT

EUR	1.1–31.12.2022	30.9–31.12.2021
Cash flow from operating activities		
Profit / loss before appropriations and taxes	-1,916,147.53	716.86
Adjustments for		
Depreciation and amortization according to plan	1,200.00	300.00
Financial income and expenses	521,733.54	-118,458.03
Cash flow before working capital changes	-1,393,213.99	-117,741.17
Increase (-) / decrease (+) in trade and other short-term interest-free receivables	-179,322.77	
Increase (+) / decrease (-) in current interest-free liabilities	303,301.60	119,715.74
Operating cash flow before financing items and taxes	-1,269,235.16	2,274.57
Interests and other financial expenses paid relating to operating activities	-1,117,596.33	-3,756,165.07
Interest received relating to operating activities	570,933.90	3,379,676.73
Income taxes paid	-260.44	
Net cash flow from operating activities	-1,816,158.03	-374,213.77

EUR	1.1–31.12.2022	30.9–31.12.2021
Cash flow from investing activities		
Granted loans	-5,000,000.00	
Proceeds from repayment of loans		13,050,000.00
Net cash flow from investing activities	-5,000,000.00	13,050,000.00
Cash flow from financing activities		
Repayment of long-term loans		-12,532,852.00
Proceeds from paid in capital	15,113,348.14	
Proceeds from group contributions	470,000.00	
Net cash flow from financing activities	15,583,348.14	-12,532,852.00
Net increase (+)/ decrease (–) in cash and cash equivalents	8,767,190.11	142,934.23
Cash and cash equivalents at the beginning of period	264,801.39	121,867.16
Cash and cash equivalents at the end of period	9,031,991.50	264,801.39

Short term financial assets have been included in cash and cash equivalents at the end of the period.

NOTES TO PARENT COMPANY

1. NET SALES BY MARKET AREA

EUR	2022	2021
Market area		
EMEA	723,608	143,012
Total	723,608	143,012

The parent company's business consists of sales of administrative services to group companies.

2. PERSONNEL EXPENSES

EUR	2022	2021
Wages and salaries	635,340	108,052
Pension expenses	72,155	12,332
Other social security expenses	23,109	3,582
Total	730,603	123,966

Average number of personnel during the financial year

	2022	2021
Employees	2	2

Wages and salaries of directors and management

EUR	2022	2021
Wages and salaries of the CEO and the members of the Boards of Directors	436,112	72,323

3. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

EUR	2022	2021
Machinery and equipment	1,200	300
Total	1,200	300

4. OTHER OPERATING EXPENSES

EUR	2022	2021
Administrative expenses	220,718	10,118
Other operating expenses	1,165,500	126,370
Total	1,386,219	136,488

Auditor's fees

EUR	2022	2021
Financial audit	18,693	
Other services	298,039	64,781
Total	316,732	64,781

5. FINANCIAL INCOME AND EXPENSES

EUR	2022	2021
Group internal financial income	570,934	118,459
Other financial income	24,929	4
Other financial expenses	1,117,596	5
Total	-521,734	118,458

6. INCOME TAXES

EUR	2022	2021
Current tax expense	716,771	260
Total	716,771	260

7. INTANGIBLE AND TANGIBLE ASSETS

Tangible assets

EUR	2022	2021
Machinery and equipment		
Acquisition cost at beginning of period	6,000	6,000
Additions	0	0
Acquisition cost at end of period	6,000	6,000
Accumulated depreciation at beginning of period	900	600
Depreciation for the financial year	1,200	300
Accumulated depreciation at end of period	2,100	900
Carrying value at end of period	3,900	5,100
Total tangible assets	3,900	5,100

8. INVESTMENTS

EUR	2022	2021
Shares in group companies		
Acquisition cost at beginning of period	3,501,750	3,501,750
Acquisition cost at end of period	3,501,750	3,501,750
Total investments	3,501,750	3,501,750

Group companies

Subsidiaries	Country of domicile	Ownership interest held by the group
Sponbeam Ltd	Finland	100%
Nordic Lights Ltd	Finland	100%
Sandsund Lights Ltd	Finland	100%
Herrmans Nordic Lights GmbH	Germany	100%
Nordic Lights NA Inc.	USA	100%
Nordic Lights (Suzhou) Co.	China	100%
Nordic Lights APAC PTE, LTD	Singapore	100%

9. EQUITY

EUR	2022	2021
Restricted equity		
Share capital at beginning of period	12,663,301	12,663,301
Share capital at end of period	12,663,301	12,663,301
Total restricted equity	12,663,301	12,663,301
Unrestricted equity		
Reserve for invested non-restricted equity at beginning of period		
Additions	15,113,348	
Reserve for invested non-restricted equity at end of period	15,113,348	
Retained earnings at beginning of period	-102,387	-572,844
Retained earnings at end of period	-102,387	-572,844
Profit of the year	2,867,081	470,457
Total unrestricted equity	17,878,042	-102,387
Total equity	30,541,343	12,560,914
Distributable equity		
Reserve for invested non-restricted equity	15,113,348	
Retained earnings	-102,387	-572,844
Profit of the financial year	2,867,081	470,457
	17,878,042	-102,387
Number of shares		
Number of shares	20,957,962	17,940,430

For details on share capital see note 13. in the consolidated financial statement

10. MATERIAL ITEMS IN THE ACCRUED EXPENSES AND DEFERRED INCOME

EUR	2022	2021
Wages and salaries including social security costs	229,868	146,120
Accrual of income taxes	716,771	260
Other	3,000	4,100
Total	949,639	150,480

11. GUARANTEES AND OFF-BALANCE SHEET LIABILITIES

EUR	2022	2021
Registered mortgages		
Corporate mortgages	55,900,000	55,900,000
Released mortgages		
Corporate mortgages	55,900,000	0
Mortgages given for group companies' loans to financial institutions		
Corporate mortgages	0	55,900,000

12. RELATED PARTY TRANSACTIONS

EUR	2022	2021
Group companies		
Sales of services	723,608	143,012
Repayments of loans		13,050,000
Granted loans	5,000,000	
Interest income from loans	570,934	3,379,673
Loans from related parties		
Repayments of convertible loan		12,532,852
Interest payments of convertible loans		3,756,160

Terms and conditions of transactions between related parties are the same as those between unrelated parties.

SIGNATURES TO THE FINANCIAL STATEMENTS

Jakobstad 15. February 2023

Göran Carlson	Sami Heikkilä	Päivi Lindqvist	Jyrki Perttunen
Thomas Sandvall	Risto Siivonen	Caj-Anders Skog	Tom Nordström, CEO

The auditor's note

Our auditor's report has been issued today

Vaasa 22. February 2023

KPMG Oy Ab

Hans Bertell
KHT