

Nordic Lights Group Corporation

HALF-YEAR FINANCIAL REPORT

January – June 2023



Net sales and profitability developed as expected, tender offer process being finalized

APRIL – JUNE 2023 IN BRIEF (Q2)

- Net sales decreased by 7% and totaled EUR 21.2 million (22.7)
- EBITA decreased by 10% and totaled EUR 2.8 million (3.1)
- EBITA margin was 13.3% (13.8%)
- Adjusted EBITA decreased by 10% and totaled EUR 3.7 million (4.2)
- Adjusted EBITA margin was 17.5% (18.3%)
- Operating profit decreased by 14% and totaled EUR 2.0 million (2.3)
- Operating profit margin was 9.4% (10.2%)
- Net cash flow from operating activities were EUR 1.3 million (4.2)

JANUARY – JUNE 2023 IN BRIEF (H1)

- Net sales decreased by 7% and totaled EUR 41.7 million (44.9)
- EBITA decreased by 23% and totaled EUR 4.9 million (6.4)
- EBITA margin was 11.8% (14.3%)
- Adjusted EBITA decreased by 16% and totaled EUR 6.3 million (7.6)
- Adjusted EBITA margin was 15.1% (16.8%)
- Operating profit decreased by 32% and totaled EUR 3.3 million (4.8)
- Operating profit margin was 7.8% (10.7%)
- Net cash flow from operating activities were EUR 2.4 million (6.6)

The figures in this report are unaudited unless otherwise mentioned. Comparative figures for the corresponding period of the previous year are in brackets.

GUIDANCE FOR 2023 (UNCHANGED)

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 on 16 February 2023 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.

TOM NORDSTRÖM, CEO:

During the second quarter, Nordic Lights' business continued to develop in line with our expectations. Our quarterly net sales have increased sequentially since year end, but due to the previously highlighted challenging comparison period, net sales remained slightly lower than during 2022. The first half of the previous year was positively impacted by distributors increasing inventory levels and at the same time we were able to deliver all old backlog and reduce delivery times. Overall, in Q2/2023 our net sales decreased by 7 percent from the previous year to EUR 21.2 million. In H1/2023, net sales decreased by 7 percent to EUR 41.7 million.



Adjusted EBITA totaled EUR 3.7 million (4.2) or 17.5 percent (18.3%) of net sales for Q2/2023, and EUR 6.3 million (7.6) or 15.1 percent (16.8%) of net sales for H1/2023. Similar to Q1, the lower margin was due to the lower level of net sales and slightly higher costs.

During the summer, the public tender offer process has continued according to plan, with the necessary procedural steps being taken for the redemption of remaining minority shares. We anticipate a timely conclusion for the process, and continue to aim for delisting Nordic Lights from Nasdaq First North Growth Market Finland during Q3/2023.

As we prepare to enter this new phase for Nordic Lights, market uncertainty has increased especially in South America and APAC. Our diverse business in different geographical areas and industries continues to balance the expected cyclicity and seasonality that is part of the industry.

KEY PERFORMANCE INDICATORS

(EUR million)	4-6/2023	4-6/2022	Change	1-6/2023	1-6/2022	Change	1-12/2022
Net sales	21.2	22.7	-6.6%	41.7	44.9	-7.2%	82.4 ⁽¹⁾
Gross margin	7.7	8.3	-7.6%	14.3	15.3	-6.5%	28.7
Gross margin, % of net sales	36.1%	36.5%		34.2%	34.0%		34.8%
EBITDA	3.3	3.7	-9.1%	5.9	7.5	-21.0%	14.3
EBITDA margin (%)	15.7%	16.1%		14.1%	16.6%		17.3%
Items affecting comparability in other operating expenses	0.9	1.0		1.4	1.1		1.2
Adjusted EBITDA	4.2	4.7	-9.9%	7.3	8.6	-15.2%	15.5
Adjusted EBITDA margin (%)	19.9%	20.6%		17.5%	19.1%		18.8%
EBITA	2.8	3.1	-9.8%	4.9	6.4	-23.5%	12.2
EBITA margin (%)	13.3%	13.8%		11.8%	14.3%		14.8%
Adjusted EBITA	3.7	4.2	-10.5%	6.3	7.6	-16.5%	13.4
Adjusted EBITA margin (%)	17.5%	18.3%		15.1%	16.8%		16.3%
Operating profit	2.0	2.3	-14.1%	3.3	4.8	-32.2%	9.0 ⁽¹⁾
Operating profit margin (%)	9.4%	10.2%		7.8%	10.7%		10.9%
Adjusted operating profit	2.9	3.3	-13.6%	4.7	5.9	-21.6%	10.2
Adjusted operating profit margin (%)	13.6%	14.7%		11.2%	13.2%		12.3%
EPS	0.05	0.04	24.6%	0.08	0.13	-34.7%	0.23
Number of shares on average	20,957,962	17,940,430		20,957,962	17,940,430		19,449,196
Net cashflow from operating activities	1.3	4.2	-69.8%	2.4	6.6	-64.2%	11.3
Gross capital expenditure	0.4	0.4		1.2	1.1		1.9
Gross capital expenditure, % of net sales	1.8%	2.0%		2.9%	2.5%		2.3%
Net interest-bearing debt/Adjusted EBITDA (ratio)	0.4	1.8		0.4	1.8		0.2
Personnel, at the end of the period	287	315		287	315		271

Key performance indicators are unaudited, unless otherwise indicated. 1) Audited

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 independent spare parts, which are used either to upgrade existing lights or to repair or replace broken lights. Original equipment spare parts are sold to OEMs as original spare parts. 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 addressable 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 percent by the end of 2022 (2021: 6%, 2016: 3%).

We expect overall market demand to be weaker in 2023, but to still 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

Net sales split by geography:

(EUR million)	1-6/2023	1-6/2022	Change	1-12/2022
EMEA	19.6	21.3	-8.1%	36.8
APAC	10.6	10.6	0.0%	21.3
North America	9.5	11.3	-15.5%	20.9
South America	2.0	1.8	13.3%	3.4
Total	41.7	44.9	-7.2%	82.4

Net sales split by end-industry:

(EUR million)	1-6/2023	1-6/2022	Change	1-12/2022
Construction	19.7	20.1	-1.8%	38.2
Mining	7.6	10.7	-28.8%	17.3
Agriculture	8.9	7.8	14.5%	15.4
Forestry	2.2	2.6	-14.8%	4.6
Material handling	2.6	2.8	-6.6%	5.2
Other	0.6	0.9	-36.9%	1.8
Total	41.7	44.9	-7.2%	82.4

In H1/2023, it decreased by 7% to EUR 41.7 million. There was growth in agriculture where new business has continued to ramp up. The decline in the other end-industries is impacted by the high comparison figures. In Q2/2022, all old backlog was delivered and delivery times returned to their normal levels by end of June 2022.

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 of recurring nature, while project-based sales make up a relatively small portion of overall net sales.

Profitability

In Q2/2023, gross margin decreased by 8% and totaled EUR 7.7 million (8.3). Gross margin as % of net sales decreased by 0.4%-units to 36.1%. In H1/2023, gross margin decreased by 7% and totaled EUR 14.3 million (15.3). Gross margin as % of net sales increased by 0.2%-units to 34.2%.

In Q2/2023, adjusted EBITA decreased by 10% and totaled EUR 3.7 million (4.2). Adjusted EBITA margin as % of net sales decreased by 0.8%-units to 17.5%. In H1/2023, adjusted EBITA decreased by 16% and totaled EUR 6.3 million (7.6). Adjusted EBITA margin as % of net sales decreased by 1.7%-units to 15.1%. The decrease in net sales in combination with slightly higher costs are the reasons for the decrease in adjusted EBITA margins.

Profit before taxes in H1/2023 was EUR 3.0 million (3.2). Net profit for the same period was EUR 1.8 million (2.3).

Financial position and cash flow

The balance sheet totaled at the end of the review period EUR 67.5 million (64.9), of which equity constituted EUR 36.2 million (20.4).

In Q2/2023, the Group's net cash flow from operating activities amounted to EUR 1.3 million (4.2). In H1/2023, the Group's net cash flow from operating activities amounted to EUR 2.4 million (6.6). Cash and cash equivalents amounted to EUR 12.8 million (5.2) at the end of the period.

The weaker cash flow in H1 is a result of a higher net working capital and higher tax payments.

Net debt/adjusted EBITDA was 0.4x at the end of the period. 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 53.7% (31.4). Adjusted return on capital employed (ROCE) was 54.3% (47.4).

Investments

Nordic Lights' investments during H1/2023 amounted to EUR 1.2 million (1.1) and were mainly related to production machinery and tooling and R&D capitalization.



RESEARCH AND DEVELOPMENT

R&D expenditure in H1/2023 totaled EUR 1.5 million (1.4), of which EUR 0.2 million (0.3) was capitalized as development costs in intangible assets. R&D costs accounted for 3.7% (3.1) of Net sales.

Nordic Lights has a very strong know-how of lighting technology 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 2022, 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.

PERSONNEL

At the end of the review period, Nordic Lights had 287 employees (excluding rental employees).

MANAGEMENT TEAM

On 30 June 2023, the 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

GOVERNANCE

Annual General Meeting

The Annual General Meeting (the “**AGM**”) of Nordic Lights Group Corporation was held on Thursday 20 April 2023. The AGM approved the company’s financial statements and consolidated financial statements for the financial year 2022 and discharged the members of the Board of Directors and CEO of the company from liability.

In addition, the AGM resolved on the following matters:

The AGM resolved, in accordance with the proposal of the Board of Directors, that a dividend of EUR 0.12 per share be paid from the distributable funds of the company based on the balance sheet adopted for the financial year 2022. The dividend was paid to shareholders who, on the record date of the dividend payment of 24 April 2023, were recorded in the company’s shareholders’ register maintained by Euroclear Finland Oy. The dividend was paid on 2 May 2023.

The AGM resolved, in accordance with the proposal of the Board of Directors, that that the monthly remuneration to the members of the Board of Directors be maintained at their current level and be paid as follows:

- Chair of the Board of Directors: EUR 4,000; and
- Other members of the Board of Directors: EUR 2,000 each.

According to the resolution of the AGM, reasonable travel costs be reimbursed according to an invoice.

The AGM resolved, in accordance with the proposal of the Board of Directors, that the number of members of the Board of Directors shall be seven (7), and that the current members of the Board of Directors Göran Carlson, Thomas Sandvall, Päivi Lindqvist, Sami

Heikkilä, Jyrki Perttunen, Risto Siivonen and Caj-Anders Skog be re-elected as members of the Board of Directors for a term of office ending at the closing of the following AGM.

The AGM resolved, in accordance with the proposal of the Board of Directors, to re-elect KPMG Oy Ab as the auditor of the company for a term of office expiring at the closing of the following AGM. KPMG Oy Ab had notified that Hans Bertell, Authorized Public Accountant, will act as the auditor with principal responsibility.

The AGM resolved, in accordance with the proposal of the Board of Directors, that the auditor's fees be paid according to the auditor's reasonable invoice.

The AGM authorized, in accordance with the proposal of the Board of Directors, the Board of Directors to decide on the repurchase of the company's own shares.

The AGM resolved, in accordance with the proposal of the Board of Directors, to authorize the Board of Directors to decide on the issuance of shares and special rights entitling to shares referred to in Chapter 10, Section 1 of the Finnish Companies Act (624/2006, as amended).

The resolutions of the AGM were published in the company release 20 April 2023.

Extraordinary general meeting

The Extraordinary General Meeting ("EGM") of Nordic Lights Group Corporation was held on 15 May 2023. The Extraordinary General Meeting supported all the proposals presented to the meeting.

The Extraordinary General Meeting resolved that the monthly remuneration to the members of the Board of Directors elected by the Annual General Meeting of the Company held on 20 April 2023 be paid in proportion to the length of their term and that no remuneration is paid to the members of the Board of Directors to be elected for the term of office commencing at the closing of the Extraordinary General Meeting and ending at the closing of the next Annual General Meeting.

The Extraordinary General Meeting resolved that the number of members of the Board of Directors be four (4). Amit Patel, Damian Olesnycky, Kerry A. Vyverberg and Peter Bonavia were elected as members of the Board for a term of office commencing at the close of the Extraordinary General Meeting and ending at the close of the next Annual General Meeting.

At its constitutive meeting held after the Extraordinary General Meeting, the Board of Directors elected Damian Olesnycky as the Chair of the Board of Directors.

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.

NORDLIG	30.6.2023
No. of shares and votes	20,957,962
Share turnover, EUR million (1.1.-30.6.2023)	26.9
Market value, EUR million	129.1
Number of shareholders, excl. nominee reg.	277
Foreign ownership, %	0.07%

Share price, EUR	1.1.2023- 30.6.2023
Highest	6.48
Lowest	4.17
Closing	6.16
Average price, volume-weighted	6.25

Shareholders

Major registered shareholders, as of 30 June 2023	% of shares
Montana Bidco Oy	99.4
Holdix Oy Ab	0.3
Others	0.3

SHORT-TERM RISKS AND BUSINESS UNCERTAINTIES

The uncertainty in the global markets, overall geopolitical tension and the general cost increase might have a negative impact on the global economic. This might affect the investments in new equipment in several end-user segments. In the heavy duty equipment market, uncertainty has recently increased especially in South America and APAC.

Component prices have stabilized as the supply chain disruptions experienced during 2021-2022 have mostly subsided and availability has normalized. The prices and availability of components continue to 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.

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.

In 2022, Nordic Lights 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-aimed 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.

EVENTS AFTER THE REVIEW PERIOD

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

TENDER OFFER

On 25 May 2023, Montana BidCo Oy ("Montana") initiated redemption proceedings for the minority shares of Nordic Lights, pursuant to the Finnish Companies Act. As a result, the Redemption Board of the Finland Chamber of Commerce sought the District Court of Pohjanmaa to appoint a trustee to supervise the interests of Nordic Lights' minority shareholders during the redemption process. Subsequently, Professor Jukka Mähönen was appointed as trustee.

On 30 June 2023, Nordic Lights announced that the Redemption Board of the Finland Chamber of Commerce had appointed an arbitral tribunal consisting of one member for the arbitration proceedings concerning the redemption of the minority shares in Nordic Lights and appointed attorney-at-law Niklas Lindström as the sole member of this tribunal.

Montana BidCo's intention is to acquire all shares and apply for the shares in Nordic Lights to be delisted from Nasdaq First North Growth Market Finland during Q3/2023.

FINANCIAL CALENDAR IN 2023

Nordic Lights will publish its financial reports in 2023 as follows:

- 30 November 2023 Business Review for January-September 2023

Pietarsaari 31 August 2023

NORDIC LIGHTS GROUP CORPORATION

Board of Directors

Further enquiries

Tom Nordström, CEO, Nordic Lights Group Corporation
Tel. +358 400 909005
tom.nordstrom@nordiclights.com

Ann-Louise Brännback, CFO, Nordic Lights Group Corporation
Tel. +358 40 190 1165
ann-louise.brannback@nordiclights.com

Certified Adviser:
Oaklins Merasco Ltd
Tel. +358 9 612 9670

Nordic Lights Group Corporation

Financial information for the period 1.1.-31.12.2022

CONSOLIDATED INCOME STATEMENT

(EUR thousand)	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Net sales	21,247	22,739	41,708	44,934	82,448
Change in stocks of finished and work-in-progress products (+/-)	-465	-245	-577	-563	64
Other operating income		-10		8	8
Materials and services	-11,695	-12,433	-23,803	-25,543	-47,178
Personnel expenses	-3,618	-4,005	-7,418	-7,770	-14,967
Depreciation, amortization and impairment	-1,335	-1,341	-2,639	-2,664	-5,311
Other operating expenses	-2,136	-2,381	-4,013	-3,597	-6,103
OPERATING PROFIT / LOSS	1,997	-2,324	3,258	4,805	8,962
Financial income and expenses	-131	-1,457	-266	-1,649	-1,870
PROFIT / LOSS BEFORE APPROPRIATIONS AND TAXES	1,867	867	2,993	3,156	7,092
Income taxes	-759	-106	-1,219	-829	-2,527
PROFIT / LOSS FOR THE PERIOD	1,108	761	1,774	2,327	4,565

CONSOLIDATED BALANCE SHEET

ASSETS (EUR thousand)	30.6.2023	30.6.2022	31.12.2022
Fixed assets			
Intangible assets	20,386	23,150	21,754
Tangible assets	9,323	9,897	9,393
Investments	98	98	98
Total fixed assets	29,808	33,145	31,245
Current assets			
Inventories	7,954	9,167	10,468
Short-term receivables	16,872	17,373	13,753
Cash and cash equivalents	12,817	5,211	18,315
Total current assets	37,643	31,752	42,536
TOTAL ASSETS	67,451	64,897	73,781
EQUITY AND LIABILITIES (EUR thousand)	30.6.2023	30.6.2022	31.12.2022
Total equity	36,192	20,394	37,427
Liabilities			
Non-current liabilities	18,081	26,850	20,149
Current liabilities	13,178	17,653	16,205
Total liabilities	31,259	44,503	36,354
TOTAL EQUITY AND LIABILITIES	67,451	64,897	73,781

CONSOLIDATED CASH FLOW STATEMENT

(EUR thousand)	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Cash flow from operating activities					
Profit / loss before appropriations and taxes	1,867	867	2,993	3,156	7,092
Adjustments for					
Depreciation and amortization according to plan	1,335	1,341	2,639	2,664	5,311
Financial income and expenses	131	1,504	266	1,756	1,870
Other adjustments	-414	-30	-609	-38	-246
Cash flow before working capital changes	2,918	3,682	5,288	7,539	14,027
Working capital changes	-1,073	1,195	-725	814	1,524
Operating cash flow before financing items and taxes	1,845	4,877	4,563	8,353	15,550
Interests and other financial expenses paid relating to operating activities	44	-287	-135	-539	-2,029
Interests received relating to operating activities	77		94		136
Income taxes paid	-713	-440	-2,171	-1,246	-2,334
Net cash flow from operating activities	1,253	4,150	2,350	6,568	11,323
Cash flow from investing activities					
Purchase of tangible and intangible assets	-389	-468	-1,202	-1,152	-1,899
Proceeds of other investments		19		13	13
Proceeds from repayment of loans					
Adjustment to purchase price of subsidiaries		-1,778		-1,778	-1,778
Net cash flow from investing activities	-389	-2,227	-1,202	-2,918	-3,664
Cash flow from financing activities					
Proceeds from paid in capital					15,113
Proceeds from long-term loans	18,000		18,000		
Repayment of long-term loans	-22,131	-1,300	-22,131	-1,300	-7,319
Paid dividends	-2,515		-2,515		
Net cash flow from financing activities	-6,646	-1,300	-6,646	-1,300	7,795
Net increase (+)/ decrease (-) in cash and cash equivalents	-5,782	623	-5,497	2,350	15,454
Cash and cash equivalents at the beginning of period	18,599	4,589	18,315	2,861	2,861
Cash and cash equivalents at the end of period	12,817	5,211	12,817	5,211	18,315

ACCOUNTING POLICIES

Finnish accounting Principles ('FAS') have been applied in the preparation of financial information for 1.1-30.6.2023.

Nordic Lights Group Corporation has been an independent legal group since 1.10.2021.

CHANGES IN CONSOLIDATED EQUITY

(EUR thousand)	30.6.2023	30.6.2022	31.12.2022
Restricted equity			
Share capital 1.1	12,663	12,663	12,663
Share capital 31.12	12,663	12,663	12,663
Total restricted equity	12,663	12,663	12,663
Non-restricted equity			
Reserve for invested non-restricted equity 1.1	15,113		
Additions			15,113
Reserve for invested non-restricted equity 31.12	15,113		15,113
Retained earnings 1.1	9,651	5,328	5,328
Dividend payments	-2,515		
Translation differences	-490	75	-216
Other corrections	-5		-27
Retained earnings 31.12	6,641	5,403	5,086
Profit of the period	1,774	2,327	4,565
Total non-restricted equity	23,529	7,730	24,764
Total equity	36,192	20,394	37,427

GUARANTEES AND OFF-BALANCE SHEET LIABILITIES

(EUR thousand)	30.6.2023	30.6.2022	31.12.2022
Liabilities and other obligations for with pledges were given			
Loans from financial institutions		28,150	22,131
Agreed overdraft limit		3,000	3,000
Overdraft limit in use		-	-
Registered mortgages			
Corporate mortgages	111,800	167,700	167,700
Real estate mortgages	10,584	10,584	10,584
Total mortgages	122,384	178,284	178,284
Released mortgages			
Corporate mortgages	111,800		167,700
Real estate mortgages	10,584		10,584
Total mortgages	122,384		178,284
Mortgages given for loans to financial institutions			
Corporate mortgages		167,700	
Real estate mortgages		10,584	
Total mortgages		178,284	
(EUR thousand)	30.6.2023	30.6.2022	31.12.2022
Leasing liabilities			
Payables during the following financial year	112	124	120
Payables in later years	126	258	131
Total	238	383	250
Other commitments	100	100	100
Rental liabilities	35	35	35

KEY PERFORMANCE INDICATORS

(EUR thousand)	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Net sales	21,247	22,739	41,708	44,934	82,448 ⁽¹⁾
Change in net sales (%)	-6.6%	33.3%	-7.2%	45.3%	24.3%
Gross margin	7,677	8,310	14,270	15,268	28,652
Gross margin, % of net sales	36.1%	36.5%	34.2%	34.0%	34.8%
EBITDA	3,332	3,665	5,897	7,469	14,272
EBITDA margin (%)	15.7%	16.1%	14.1%	16.6%	17.3%
Adjusted EBITDA	4,221	4,683	7,292	8,602	15,463
Adjusted EBITDA margin (%)	19.9%	20.6%	17.5%	19.1%	18.8%
EBITA	2,827	3,134	4,917	6,423	12,238
EBITA margin (%)	13.3%	13.8%	11.8%	14.3%	14.8%
Adjusted EBITA	3,716	4,151	6,312	7,555	13,428
Adjusted EBITA margin (%)	17.5%	18.3%	15.1%	16.8%	16.3%
Operating profit	1,997	2,324	3,258	4,805	8,962 ⁽¹⁾
Operating profit margin (%)	9.4%	10.2%	7.8%	10.7%	10.9%
Adjusted operating profit	2,886	3,342	4,653	5,938	10,152
Adjusted operating profit margin (%)	13.6%	14.7%	11.2%	13.2%	12.3%
EPS	0.05	0.04	0.08	0.13	0.23
Number of shares on average	20,957,962	17,940,430	20,957,962	17,940,430	19,449,196
Number of shares, at end of period	20,957,962	17,940,430	20,957,962	17,940,430	20,957,962
Return on capital employed (ROCE) (%)	18.3%	13.5%	18.3%	13.5%	21.3%
Adjusted return on capital employed (ROCE) (%)	54.3%	47.4%	54.3%	47.4%	62.8%
Research and development expenses	763	719	1,544	1,391	2,863
Research and development expenses, % of net sales (%)	3.6%	3.2%	3.7%	3.1%	3.5%
Gross capital expenditure	389	449	1,202	1,140	1,899
Gross capital expenditure, % of net sales	1.8%	2.0%	2.9%	2.5%	2.3%
Balance sheet and solvency					
Capital employed	41,375	43,333	41,375	43,333	41,243
Adjusted capital employed	23,119	21,760	23,119	21,760	21,329
Net interest-bearing debt	5,183	22,939	5,183	22,939	3,816
Net interest-bearing debt/Adjusted EBITDA (ratio)	0.4	1.8	0.4	1.8	0.2
Equity ratio (%)	53.7%	31.4%	53.7%	31.4%	50.7%
Net gearing (%)	14%	112%	14%	112%	10%
Personnel					
Personnel, average	269	314	265	303	296
Personnel, at the end of the period	287	315	287	315	271

Key performance indicators are unaudited, unless otherwise indicated. 1) Audited

CALCULATION OF KEY PERFORMANCE INDICATORS

Key Performance Indicators	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	Net sales – direct material and direct labor	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 (%)	$\frac{\text{Gross margin}}{\text{Net sales}} \times 100$	
EBITDA	Operating profit + Depreciation and amortization of tangible and intangible assets + amortization of consolidated goodwill	EBITDA is an internal measure used to assess Nordic Lights' performance.
EBITDA margin (%)	$\frac{\text{EBITDA}}{\text{Net sales}} \times 100$	
Adjusted EBITDA	EBITDA+ items affecting comparability	Adjusted key figures are used to improve the comparability between different periods.
Adjusted EBITDA margin (%)	$\frac{\text{Adjusted EBITDA}}{\text{Net sales}} \times 100$	
EBITA	Operating profit + amortization of consolidated goodwill	EBITA is an internal measure used to assess Nordic Lights' performance.
EBITA margin (%)	$\frac{\text{EBITA}}{\text{Net sales}} \times 100$	
Adjusted EBITA	EBITA + items affecting comparability	Adjusted key figures are used to improve the comparability between different periods.
Adjusted EBITA margin (%)	$\frac{\text{Adjusted EBITA}}{\text{Net sales}} \times 100$	
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	Operating profit + items affecting comparability	Adjusted key figures are used to improve the comparability between different periods.
Adjusted operating profit margin (%)	$\frac{\text{Adjusted EBIT}}{\text{Net sales}} \times 100$	
Return on capital employed (ROCE) (%)	$\frac{\text{Profit before taxes + financial expenses (rolling 12 months)}}{\text{Equity + net interest-bearing debt, average of the financial period}} \times 100$	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) (%)	$\frac{\text{Adjusted EBITA (rolling 12 months)}}{\text{Equity + net interest-bearing debt - goodwill, average of the financial period}} \times 100$	

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 (%)	$\frac{\text{Research and development expenses}}{\text{Net sales}} \times 100$		
Purchase of tangible and intangible assets, % of net sales (%)	$\frac{\text{Purchase of tangible and intangible assets + other investments}}{\text{Net sales}} \times 100$		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		
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)	$\frac{\text{Net interest bearing debt}}{\text{Adjusted EBITDA}}$		
Equity ratio (%)	$\frac{\text{Equity total}}{\text{Total assets – advances received}} \times 100$		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 (%)	$\frac{\text{Net interest-bearing debt}}{\text{Equity}} \times 100$		Net gearing describes the indebtedness of Nordic Lights.
Earnings per share (EPS)	$\frac{\text{Profit/loss for the year}}{\text{Weighted average number of shares}}$		EPS describes how much a company earns for each share

RECONCILIATION OF CERTAIN KEY PERFORMANCE INDICATORS

(EUR thousand)	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
EBITDA	3,332	3,665	5,897	7,469	14,273
EBITDA margin (%)	15.7%	16.1%	14.1%	16.6%	17.3%
Listing costs		1,018		1,133	1,190
Due Diligence costs	889		1,395		
Adjusted EBITDA	4,221	4,683	7,292	8,602	15,463
Adjusted EBITDA margin (%)	19.9%	20.6%	17.5%	19.1%	18.8%
(EUR thousand)	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
EBITA	2,827	3,134	4,917	6,423	12,238
EBITA margin (%)	13.3%	13.8%	11.8%	14.3%	14.8%
Listing costs		1,018		1,133	1,190
DD costs	889		1,395		
Adjusted EBITA	3,716	4,152	6,312	7,556	13,428
Adjusted EBITA margin (%)	17.5%	18.3%	15.1%	16.8%	16.3%
(EUR thousand)	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Operating profit	1,997	2,324	3,258	4,805	8,962
Operating profit margin (%)	9.4%	10.2%	7.8%	10.7%	10.9%
Listing costs		1,018		1,133	1,190
DD costs	889		1,395		
Adjusted operating profit	2,886	3,342	4,653	5,938	10,151
Adjusted operating profit margin (%)	13.6%	14.7%	11.2%	13.2%	12.3%