ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

VALMET AUTOMOTIVE GROUP

Business ID 0143991-2
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23501 Uusikaupunki
Finland

CONTENTS

BOARD OF DIRECTORS' REPORT

GENERAL

Valmet Automotive ("Group" or "Valmet Automotive") is a provider of vehicle manufacturing, battery systems, and convertible roof and kinematic systems. The Group's special areas of expertise are contract manufacturing of complete vehicles and battery systems and Tier-1[1] system supply of convertible roof and kinematic systems and battery solutions for automotive and industrial applications.

GROUP STRUCTURE

Valmet Automotive's business is divided into three business lines – Vehicle Manufacturing, Electric Vehicle (EV) Systems and Roof & Kinematic Systems. The Group's parent company is Valmet Automotive Oy and the Group consists of subsidiaries in Finland, Germany and Poland, fully owned either directly or indirectly by Valmet Automotive Oy. There were no changes in the Group structure during 2021. The Group divested its generic automotive engineering services business in Germany and Spain in 2020 and reports these operations as discontinued operations.

[1] Tier-1 system supplier typically delivers development, engineering and manufacturing services to OEMs (Original Equipment Manufacturer). Contract manufacturing service delivery is mainly related to manufacturing.

OPERATING ENVIRONMENT

Valmet Automotive operates mostly within automotive industry and its key customers are primarily European car OEM's. The development of the automotive market is described in the following table.

Light vehicle production, in thousands	Q4 2021	Q4 2020	Change	2021	2020	Change
Global Production	19 539	23 569	-17%	75 496	74 583	1%
of which xEV *	1 963	1 425	38%	6 420	3 550	81%
xEV of total	10%	6%		9%	5%	
European production **	3 141	4 373	-28%	13 025	13 963	-7%
of which xEV*	493	528	-7%	1 831	1 259	45%
xEV of total	16%	12%		14%	9%	
German premium*** OEMs European production	785	1 021	-23%	3 090	3 297	-6%
of which xEV*	153	162	-6%	539	393	37%
xEV of total	19%	16%		17%	12%	

* xEV = Plug-In Hybrid Electric Vehicle (PHEV) and Battery Electric Vehicle (BEV)

** European production excluding Russia and Turkey

*** German Premium OEMs include Audi, BMW, Mercedes and Porsche

Source: IHS Markit Light Vehicle Powertrain + Alternative Propulsion Forecast - December 2021

Global light vehicle production declined by 17% in the fourth quarter while it increased 1% during the financial year compared to previous year. European production development was weaker than globally: -28% in the fourth quarter and -7% for the full year. Both global and European production suffered from component availability, especially related to semiconductors. German premium OEM production was performing just slightly better than the total European production. Electrification of light vehicles intensified during the financial year. Share of xEV of total production increased globally from 5% to 9% for the full year and from 9% to 14% in the European production. Strongest growth took place within Battery Electric Vehicles, even though also the Plug-In Hybrid Electric Vehicles production increased globally and in Europe during the financial year.

EVENTS WITHIN THE FINANCIAL YEAR

The year 2021 was eventful both due to the continuing extraordinary external circumstances and internal developments. The covid-19 pandemic continued through-out the year and required constant follow-up, however, measures to contain the effects were successful and the pandemic did not shut down the production during the year. Recovery was restrained by the shortage of semiconductor components, which was a defining factor in the automotive industry throughout 2021. Component shortage affected all business lines especially in the second and third quarter and led to unplanned production stops and some operational inefficiencies. However, financial impact to the Group was limited due to contractual compensations.

The most significant events of the year included winning several new customer contracts in all business lines and new production facilities and products in the EV Systems business line as well as continued focus on sustainability and development activities.

On January 28, 2021, Valmet Automotive announced it had signed a battery manufacturing contract with a major automotive OEM for the Uusikaupunki, Finland battery plant. The new contract further strengthens Valmet Automotive's position as a main automotive battery systems provider and is yet another important step towards the company's strategic goal to expand the EV Systems business line.

On March 23, 2021 Valmet Automotive announced that it is building its first German battery factory in Kirchardt, Germany. The plant will produce battery packs as a Tier-1 supplier and will create around 160 jobs. Pre-series production of complete battery systems for electrically powered vehicles is scheduled to start in 2022. In parallel with the construction of the new plant, testing capacities for high-voltage batteries at Valmet Automotive's Battery Test Center in Bad Friedrichshall and associated test facility in Weihenbronn are expanded.

On May 6, 2021 Valmet Automotive announced it had signed another customer contract for manufacturing battery systems at the Uusikaupunki battery plant.

On July 19, 2021 Valmet Automotive announced it had signed a letter of intent on vehicle manufacturing with Lightyear, the Netherlands-based technology company, followed by signing a manufacturing agreement announced on November 9. The contract contains the manufacturing of the Lightyear One exclusive series, a uniquely designed electric vehicle with integrated solar cells. Production is scheduled to start in the first half of 2022. Co-operation with Lightyear meets Valmet Automotive's ambitions for new vehicle manufacturing, as the company's strategy focuses on e-mobility and emphasizes sustainability.

On September 3, 2021 Valmet Automotive announced that its EV Systems business line had received a new battery manufacturing contract for the Salo battery plant. With the new contract, the Salo plant expanded its production to include high voltage batteries. The Salo battery plant was extended to enable the construction of a new battery assembly line and logistics areas in order to serve the new customer agreement. On November 10, Valmet Automotive confirmed that high-voltage batteries for Volvo's plug-in hybrids are assembled at the Salo plant.

On September 14, 2021 the opening of the new battery factory in Uusikaupunki took place. The battery factory is adjacent to the vehicle manufacturing plant in Uusikaupunki and is the second plant with high-volume battery system production. The expansion is a key step in the implementation of the strategy to establish Valmet Automotive as a Tier-1 supplier for battery systems and modules.

On September 30, 2021 Valmet Automotive announced it had signed supply contracts to use only fossil-free renewable electricity at the Salo battery plant in Finland, at the Zary plant in Poland as well as at the related technology center in Osnabrück, Germany, supplying Roof & Kinematic Systems. This replacement reduces Valmet Automotive's CO2 emissions by more than 50 % while actions are continued for carbon neutrality in all three locations.

On November 30, 2021 Valmet Automotive's EV Systems business line introduced its own Modular Battery Platform product family with the first product, the Modular Power Pack. With this platform, Valmet Automotive offers a benchmark electrification solution to off-highway and truck & bus OEMs as well as integrators. The Power Pack is based on an advanced cell-to-pack battery concept with high power density and LTO cells to ensure high reliability, durability and safety.

On December 15, 2021 Valmet Automotive's Roof & Kinematic Systems business line announced a new contract for a roof system to be produced in Zary. The production of the roof system will start in the latter half of 2024.

SALES AND PROFIT

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in force as of January 1, 2021. There were no new or amended IFRS accounting principles in 2021 which would have had a material impact on Group's financial statements. The Group started disclosing its gross sales as alternative performance measure (non-IFRS) in order to give a complete picture of the size of the business and the related balance sheet items in comparison to sales values.

During the financial year, the Group's gross[2] sales from continuing operations amounted to EUR 2 977,5 (2 443,7) million, an increase of 21,8 %. The net sales from continuing operations were EUR 570,2 (494,0) million, which was 15,4 % higher than the year earlier. Gross and net sales increased in all business lines, with strongest growth in the EV Systems.

The Group's operating profit from continuing operations increased by 64,2 % to EUR 35,6 (21,7) million, or 6,2 % of net sales (4,4 %). The negative profit impact from semi-conductor component shortage related unplanned shutdowns was largely offset by contractual compensations. There were no items in the financial year or the year earlier affecting comparability.

CASH FLOW AND FINANCING

The Group's cash flow after investments was EUR -7,2 (12,0) million. The decrease in cash flow originated from higher investment activities. Investments made according to plan related mainly to growth in EV Systems and to replacement, productivity and flexibility in Vehicle Manufacturing and Roof & Kinematics Systems.

At the end of the financial year the shareholders were Pontos Group (38,46 %), Tesi (38,46 %) and CATL (23,08 %).

During 2021, the Group repaid the remaining EUR 66 million of its short-term debt financing raised in 2020. In addition, the remaining balance (EUR 6,7 million) of the long-term loan from the European Investment Bank was fully repaid during 2021. In December 2021, Valmet Automotive signed an agreement for a EUR 100 million working capital financing facility granted by Finnvera, a specialized financing company owned by the State of Finland, and guaranteed by the European Investment Bank's Pan-European Guarantee Fund. The credit demonstrates the

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[2] Gross sales are presented as an alternative performance measure. It is defined as total (gross) sales including both net sales and sales of customer-directed materials and parts. Customer-directed materials and parts are materials that are purchased from the principal or from suppliers selected by the principal at prices negotiated by the principal. Reporting gross sales gives an accurate picture of the magnitude of the business and adds comparability vs. competitors. In addition, it leads to consistency between the profit and loss statement vs. the balance sheet and cash flow as customer-directed materials are already reflected on the balance sheet and cash flow statement.

financial sector's confidence in Valmet Automotive's business strategy and growth, and it supports the company's development plans and green transition. At Valmet Automotive, the need for short-term working capital financing relates to fluctuations in supply chains and production. With a credit period of four years, the financing will also support the company's strategic transformation, such as product changes and especially the expansion of operations to meet the needs of e-mobility. The facility was not used at year-end.

In addition, the Group continued to have a receivable sale facility in Roof & Kinematics with a limit of EUR 10 million. Lease financing is used for acquisition of facilities, machinery and equipment. Lease liabilities totaled EUR 24,1 (25,2) million at year-end.

FINANCIAL POSITION AND INVESTMENTS

The consolidated balance sheet totaled EUR 685,9 (628,1) million. The Group's equity at the end of the financial year was EUR 42,3 (22,2) million. The Group had EUR 20,0 million hybrid capital instrument, classified as equity, unchanged from the year before.

Gross investments in fixed assets totaled EUR 62,1 (39,2) million, consisting of replacement investments, development investments and investments into new production facilities and production lines especially in EV Systems.

PERSONNEL

The total number of employees in the Group during the financial year was on average 4 197 (3 868). The total amount of wages and salaries in the financial year was EUR 211,5 million (EUR 164,8 million).

Valmet Automotive continued pro-active measures against the covid-19 virus, which have included visitor ban at locations, restrictions in work-related traveling, mandatory use of masks and employees' access to corona tests and vaccinations. Most salaried employees have been remote working. Due to the extensive preparations and continuous follow-up, the virus has not caused chains of infection at Valmet Automotive locations.

Valmet Automotive, as an international Group with three business lines and several locations in three countries, acknowledges the importance of unified corporate culture. The Group's culture is based on five Commitments that are actively rolled-out on all levels of the organization. Internal communications on Commitments is constant and diverse, including internal workshops and diagonal meetings as well as a steady flow of internal news on the subject. For example, the employees vote monthly for a Commitment Ambassador and employees participate in e-learning Commitment trainings. The success of these activities is reflected in the positive development of Pulse Check results, the annual personnel survey that comprehensively covers various areas affecting the employees' satisfaction at work and the implementation of Commitments. In 2021, more employees than ever responded that they are living the Commitments, which has a clear positive impact on the development of unified company culture.

RESEARCH AND DEVELOPMENT

Valmet Automotive's research and development activities are focused on its EV Systems and Roof & Kinematic Systems business lines.

EV Systems has an on-going development project related to industrial battery platform intended to be commercialized mainly in applications of non-automotive vehicle industry. The objective is to introduce an own modular battery platform product family for the need of off-highway, truck and bus, and industrial machinery manufacturers. The first product of Modular Battery Platform product family was introduced in November. During the first half of the year, Valmet Automotive was granted funding for a new long-term R&D project from the Innovation Funding Agency Business Finland. Objective of the new project called "IPCEI Industrial Battery Innovation Center" is to develop new business by enabling and accelerating work machine and heavy-duty automotive industry electrification by making customizable and scalable modular solutions with world-leading technology readily available in a cost-effective manner.

In Roof and Kinematic Systems, building on its experience in the development and manufacturing of active spoiler systems for sports cars, the focus is on improving aero efficiency and thus optimizing the driving range of electric cars. Valmet Automotive has developed an intelligent actuator for the spoiler systems of upcoming EV generations. Innovative kinematic systems such as active body panels contribute to optimally utilizing the energy of the battery system and thus increasing the driving range or building smaller sized batteries with identical range. One focus here is on

solutions for EV charging flaps. To this end, the experts at Valmet Automotive have developed a modular system that ranges from manual to active solutions covering the entire vehicle spectrum from volume models to the premium cars.

In Vehicle Manufacturing, there are small-scale research activities. The business line's development activities are an integral part of customer projects, and the technical development work is carried out as projects in close cooperation with customers.

Valmet Automotive has an IPR portfolio that includes approximate 150 patent families which are mainly related to Roof & Kinematics Systems business line.

QUALITY, ENVIRONMENT AND SAFETY

All units are certified in compliance with the requirements of the automotive industry's IATF 16949 quality standard.

In addition, production plants are certified according to the ISO 9001 quality standard where required, ISO 14001 environmental standard and ISO 45001 (former OHSAS 18001) occupational health and safety standard.

SUSTAINABILITY AT VALMET AUTOMOTIVE

Sustainability is deeply rooted in the Valmet Automotive's culture. The key topics of Group's sustainability concept – environment, sustainability, governance, health and safety and people – are aligned with the five Commitments of Valmet Automotive's corporate culture – *respect, always learn, lead at all levels, show entrepreneurial spirit and deliver*. The Group looks both at the direct impacts of its operations and the value it creates for Valmet Automotive's stakeholders.

The most important resource of Valmet Automotive is the highly skilled, innovative and flexible personnel. The principles of a continuously improving organization, operations, development and governance are bases for Valmet Automotive's daily work.

During 2021 the Group's sustainability actions have focused on preparing the mid-term sustainability strategy and program for 2027. Sustainability strategy includes the holistic view on sustainability and focuses on material topics of Environment, Social and Governance. As main driver, the industry is facing a profound transformation towards electrification. The Group's aim is to take its place as the key player in this transformed business environment, innovating new solutions to contribute to the shift towards a zero-emission society, striving to minimize own negative impacts and maximize the positive impact on customers emissions.

To reinforce Valmet Automotive's commitment to reach CO2 neutrality from the beginning of 2022, the Group signed supply contracts to use only fossil-free electricity in Salo, Zary and Osnabrück locations. This will reduce the plants' CO2 emissions by more than 50 % while actions are continued for carbon neutrality in all three locations.

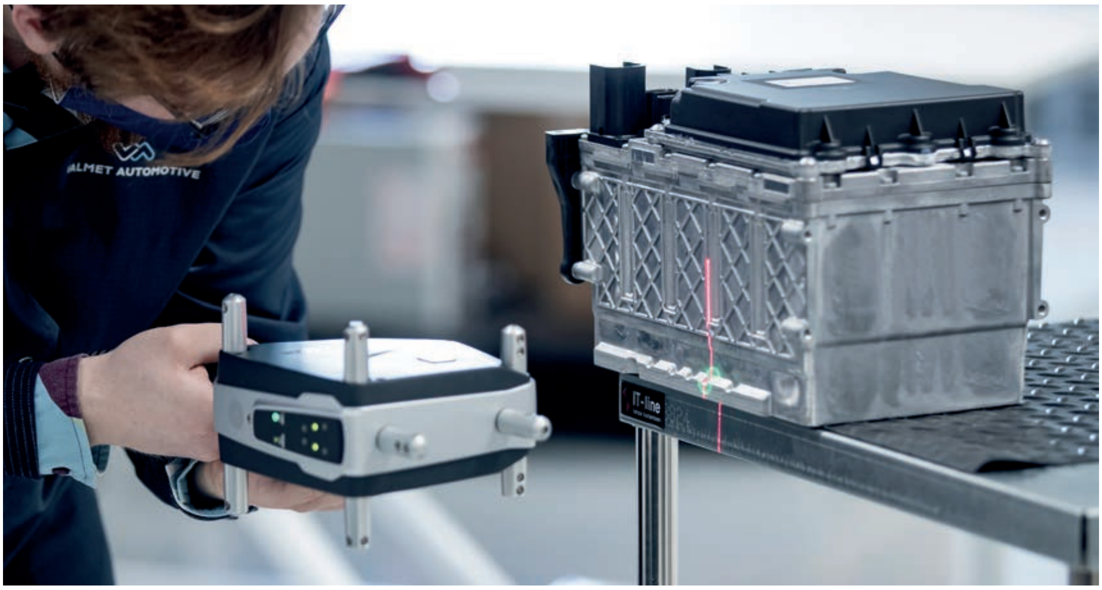
As important part of the company's strategic sustainability program and implementation, Group made the decision to build a terminal for renewable energy. It plays a decisive role in realizing CO2 neutrality of the Uusikaupunki site by eliminating CO2 emissions, reducing energy consumption and improving energy efficiency.

Valmet Automotive's aim is to reach low carbon value chain and collaborate with suppliers to reach CO2 neutrality. The Group calculated its scope 3 (value chain) emissions and is setting the targets and objectives for key suppliers. Valmet Automotive's carbon footprint for 2020 was 170 315 t CO2e. The main impacts from the value chain comes from transportation and distribution (43 %) and from purchased goods and services (31 %). Since September 2021, the suppliers are also obligated to commit to the Group's Supplier Code of conduct.

The Group's systematic sustainability work is based on common procedures and measures. Therefore, common Sustainability management processes and procedures were created as well as common KPIs to measure environmental performance.

Valmet Automotive is currently preparing the identification of climate-related risks and opportunities as well as identifying the human rights risks in its supply chain. In addition, the Group is preparing for the EU Taxonomy regulations and identifying the impacts and consequences for its business.

The Group publishes annually a Sustainability report based on GRI Standards.



THE BOARD OF DIRECTORS, MANAGEMENT AND AUDITORS

Valmet Automotive Oy's annual general meeting of the shareholders was held on March 10, 2021. This meeting elected the following board members: Mr. Jarkko Sairanen (Chairman), Mr. Philip-Christian Eller, Dr. Hans-Joachim Schöpf, Mr. Timo Kokkila, and Mr. Kari Heinistö.

The CEO of the company is Mr. Olaf Bongwald. The initial three-year CEO contract of Olaf Bongwald was extended with a five-year period from April 1, 2021 to March 31, 2026.

The company's auditor is the authorized public accounting firm Ernst & Young Oy and Mr. Mikko Rytilahti acts as the auditor with the principal responsibility.

SHARES AND PROFIT DISTRIBUTION PROPOSAL

Valmet Automotive Oy has one class of shares. The company has a total of 136 887 shares, which do not have nominal value. Each share entitles to equal voting and dividend rights. Valmet Automotive Oy owns 5 288 of its own shares.

As of 31.12.2021, Valmet Automotive Oy has distributable funds amounting to EUR 2 617 991. The Board of Directors proposes to the Annual General Meeting to not distribute any dividends and to carry the net profit of the financial year forward.

KEY FIGURES

	Group 2021	Group 2020	Parent (FAS) 2021	Parent (FAS) 2020
Economic indicators, continued operations, MEUR				
Gross sales[2]	2 977,5	2 443,7	2 582,0	2 221,2
Net sales	570,2	494,0	421,4	377,6
Operating profit (loss), MEUR	35,6	21,7	25,4	1,0
Operating profit (loss), % of net sales	6,2	4,4	6,0	0,3
Net income (loss), MEUR	20,3	11,5	15,4	-37,3
Net income (loss), % of net sales	3,6	2,3	3,6	-9,9
Return on investments (ROI), %	70,4	46,7	72,9	1,7
Return on equity (ROE), %	63,0	54,6	45,3	-106,8
Operating cash flow, MEUR	53,3	55,7	35,3	43,5
Equity ratio, %	8,1	4,7	11,6	6,3

Calculation of key figures

Return on investments (ROI), %

$$\frac{\text{Profit (loss) before taxes + interest and other financial expenses}}{\text{Equity + LT interest bearing liabilities (average during the year)}}$$

Return on equity (ROE), %

$$\frac{\text{Net income (loss)}}{\text{Equity (average during the year)}}$$

Equity ratio, %

$$\frac{\text{Equity + (accumulated depreciation - tax debt)}}{\text{Balance sheet total - contract liabilities}}$$

ESTIMATE ABOUT THE SHORT-TERM PROSPECTS, THE MAIN RISKS AND UNCERTAINTIES

Valmet Automotive's Vehicle Manufacturing business in the coming years is largely dependent on the demand trend of its largest customer. The most significant near-term risks are related to the execution of the car models currently in production on a high-volume level while maintaining the delivery and quality performance, as well as securing the supply chain. In contract manufacturing the changes in customer demand typically can result in a need to adjust resources. Customers regularly submit demand forecasts, which will enable Valmet Automotive to respond timely to these changes. In some cases, customers also have the contractual obligation of compensation for lower than agreed production amounts.

Roof & Kinematic Systems has a broader customer base than Vehicle Manufacturing, and along with that the risk associated with the demand for single customer is smaller from Valmet Automotive's point of view. The market for convertible roofs is not expected to increase. The most significant risks in the Roof & Kinematic Systems are thus related to the demand for convertibles as well as to Valmet Automotive's ability to win new roof and kinematic systems engineering and manufacturing projects as well as redirect the service offering. Tier-1 system supplier typically delivers development, engineering and manufacturing services to its customers in comparison to contract manufacturing service supplier whose delivery is mainly related to manufacturing and therefore the related risks and liabilities are different from each other.

As Valmet Automotive builds its position and grows its volumes in Electric Vehicle Systems, there is risk associated with product liabilities in cases where Valmet Automotive acts as a Tier-1 or system supplier and typical contract manufacturing risks in cases Valmet Automotive acts as a contract manufacturing service provider.

The covid-19 pandemic may have a major impact on the automotive industry demand and supply chain. Availability and delivery times of parts might have adverse influence on manufacturing volume, sales and cash flow.

Valmet Automotive's credit loss risk related to the receivables has been managed with credit policy and advance payments, when needed.

In some projects, part of the project sales price is received from the customer only during the production phase. Valmet Automotive's financial resources are assumed to be sufficient to cover a part of the financing needs of this type of project, but at the same time Valmet Automotive will actively influence the fact that the financial needs of the project shall be tailored between the customers and Valmet Automotive in proportion to resources and risk-taking capacity.

Geopolitical risks have increased since Russia started the war activities towards Ukraine in February 2022. The Group does not have operations in Russia, Belarus or Ukraine, nor does the Group have direct customers or suppliers in those countries. However, there might be adverse impacts through supply chains or demand of the Group's products and services. The situation may create risks that cannot be reliably predicted at the moment.

SIGNIFICANT SUBSEQUENT EVENTS

There have been no significant events in the Group after the end of the financial year.

Vantaa, March 3, 2022

Valmet Automotive Oy
Board of Directors

ALTERNATIVE PERFORMANCE MEASURE

	Notes	1 Jan - 31 Dec 2021 €000	1 Jan - 31 Dec 2020 €000
Gross sales[1]		**2 977 462**	**2 443 736**
Customer directed materials		-2 407 230	-1 949 760
Net sales	4	**570 232**	**493 976**

The notes are an integral part of the consolidated financial statements.

[1]Gross sales are presented as a non-IFRS alternative performance measure. It is defined as total (gross) sales including both net sales and sales of customer-directed material and parts, which are material and parts purchased from the principal or from suppliers selected by the principal, at prices negotiated by the principal.

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Continuing operations

	Notes	1 Jan - 31 Dec 2021 €000	1 Jan - 31 Dec 2020 €000
Net sales	4	570 232	493 976
Other operating income	5	5 442	7 559
Changes in inventories of finished goods and work in progress		47 062	9 940
Raw materials and consumables used		-219 205	-184 700
Depreciation and amortization	14	-66 783	-66 234
Personnel expenses	6	-211 521	-164 814
Other operating expenses	5	-89 620	-74 040
Total expenses		**-540 068**	**-479 847**
Operating profit		**35 607**	**21 688**
Finance income and costs	8	-8 175	-10 320
Share of profit of an associate	3.3	-2	-4
Profit before taxes from continuing operations		27 430	11 363
Income tax expense	9.1	-7 132	138
Net income from continuing operations		**20 297**	**11 501**
Discontinued operations			
Profit/loss before tax from discontinued operations		-	-9 718
Profit/loss before tax for the period from sale of discontinued operations		-	-17 717
Income taxes related to discontinued operations		-	-11
Net income from discontinued operations		**-**	**-27 446**
Net income		**20 297**	**-15 944**
Attributable to:			
Equity holders of the parent		20 297	-15 944
		20 297	**-15 944**

The notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	1 Jan - 31 Dec 2021 €000	1 Jan - 31 Dec 2020 €000
Net income		**20 297**	**-15 944**
Other comprehensive income, continuing operations:			
Exchange differences on translation of foreign operations		-167	-1 795
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**-167**	**-1 795**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains (losses) on defined benefit plans	6	-42	-77
Income tax effect	9	8	16
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**-34**	**-62**
Other comprehensive income, net of tax, continuing operations		**-201**	**-1 857**
Total comprehensive income for the period, net of tax		**20 097**	**-17 801**
Attributable to:			
Equity holders of the parent		20 097	-17 801
		20 097	**-17 801**

The notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET, ASSETS

		31 December 2021	31 December 2020
Assets	**Notes**	**€000**	**€000**
Non-current assets			
Intangible assets	12	32 381	28 980
Property, plant and equipment	10, 11	245 825	242 468
Investment in an associate	3.3	85	87
Non-current financial assets	15	77	77
Net contract assets	4, 15	39 747	13 336
Net employee defined benefit assets	7.2	1	47
Deferred tax assets	9.2	15 040	12 469
Non-current prepayments	15.4	750	-
		333 906	**297 464**
Current assets			
Inventories	18	103 532	70 810
Trade receivables	15.3	164 088	105 191
Net contract assets	4, 15	6 459	2 611
Other current assets	15.3	31 919	34 466
Cash and cash equivalents	15.2	45 980	117 586
		351 978	**330 663**
Total assets		**685 885**	**628 127**

The notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET, SHAREHOLDERS' EQUITY AND LIABILITIES

Equity and liabilities	Notes	31 December 2021 €000	31 December 2020 €000
Issued/share capital	16	10 932	10 932
Other capital reserves	16	7 086	7 086
Translation differences	16	-3 476	-3 309
Fund for invested unrestricted equity	16	88 432	88 432
Hybrid capital	16	20 000	20 000
Retained Earnings		-80 701	-100 965
Total equity		**42 269**	**22 172**
Non-current liabilities			
Interest bearing loans and borrowings	10, 15.4	17 806	18 832
Net employee defined benefit liabilities	7.1	3 353	2 560
Provisions	19	7 171	6 448
Net contract liabilities (incl. related financing component)	4, 15	84 676	96 970
Deferred tax liabilities	9.2	6 871	4 351
Non-current accruals	15	1 324	302
		121 200	**129 465**
Current liabilities			
Interest bearing loans and borrowings	10, 15.4	6 250	79 307
Trade payables	15.4	291 194	207 241
Provisions	19	2 062	1 185
Net contract liabilities (incl. related financing component)	4, 15	52 657	47 884
Other current liabilities and accruals	15.4	168 299	136 786
Income tax payable		1 953	4 088
		522 415	**476 490**
Total liabilities		**643 615**	**605 955**
Total shareholders' equity and liabilities		**685 885**	**628 127**

The notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2021

	Attributable to the equity holders of the parent						
€000	**Issued capital (Note 16)**	**Fund for invested unrestricted equity (Note 16))**	**Other capital reserves (Note 16)**	**Hybrid capital (Note 16)**	**Retained earnings**	**Foreign currency translation reserve (Note 16)**	**Total equity**
At 31 December 2020	**10 932**	**88 432**	**7 086**	**20 000**	**-100 965**	**-3 309**	**22 172**
Profit for the period continuing	-	-	-	-	20 297	-	20 297
Other compehensive income continuing	-	-	-	-	-34	-167	-201
Total comprehensive income	-	-	-	-	20 263	-167	20 097
At 31 December 2021	**10 932**	**88 432**	**7 086**	**20 000**	**-80 701**	**-3 476**	**42 269**

For the year ended December 31, 2020

	Attributable to the equity holders of the parent						
€000	**Issued capital (Note 16)**	**Fund for invested unrestricted equity (Note 16))**	**Other capital reserves (Note 16)**	**Hybrid capital (Note 16)**	**Retained earnings**	**Foreign currency translation reserve (Note 16)**	**Total equity**
At 31 December 2019	**10 932**	**88 432**	**7 086**	**0**	**-84 958**	**-1 514**	**19 977**
Profit for the period continuing	-	-	-	-	11 501	-	11 501
Profit for the period discontinuing	-	-	-	-	-27 446	-	-27 446
Other compehensive income continuing	-	-	-	-	-62	-1 795	-1 857
Total comprehensive income	-	-	-	-	-16 006	-1 795	-17 801
Hybrid capital	-	-	-	20 000	-	-	20 000
At 31 December 2020	**10 932**	**88 432**	**7 086**	**20 000**	**-100 965**	**-3 309**	**22 172**

The notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2021	2020
Operating activities			
Profit before tax		27 430	11 363
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property, plant and equipment		62 780	62 617
Amortization and impairment of intangible assets		4 002	3 559
Other non-cash items		-45 376	-51 351
Finance income and costs		8 175	10 320
Change in working capital:			
Change in trade and other receivables (+/–)		-111 402	-62 121
Change in inventories (+/–)		-32 801	3 239
Change in trade and other payables (+/–)		154 601	86 363
Change in provisions (+/–)		-681	1 174
Finance cost paid		-3 964	-4 449
Finance income received		7	9
Income tax paid		-9 507	-5 039
Net cash flows from/ (used in) operating activities, continued		**53 263**	**55 684**
Net cash flows from/ (used in) operating activities, discontinued	3.2	-	-14 241
Net cash flows from/ (used in) operating activities		**53 263**	**41 442**
Investing activities			
Investments for tangible and intangible assets		-54 902	-19 751
Net cash flows from/ (used in) investing activities, continued		**-54 902**	**-19 751**
Net cash flows from/ (used in) investing activities, discontinued	3.2	-5 539	-9 706
Net cash flows from/ (used in) investing activities		**-60 441**	**-29 457**
Financing activities			
Increase in loans		0	85 000
Repayment of loans		-72 989	-19 511
Increase in hybrid capital		-	20 000
Change in restricted cash		19 972	-19 986
Finance lease payments		-11 453	-6 072
Net cash flow from/ (used in) financing activities, continued		**-64 470**	**59 431**
Net cash flows from/ (used in) financing activities, discontinued	3.2	-	-2 150
Net cash flows from/ (used in) financing activities		**-64 470**	**57 281**
Net increase in cash and cash equivalents		**-71 647**	**69 266**
Net foreign exchange difference		41	-140
Cash and cash equivalents at 1 January	15.2	117 586	48 459
Cash and cash equivalents at 31 December	15.2	**45 980**	**117 586**

The notes are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

1 ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

1.1 GENERAL

GENERAL INFORMATION

The consolidated financial statements of Valmet Automotive Oy and its subsidiaries (collectively, the Group) for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on March 3, 2022, after which, in accordance with Finnish Company Law, the financial statements are either approved or rejected in the Annual General Meeting.

Valmet Automotive ("Group" or "Valmet Automotive") is an experienced provider of vehicle manufacturing, battery systems, and convertible roof and kinematic systems in the automotive industry. Its business is divided into three business lines - Vehicle Manufacturing, Roof & Kinematic Systems and Electric Vehicle Systems. Business is conducted via the Group's parent company, Valmet Automotive Oy and its subsidiaries in Finland, Poland and Germany. The subsidiaries are fully owned either directly or indirectly by Valmet Automotive Oy.

General accounting principles are described in this section. Principles that apply to specific accounting items are presented as part of the relevant notes.

BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

The consolidated financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU include the financial statements of Valmet Automotive Oy and its subsidiaries.

The financial statements are prepared under the historical cost convention, except as disclosed in the accounting principles.

The Group has elected to report expenses by nature within the statement of profit or loss, and to present two statements, a statement of profit or loss and a statement of other comprehensive income, rather than a single statement of comprehensive income combining the two elements.

The consolidated financial statements are presented in euro, which is the functional and reporting currency of the parent company. Financial information is presented in thousands of euro (€000), except when otherwise indicated.

The financial statements have been prepared on a going concern basis. The Board of Directors and the Managing Director are responsible for assessing the parent company's and the Group's ability to continue as a going concern. The Group's business continuity assumption is based on the fact that its business operations are based on long term development and manufacturing contracts which reach out to future periods. In addition, the Group has a working capital financing facility to ensure liquidity.

ALTERNATIVE PERFORMANCE MEASURE

Gross sales are presented as an alternative performance measure. It is defined as total (gross) sales including both net sales and sales of customer-directed material and parts. Customer-directed material and parts are purchased from the principal or from suppliers selected by the principal and at prices negotiated by the principal. They are sold to the principal without adding a margin. Reporting gross sales gives an accurate picture of the magnitude of the business and adds comparability vs. competitors. In addition, it leads to consistency between the profit and loss statement vs. the balance sheet and cash flow as customer-directed materials are reflected on the balance sheet and cash flow statement.

CONSOLIDATION PRINCIPLES

The consolidated financial statements comprise the financial statements of the Group as of 31 December 2021.

Subsidiaries are companies in which the Group owns, directly or indirectly through subsidiaries, over 50 per cent of the voting rights or in which it is in a position to govern the financial and operating policies of the entity. Subsidiaries have been listed in Note 3.

All intercompany transactions, balances and gains or losses on transactions between subsidiaries are eliminated as part of the consolidation process.

If the Group loses control over a subsidiary, it derecognises the related assets, liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in the consolidated profit or loss statement. Any investment retained is recognised at fair value.

Associated companies are consolidated by the equity method. Under the equity method, the share of profits and losses of associated companies is presented separately in the consolidated statements of income.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Open receivables and liabilities denominated in foreign currency at the end of the financial period are translated using the exchange rate of the balance sheet date and the resulting foreign exchange gains and losses are recognised in the income statement.

The income statements of subsidiaries with a functional currency different from the reporting currency are translated into euro at the average exchange rates for the financial year and the balance sheets are translated at the exchange rate of the balance sheet date. This exchange rate difference is recorded through Other Comprehensive Income/Expense (OCI) in the cumulative translation adjustment line item in equity. The translation differences arising from subsidiary net investments and long-term subsidiary loans without agreed settlement dates are recognised through the OCI to the cumulative translation adjustments under equity.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities.

Assumptions, estimates and judgements are based on management's historical experience, best knowledge about the events and other factors, such as expectations of future events, which can be considered feasible. The actual amounts may differ significantly from the estimates used in the financial statements. Possible changes in estimates and assumptions are recognised in the financial period in which the estimate or assumption is changed.

Significant accounting judgments, estimates and assumptions made by management are described in the relevant notes.

FINANCIAL RISK MANAGEMENT

Financial risks and exposures are managed, reported and mitigated centrally by the Group Treasury under annually reviewed written policies approved by the Board of Directors. Group Treasury evaluates and hedges or otherwise manages financial risks in close co-operation with business lines and legal units. These risks include the Group's principal credit and counterparty, commodity price, translation, currency, interest rate and liquidity risks, which are outlined in more depth in Note 17. Group Treasury manages centrally external funding and is responsible for the management of financial assets and liabilities and appropriate hedging measures. The objective of financial risk management is to minimize potential adverse effects on Valmet Automotive financial performance.

1.2 CHANGES IN IFRS STANDARDS

The financial statements do not early adopt standards or amendments before their effective date. The standards applied in these financial statements are those that were effective for annual periods beginning on or after 1 January 2021.

COVID-19-RELATED RENT CONCESSIONS AMENDMENT TO IFRS 16
The Group has applied the covid-19-related rent concession to leases as issued in May 2020 and amended in March 2021. The concession allows the lessee not to assess whether a rent concession is a lease modification. Any change in lease payments resulting from the rent concession is accounted for as if the change was not a lease modification. The Group has applied the practical expedient to all rent concessions that meet the conditions. Details of the rent concessions are in Note 10.

2 COVID-19 PANDEMIC'S IMPACT TO BUSINESS ACTIVITY AND UNDERLYING PERFORMANCE

The global covid-19 pandemic continued to have an influence in the Group's performance in 2021 and required constant monitoring. All business lines suffered from sudden changes in production schedules which were driven by the shortage of semi-conductor components, however, the impact cannot be measured reliably. In addition, the impact on the Group's sales and operating profit was partially compensated through contractual compensations.

The Group arranged bridge funding in April 2020 to secure sufficient liquidity. It was fully repaid by April 2021.

In 2021, the Group received a government subsidy to support employment during the pandemics. Some lease payments were deferred from 2020 to 2021. Details are given in Notes 5 and 10.

The Group does not see any business continuity or going concern assumption risks. However, as the customer base is relatively narrow and concentrated in mostly automotive OEMs, changes in the automotive business activity can have significant impact in the Group performance.

3 SUBSIDIARIES AND ASSOCIATES

3.1 INFORMATION ABOUT SUBSIDIARIES

The consolidated financial statements of the Group include the following companies:

			% equity interest as of 31.12.2021	
Name	**Principal activities**	**Country of incorporation**	**Group**	**Parent**
Parent company				
Valmet Automotive Oy	Vehicle Manufacturing and Group services	Finland		
Subsidiaries				
Valmet Automotive GmbH	Roof and Kinematic Systems	Germany	100%	100%
Valmet Automotive Sp. z o.o.	Roof and Kinematic Systems	Poland	100%	100%
Valmet Automotive EV Power Oy	Electric Vehicle Systems	Finland	100%	100%
Valmet Automotive EV Sp. z o.o	Electric Vehicle Systems	Poland	100%	
Valmet Automotive Solutions GmbH	Electric Vehicle Systems	Germany	100%	
Valmet Automotive Management GmbH	Group services	Germany	100%	100%
Associate company				
Kiinteistö Oy Pietolankatu 13		Finland	40%	40%

3.2 ACQUISITIONS AND DISPOSALS

The Group did not make any acquisitions in 2021 or 2020. In 2021 there were no disposals.

In 2020 the Group sold major part of its generic automotive engineering business in Germany and Spain. The disposed business is included in the comparative information of the consolidated financial statements up to the date of disposal.

A summary of the disposed business net assets, loss from the sale and cash impact from the disposal is presented below:

	2021	2020
	€ 000	€ 000
Net Assets	-	**4 381**
Loss from sale of discontinued operations	-	-17 717
Contribution and cost to sell	-	**-13 336**
Cash	-	-706
Deferred payment	-5 538	5 538
Cash flow from divestment	**-5 538**	**-8 504**

Net cash flows related to the disposed business are shown below:

	2021	2020
	€ 000	€ 000
Operating cash flow	-	**-14 241**
Investing cash flow related to disposed operations	-	-1 202
Investing cash flow related to disposal	-5 538	-8 504
Investing cash flow	**-5 538**	**-9 706**
Financing cash flow	-	**-2 150**
Net cash outflow	**-5 538**	**-26 097**

Investing cash flow in 2021 consists of a EUR 5,5 million deferred cash payment into the divested business and a purchase price adjustment of EUR 38 thousand.

3.3 INVESTMENT IN AN ASSOCIATE

ACCOUNTING PRINCIPLES

An associate company is an entity in which the investment provides the Group the ability to exercise significant influence using power to participate in the financial and operating policy decisions of the company. Such influence is presumed to exist when the direct or indirect shareholding is between 20 and 50 per cent of the voting rights, or if the Group is able to otherwise exercise significant influence.

Investments in associated companies are initially recognised at cost after which the share of post- acquisition retained profits and losses is included as part of investments in associated companies in the consolidated balance sheets.

Associated companies are consolidated by the equity method. Under the equity method, the share of profits and losses of associated companies is presented separately in the consolidated statements of income. The share of profit of an associate is presented in one-line item.

At each reporting date, the Group determines whether there is objective evidence that the investment is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

The Group has a 40% non-operative interest in a real estate company Kiinteistö Oy Pietolankatu 13. The carrying amount of the investment and the Group's share of the associate's results are presented below.

	2021	2020
	€ 000	€ 000
Current assets	18	44
Non-current assets	1078	1121
Current liabilities	-76	-77
Non-current liabilities	-806	-869
Equity	**214**	**219**
Proportion of the Group's ownership	40%	40%
Carrying amount of the investment	**85**	**87**

	2021	2020
	€ 000	€ 000
Revenue	**161**	**155**
Profit for the year	**-5**	**-9**
Group's share of the profit for the year	**-2**	**-4**

4 REVENUE FROM CONTRACTS WITH CUSTOMERS

ACCOUNTING PRINCIPLES

The Group recognises revenue in net sales when it has satisfied a performance obligation by transferring the control of the promised goods and services to the customer. The transfer of control takes place when the customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the goods or services. The Group identifies the contract with the customer, various performance obligations of the contract and allocates the transaction price to these performance obligations.

Revenue is recognised in two categories, depicting the timing of revenue recognition: over time and at point of time.

When the control of the produced good and rendered services is transferred over time to the customer, revenue is recognised over time. The Group transfers control over time when:

- it produces goods with no alternative use and the Group has an irrevocable right to payment (including a reasonable margin) for the work completed to date (e.g. long engineering contracts); or
- it creates goods which are controlled by the customer as the goods are created or enhanced (e.g. work done on customer owned vehicles); or
- the customer simultaneously receives and consumes the benefits provided by the Group (e.g. work done at the customer or in customer design systems).

When none of the criteria stated above have been met, revenue is recognised at a point in time, which is when the control passes to the customer and the business has the right to payment, for example, on delivery.

For each performance obligation recognised over time, the Group recognises revenue using an input method, based on costs incurred. Revenue and attributable margin are calculated by reference to reliable estimates of transaction price and total expected costs. Changes to total estimated contract costs and losses, if any, are recognised in the period in which they are determined. Expected contract loss is expensed immediately when it becomes evident.

Unfinished contracts are presented in the balance sheet as contract assets and received payments as contract liabilities. The contract assets and liabilities are offset by individual contract, and the net difference is presented either as an asset or a liability in the balance sheet. Contract assets and liabilities are derecognised when the contract has been fully satisfied and invoiced.

SIGNIFICANT MANAGEMENT ESTIMATES AND JUDGMENT

The management has made judgments about determining distinct goods and services to define the promised performance obligations, and which contracts form a single commercial objective in complex contract packages. These judgments significantly affect determination of amount and timing of revenue.

Revenue recognition over time requires determination of a completion stage, which is based on actual cost incurred in proportion of the total estimated cost of the project (cost-to-cost basis). Total project cost estimates are based on project forecasts, which take into account changes in the estimated revenue, costs and profit, together with the planned delivery schedule. Project forecasts are updated and approved regularly.

Total project cost estimates might change, e.g., because of changes in the underlying project cost structures, which may ultimately affect the revenue recognised. Therefore, the over time recognition method is not applied for recognising sales commitments before a defined threshold is achieved or where the final outcome of the project and related cost structure cannot be established reliably.

Revenue recognised by timing category in 2021 and 2020 is summarized in the table below.

	2021	2020
	€000	**€000**
Performance obligations satisfied at point in time	553 598	474 335
Performance obligations satisfied over time	10 302	13 430
Interest revenue from significant financing component	6 333	6 210
Total revenue	**570 232**	**493 976**

The net contract assets and liabilities on December 31, 2021 and December 31, 2020 are presented below.

Contract assets and liabilities	31.12.2021 €000	31.12.2020 €000
Net contract assets		
Contract assets	54 033	19 886
Contract liabilities	-7 827	-3 939
Net contract assets	**46 206**	**15 947**
Non-current	39 747	13 336
Current	6 459	2 611
	46 206	**15 947**
Net contract liabilities		
Contract liabilities	159 082	156 617
Contract assets	-32 228	-23 307
Net contract liabilities	**126 853**	**133 310**
Non-current	78 023	92 336
Current	48 830	40 974
	126 853	**133 310**
Contract liabilities from significant financing component		
Non-current interest liability	6 652	4 635
Current interest liability	3 827	6 910
	10 480	**11 544**
Net contract liability including significant financing component		
Non-current	84 676	96 970
Current	52 657	47 884
	137 333	**144 854**

Most of the contract liabilities are recognised as revenue during the next 36 months.

REVENUE STREAMS

The Group has identified several revenue streams within the categories of over time and at point of time satisfied performance obligations. These revenue streams reflect the performance obligations and timing of satisfaction of such performance obligations, and the allocation of related transaction price.

The Group's revenue streams are summarized below:

Revenue stream	Description	Business line	Revenue recognised
Contract manufacturing	Manufacturing assembly services and logistics	Vehicle Manufacturing, Electric Vehicle Systems	At a point in time
Product sales	Roofs, batteries, spare parts, production parts and other	Roof & Kinematic Systems, Electric Vehicle Systems	At a point in time
Engineering services	Design and development work, concept work, supplier tooling procurement	Roof & Kinematic Systems, Electric Vehicle Systems	Over time
Industrialisation (not recognised separately)	Services related to subsequent contract manufacturing or production	All	Part of contract manufacturing or product sales
Short and/or small contracts	Small or short engineering or other projects	All	At a point in time

The revenue recognition method varies depending on terms and conditions agreed with each customer. Many contracts are framework agreements, which cover the entire chain of activities performed for the customer. For example, contract manufacturing agreements typically cover the preparation phase for production, called industrialisation, as well as the assembly work and logistics. In Roof & Kinematic Systems, the contracts may have several parts, starting from design and development engineering of the product, and moving to industrialisation work and model specific tooling procurement for the customer, product and spare parts sales. If the customer has given firm commitment to part of the frame agreement deliveries only, the contract revenues will be recognised separately for that firm commitment part only. When the customer commitment covers the entire framework agreement, or large parts of it, it may be that such contracts are considered as one contract entity, even if the customer would place purchase orders in stages.

Contract manufacturing revenues are recognised when control for the assembly service done is transferred, which takes place at the delivery of the vehicles or batteries. The sales price is composed of the contract manufacturing compensation and customer-directed material. Customer-directed material and parts are purchased from the principal or from suppliers selected by the principal at prices negotiated by the principal. They are sold to the principal without adding a margin and are included in gross sales but excluded from net sales.

Product sales revenue from sale of products such as roofs and spare parts is recognised when control for the goods is transferred at the delivery of goods. When there is pre-production industrialisation required, it is recognised with the product.

Contract manufacturing and product sales are paid after each delivery.

Large contract manufacturing agreements may include significant advance payments to prepare production and supply the necessary product specific equipment and tools. These advance payments agreed with the principal may be considered to generate a significant time value of money and as such may be considered to contain a significant financing component. In such cases, financing cost is accounted for as interest expense and financing component liability is presented. The influence of the significant finance component is recorded in gross and net sales. Over the contract lifetime there is no net profit impact.

In engineering contracts, the customer receives simultaneously the benefits provided and the Group the right to payment for the performance completed, and the corresponding revenue will be recognised over time. The progress is measured by the input method. The contract payments are made either at delivery or by milestones during the service performance and they typically follow the transfer of control of performance obligations to be satisfied.

Compensation received from customers for changes in sales volumes, production periods or other contractual changes are recorded as gross and net sales.

Industrialisation, which is not an independent revenue stream, includes pre-production activities and manufacturing engineering work required to get the production lines and facilities ready for production. Such work is typically sold as part of contract manufacturing or roof systems supplier contracts. Industrialization cannot be considered as a separate deliverable i.e., distinct performance obligation but is part of the product sale or contract manufacturing. Revenue recognition commences at start of production and revenue is recognised with product deliveries at a point in time.

5 OTHER OPERATING INCOME AND EXPENSES

ACCOUNTING PRINCIPLES

Other operating expenses are recorded on their respective cost type accounts unless they are considered as adjustments to income.

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions are complied with.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the period during which the costs related to the grant are incurred and expensed. When a grant relates to an asset, it is recorded as a deduction of the related asset.

Research costs and expenses are expensed as incurred. Development costs are normally expensed when incurred. They only can be capitalised, when certain economic and technical feasibility criteria conditions are fully met.

Other operating income

	2021	2020
	€000	€000
Rental income	348	205
Goverment grants	1 783	2 695
Compensation from suppliers	2 499	2 173
Compensation from customers	0	1 065
Other income	813	1 421
Total	**5 442**	**7 559**

Government grants are mainly related to Business Finland projects and employment subsidies. They also include EUR 1,0 million (EUR 0,8 million) of covid-19 related subsidies. There are no unfulfilled conditions or contingencies attached to these grants. Compensation from suppliers relate to compensation received from suppliers, e.g., for quality related issues.

Other operating expenses

	2021	2020
	€000	€000
Property, operating and maintenance costs	-19 859	-17 275
Research and development expenses	-882	-1 534
External services	-28 218	-19 983
ICT expenses	-14 737	-14 316
Machinery and equipment expenses	-11 105	-9 330
Travel expenses	-1 259	-919
Other personnel expenses	-6 275	-4 069
Other expenses	-7 285	-6 612
Total other operating expenses	**-89 620**	**-74 039**

Research and development cost

Total research and development cost including personnel costs are presented in table below.

	2021	2020
	€000	€000
R&D external cost	882	1 535
R&D salaries	1 959	1 106
Total research and development costs expensed	**2 841**	**2 641**
Development costs capitalised	**4 396**	**1 464**
Total research and development costs	**7 237**	**4 105**

Subsidies related to the capitalized development costs are detailed in Note 12.

Auditor fees

Fees paid to the statutory auditor are presented below.

	2021	2020
	€000	€000
Auditing	-484	-468
Tax advisory	-134	-132
Other services	-844	-4
Total	**-1 462**	**-603**

6 EMPLOYEE BENEFITS AND NUMBER OF PERSONNEL

6.1 SUMMARY

ACCOUNTING PRINCIPLES

Personnel benefits and related social security costs and pension contributions are expensed on the period the work has been performed.

Pension and other defined benefit plans are detailed in Note 7.

	2021	2020
	€000	**€000**
Wages and salaries	-174 381	-139 605
Share based employee benefit (Note 6.2)	-564	-
Other long term employee benefits (Note 7.1)	-1 185	-123
Social security costs	-7 410	-6 248
Pension costs defined contribution	-27 980	-18 814
Pension costs defined benefit (Note 7.2)	-2	-24
Total employee benefits expense	**-211 521**	**-164 814**

	2021	2020
Number of employees, average, continued operations	4 197	3 868

The 2020 personnel costs include the impact from covid-19 related reduction of the social security and pension contribution rate, amounting to EUR 0,1 million and EUR 2,0 million, respectively.

6.2 SHARE-BASED EMPLOYEE BENEFITS

ACCOUNTING PRINCIPLES

When there are incentive arrangements which require cash payments to be made based on the price of a deemed share or synthetic instrument, they are accounted for as cash-settled share-based payment plans. The initial fair value of such plans at the grant date is calculated using estimates of the valuation of the synthetic options. The grant-date fair value of the liability is recognized over the vesting period. At the end of each financial year the fair value of the recognized liability is remeasured. Remeasurement applies to the recognized portion through the vesting date. Any cancellations are recognised immediately in the income statement.

SIGNIFICANT MANAGEMENT ESTIMATES AND JUDGMENTS

Valuation of the synthetic options is determined from the advice of external advisors who carry out valuation annually, using several assumptions such as the discount rate, expected future cash flows, peer group share valuation and other factors. Many of these assumptions also require management judgment. As a result, the liability recorded on the balance sheet is sensitive to changes.

The Chairman of the Board and the CEO of the Group participate in a cash-settled share-based incentive plan. The plan is arranged with synthetic options and awards cash payments, when the plan conditions are met. The plan is a 5-year plan with a vesting period from 1 April 2021 to 31 March 2026.

Valuation of the synthetic options was performed with Monte Carlo simulation. Assumptions regarding the Valmet Automotive Oy share value are material to the option valuation. The share value has been estimated based on the financial statements and future projections, and by comparison to the peer group EV/EBITDA –multiples. The expense recognized for the year was EUR 0,6 million (EUR 0,0 million). The plan liability was EUR 0,6 million on 31 December 2021 (EUR 0,0 million). On 31 December 2021 there were 2 062,5 options granted and outstanding, and all of the options were exercisable. No options were forfeited, exercised or expired during the period.

Upon the exercise of the synthetic option, the cash payment is awarded, which equals the positive difference, if any, of the defined value of the share value of Valmet Automotive Oy and the strike price, i.e., the exercise price of each synthetic option, which is €950.

The synthetic options' vesting is partly based on time and partly on performance. The time-based options cover 2/3 of the plan and vest as follows: 1/3 on 1 April 2021 and 1/9 on 31 March on each year 2022, 2023 and 2024. The performance-based vesting covers the remaining 1/3 and is subject to the conditions of the plan and vest as follows: If the defined value is less than €1.230 per share, none of the performance-based synthetic options vest, if the defined value is at least or more than €2.551 per share, all the performance-based options vest, and from the defined value of €1.230 to €2.551 per share the performance-based options vest linearly.

If before the exercise date occurs a material change in the company, group, business, or asset structure, in the operating environment or otherwise in its business, which materially affects the fundamentals underlying the plan, Valmet Automotive Oy is entitled in its sole discretion to decide whether and in which manner this will affect the plan.

7 PENSION AND OTHER DEFINED BENEFIT PLANS

ACCOUNTING PRINCIPLES

Pension plans are classified as defined contribution and defined benefit plans. Under a defined contribution scheme, the Group makes payments to separate insurance companies or independent funds. The Group has no legal or constructive obligation to make further payments if the payment recipient does not have sufficient assets to pay the post-employment benefits. All arrangements not meeting these conditions are defined benefit schemes.

Most schemes, including the Finnish TyEL scheme, are defined contribution plans where the Group makes payments to separate entities managing the assets. Payments made to defined contribution pension schemes are recorded through profit or loss in the accounting period the charge applies to.

The defined benefit plan pension cost is determined by external actuaries who analyse the plan applying the projected unit credit method. The cost of providing any defined retirement benefits is charged to profit and loss concurrently with the service rendered by the personnel. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised through OCI into shareholders' equity in the period in which they arise. Past service costs are recognised immediately in income statement. The liability of defined benefit pension plan is the present value of the defined benefit obligation less the fair value of plan assets.

In Finland, employees earn an additional benefit, payable after a certain number of service years is completed, following the rules of the long-service benefit plan. The cost of providing long-service benefits is charged to profit and loss concurrently with the service rendered by the personnel. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the income statement.

SIGNIFICANT MANAGEMENT ESTIMATES AND JUDGMENTS

Defined benefit pension plan cost is determined from the advice of qualified actuaries who carry out valuation of the plan annually, calculating the obligation, using several assumptions such as the discount rate and expected return on assets, salary and pension increases and other actuarial factors. Many of these assumptions also require management judgment. As a result, the liability recorded on the balance sheet and cash contributions to funded arrangements are sensitive to changes.

Long-service benefit plan, in which the benefits are based on the promised amount of money after ten-year service time, require management judgment of the turnover of the personnel.

7.1 LONG-SERVICE BENEFIT PLAN

In Finland, qualified employees earn an additional benefit following the rules of the long-service benefit plan. The employer has promised a certain amount of benefit after given years of service time according to the rules of the long-service benefit plan. The benefits are based on the promised amount of money after ten-year service time. The promised benefit increases when the employment has lasted 15, 20 and 25 years. Benefit payments continue until retirement or resignation and are paid to the employees once a year or monthly.

	2021	**2020**
	€000	**€000**
1 January	**2 560**	**2 948**
Service cost	208	229
Net interest	-4	4
Curtailments	-4	-4
Actuarial changes on obligation	985	-106
Other changes	241	22
Sub-total included in profit or loss	**1 427**	**145**
Benefits paid	-631	-533
31 December	**3 353**	**2 560**

The discount rate has been determined using Bloomberg € EU Corporate AA+, AA, AA-yield curve, taking the estimated durations of the benefit obligations into consideration. The discount rate was -0.2% for Valmet Automotive Oy and 0.1% for Valmet Automotive EV Power Oy for the year ended December 31, 2021 (-0.2% and 0.3% for the year ended December 31, 2020).

7.2 DEFINED PENSION BENEFIT PLAN

There is a limited voluntary defined benefit pension plan in Finland, which is closed for new members. The benefits are insured with an insurance company. The voluntary plan's benefits are based on a certain level of benefit after retirement. The promised benefit is a defined percentage of the base salary, which is an average of last ten last years' salaries, indexed with common salary index to the current year. The benefits of this plan are old age, disability and survivor's benefits, topping up the statutory benefits. The pension plan premiums are calculated so that the promised old age benefit will be fully funded by the retirement age to purchase an annuity pension. The employer has no funding risk after retirement.

€000	2021 Defined benefit obligation	2021 Fair value of plan assets	2021 Benefit liability	2020 Defined benefit obligation	2020 Fair value of plan assets	2020 Benefit liability
1 January	**414**	**-462**	**-46**	**402**	**-522**	**-119**
Current service cost	2		**2**	25		**25**
Net interest	0	0	**0**	2	-2	**-1**
Sub-total included in profit or loss	**1**	**0**	**2**	**26**	**-2**	**24**
Actuarial changes from changes in financial assumptions	-6	161	**155**	13	92	**105**
Experience adjustments	-112		**-112**	-27		**-27**
Sub-total included in OCI	**-118**	**161**	**42**	**-14**	**92**	**78**
Benefits paid	-118	118	0			0
Contributions		2	**2**		-30	**-30**
31 December	**179**	**-180**	**-1**	**414**	**-462**	**-47**

The discount rate has been determined using Bloomberg € EU Corporate AA+, AA, AA-yield curve. The estimated duration of the benefit obligation has been taken into consideration. The main assumptions are described in the table below.

	2021	**2020**
	%	**%**
Discount rate	0,4	-0,1
Future salary increases	2,0	0,7
Future pension increases	-	-

The weighted average duration of the defined benefit obligation is 7 years. The expected contributions for the year 2022 amount to EUR 5 038.

A sensitivity analysis for assumptions as of December 31, 2021 was performed. The impact of changes in the discount rate and salary increase is shown below:

	Discount rate		**Salary increase**	
	+0,50%	**-0,50%**	**+0,50%**	**-0,50%**
	€000	**€000**	**€000**	**€000**
Impact on defined benefit obligation	-8	8	1	-1
Impact on fair value of plan assets	-7	8	-	-
Net liability (reduction -, increase +)	0	0	1	-1
Service cost (reduction -, increase +)	-	-	-	-

8 FINANCE INCOME AND COSTS

Accounting principles

Financing costs are charged to the income statement during the financial period in which they incur. As an exception, any borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Losses from sales of shareholdings are recorded in financing costs, and gains from such sales are recorded in financing income.

The Group has elected to classify interest received and paid as cash flows from operating activities.

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Finance income

	2021	**2020**
	€000	**€000**
Dividend received	4	5
Interest income	3	4
Total finance income	**7**	**9**

Finance costs

	2021	**2020**
	€000	**€000**
Interest on debt and borrowings	-323	-1 112
Interest on lease liabilities	-959	-706
Interest on significant financing component	-5 268	-5 971
Other interest	-358	-301
Total interest expense	**-6 908**	**-8 090**
Foreign exchange losses	-185	-661
Other finance expense	-1 090	-1 578
Total finance costs	**-8 183**	**-10 329**

9 INCOME TAXES

9.1 INCOME TAX EXPENSE

ACCOUNTING PRINCIPLES

Income taxes in the consolidated statement of profit and loss consist of taxes on the taxable income of the Group companies for the current period and changes in deferred taxes. The statement of comprehensive income includes taxes on items presented in the statement of comprehensive income.

Current taxes include estimated taxes corresponding to the Group companies' taxable results for the financial year, and adjustments to taxes for previous years. Income tax receivables and payables are recognised at the expected amounts to be recovered from or paid to the tax authorities.

Deferred taxes are calculated based on temporary differences between financial reporting and the taxation calculated with enacted tax rates effective for the future years.

SIGNIFICANT MANAGEMENT ESTIMATES AND JUDGMENTS

The Group assesses the probability that the local taxation authority or authorities, should the treatment be for cross-border transaction, will accept any tax treatment recorded in the accounts. Tax treatment is only recorded, when it is concluded that it is probable the tax treatment will be accepted by the relevant tax authority or authorities.

Significant management judgement is required to consider the probability that the tax treatment proposed can be recognised, taking into account the likelihood that the relevant tax authorities will accept the planned tax treatment. In the event that actual tax authority acceptance would not be obtained, the tax payable needs to be adjusted in coming financial years.

The major components of income tax expense for the years ended December 31, 2021 and December 31, 2020 are as follows:

	2021	2020
Consolidated statement of profit or loss	**€000**	**€000**
Current year income tax expense	-7 195	-2 765
Previous year income tax expense	-1	839
Current income tax expense	**-7 196**	**-1 926**
Accelerated depreciation for tax purposes	-2 276	-1 788
Other temporary differences deferred tax assets	2 582	3 329
Other temporary differences deferred tax liabilities	-242	524
Deferred tax expense	**64**	**2 064**
Income tax expense reported in the statement of profit or loss	**-7 132**	**138**
Deferred tax related to items recognised in OCI during the year		
Actuarial gains (+)/losses (-) from defined benefit plan	8	16
Income tax charged to other comprehensive income	**8**	**16**

Reconciliation of tax expense and the accounting profit or loss multiplied by Finland's 2021 statutory tax rate is presented below.

	2021	2020
	€000	**€000**
Accounting profit before income tax	27 430	11 363
At Finland's statutory income tax rate of 20%	-5 486	-2 273
Tax exempt income	1	-
Non-deductible expenses	-640	-773
Deferred taxes for previously unrecognised temporary differences	-204	2 352
Previous year income taxes	-1	839
Unrecognised tax losses	-867	-487
Difference between Finnish and foreign tax rates	66	480
Income tax expense reported in the statement of profit or loss	**-7 132**	**138**
Effective income tax rate %	**26%**	**-1%**

9.2 DEFERRED TAX ASSETS AND LIABILITIES

ACCOUNTING PRINCIPLES

Deferred tax liabilities or assets are calculated based on temporary differences between financial reporting and the taxation calculated with enacted tax rates effective for the future years. The deferred tax liabilities are recognised in the balance sheet in full, and the deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

SIGNIFICANT MANAGEMENT ESTIMATES AND JUDGMENTS

The Group estimates income tax in each country it operates. This process involves estimating the actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as deferred revenue and cost reserves, for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which may be recorded in the consolidated balance sheet. The likelihood for the recovery of deferred tax assets from future taxable income is assessed, and to the extent the recovery is not considered likely the deferred asset is not recorded.

Significant management judgement is required to determine the provisions for deferred tax assets that can be recognised, taking into account the likely timing and the level of future taxable profits together with future tax management strategies. In the event that actual results differ from these estimates, the deferred tax assets need to be adjusted in coming financial years. The final outcome may also be affected by future changes in tax laws applicable in the jurisdictions where the Group operates.

Deferred tax assets and liabilities are presented in the tables below.

2021 Deferred tax assets

	1.1.2021	Recognised in income statement	Recognized in OCI	Discontinued	Translation differences	31.12.2021
Employment related	630	266	8	-	1	905
Property, plant and equipment	2 597	2 435	-	-	-	5 032
Confirmed losses	1 946	-196	-	-	-	1 750
Leases	159	131	-	-	-	290
Provisions	1 690	148	-	-	-6	1 833
Revenue recognition	4 801	155	-	-	0	4 955
Other temporary differences	645	-355	-	-	-15	275
Total	12 469	2 582	8	-	-19	15 040

2021 Deferred tax liabilities

	1.1.2021	Recognised in income statement	Recognized in OCI	Discontinued	Translation differences	31.12.2021
Property, plant and equipment	3 133	2 352	-	-	1	5 485
Fair value adjustment	1 216	-198	-	-	-	1 018
Leases	2	-2	-	-	-	0
Revenue recognition	-	366	-	-	1	367
Other temporary differences	0	-	-	-	-	0
Total	4351	2 518	-	-	2	6 871

2020 Deferred tax assets

	1.1.2020	Recognised in income statement	Recognized in OCI	Discontinued	Translation differences	31.12.2020
Employment related	2 177	-58	16	-1 504	-	630
Property, plant and equipment	-	2 597	-	-	-	2 597
Confirmed losses	782	1 164	-	-	-	1 946
Leases	107	113	-	-61	-	159
Provisions	1 532	231	-	-36	-37	1 690
Revenue recognition	5 668	-867	-	-	-	4 801
Other temporary differences	535	149	-	-	-38	645
Total	10 801	3 329	16	-1 601	-76	12 469

2020 Deferred tax liabilities

	1.1.2020	Recognised in income statement	Recognized in OCI	Discontinued	Translation differences	31.12.2020
Property, plant and equipment	1 346	1 788	-	-	-	3 133
Fair value adjustment	1 950	-402	-	-332	-	1 216
Leases	1	0	-	-	1	2
Other temporary differences	126	-121	-	-	-5	0
Total	3 423	1 265	-	-332	-4	4 351

Management has assessed all subsidiary losses carried forward for deferred asset recognition. Analysis was done by subsidiary. As of December 31, 2021, the Group had approximately EUR 17,2 million (EUR 12,1 million) of tax losses carried forward for which no deferred tax assets were recognised. None of the tax losses have an expiration date.

10 LEASES

ACCOUNTING PRINCIPLES

The Group assesses whether a contract is or contains a lease based on the definition of a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a specified period of time in exchange for consideration.

The Group has chosen to apply the IFRS 16 accounting standard to tangible assets only, applying the exemption allowed in the standard.

As a lessee, the Group recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Leases are capitalized at the inception of the lease at the lower of the fair value of the leased right-of-use asset or the present value of the minimum lease payments. Property, plant and equipment acquired under leases are depreciated over the useful life of the asset or over the lease contract period, if shorter. Each lease payment is allocated between repayment of the lease liability and finance charges, in such a way that a constant interest rate on the outstanding balance is achieved. Lease obligations, net of finance charges, are included in interest bearing liabilities, divided to short-term and long-term liabilities, as appropriate. Interest element is charged to profit and loss over the lease period.

The Group has elected to apply the exemption regarding short-term and low-value leases, which are expensed when incurred, and they are not recorded in assets and liabilities. Short-term leases are leases with a lease term of maximum 12 months, and without a purchase option. Low-value leases are leases, in which the value of an individual asset does not exceed 5,000 euro, when new.

The Group has elected to apply the practical expedient of IFRS16 not to separate non-lease components from the actual lease components of the lease contract. Identified non-lease components cover any payments for services, which are part of a lease contract, such as general maintenance charges. All material non-lease components are analysed to identify their contents to classify them appropriately. Services, which could be supplied separately, such as leased property cleaning, machine maintenance, and utilities are not considered to be part of the lease, and they are expensed.

The lease payments are discounted by the interest rate implicit in the lease if that can be determined. Otherwise, the lessee incremental borrowing rates reflecting entity-specific factors, country and lease term are applied to all lease contracts when calculating the present value of lease liability and interest expense.

When the Group is a lessor, the Group classifies the lease as finance lease or operating lease by analysing the right-of-use terms transferred to the lessee. When the Group has transferred substantially all the risks and rewards of ownership of an asset subject to a lease, the lease is treated as a finance lease. Assets held under finance leases are recognised as receivables at an amount equal to the net investment in the lease. Other leases are treated as operating leases, with payments recognised as income on a straight-line basis over the lease term.

Sub-leases in which the Group is both lessee and lessor are treated as different contracts. When the sub-lease term covers practically all remaining head lease term, the head lease right-of-use asset will be derecognised and treated as a lease receivable.

RIGHT OF USE ASSETS

Right-of-use assets under lease contracts and included in property, plant and equipment are detailed in the table below. The Group's lease arrangements consist of lease contracts for property, machinery and equipment located primarily on Group company premises as well as company vehicles.

	Buildings and constructions	Machinery and equipment	Total
	€000	€000	€000
Cost			
At 1 January 2021	17 961	26 110	44 071
Additions	10 881	1 472	12 353
Disposals	-2 448	-1 983	-4 431
Reclassifications*	-	-16 608	-16 608
Exchange differences	-1	-8	-9
At 31 December 2021	**26 393**	**8 983**	**35 375**
Depreciation and impairment			
At 1 January 2021	-5 348	-17 144	-22 492
Depreciation charge for the year	-3 910	-5 445	-9 355
Disposals	2 384	1 021	3 405
Reclassifications*	0	16 168	16 168
Exchange differences	0	6	7
At 31 December 2021	**-6 874**	**-5 394**	**-12 267**
Net book value 1 January 2021	**12 613**	**8 966**	**21 579**
Net book value 31 December 2021	**19 519**	**3 589**	**23 108**
Cost			
At 1 January 2020	26 724	26 143	52 867
Additions	6 706	1 075	7 781
Disposals	-4 066	-454	-4 520
Reclassifications	-	547	547
Discontinued operations	-11 397	-1 174	-12 571
Exchange differences	-6	-28	-33
At 31 December 2020	**17 961**	**26 110**	**44 071**
Depreciation and impairment			
At 1 January 2020	-4 717	-11 860	-16 577
Depreciation charge for the year	-5 131	-6 194	-11 325
Disposals	667	312	979
Discontinued operations	3 832	583	4 414
Exchange differences	2	15	17
At 31 December 2020	**-5 348**	**-17 144**	**-22 492**
Net book value 1 January 2020	**22 007**	**14 283**	**36 290**
Net book value 31 December 2020	**12 613**	**8 966**	**21 579**

*Right-of-use assets that were purchased at the end of lease terms and reclassified as machinery and equipment owned by the Group.

LEASE LIABILITIES

Details of changes in lease liabilities, excluding expensed short-term and low value leases, are shown below:

	2021	2020
	€000	€000
At 1 January	**25 245**	**37 412**
Additions	12 353	7 781
Disposals	-2 087	-3 439
Payments	-11 453	-8 363
Discontinued	0	-8 122
Exchange differences	-2	-24
At 31 December	**24 056**	**25 245**

LEASE CASH FLOWS

Lease payments and expensed short term and low value leases are presented below:

	2021	2020
	€000	€000
Lease payments	-12 412	-9 068
of which liability	-11 453	-8 363
of which interest	-959	-706
Expenses related to short term leases	-779	-488
Expenses related to low value assets	-371	-489
Net cashflows on leases	**-13 562**	**-10 045**

The covid-19-related rent concession impact in lease payments was EUR 1,1 million (EUR 2,3 million). The rent concession period was from May 2020 to April 2021. Starting May 2021, rents were increased, which resulted in EUR 2,3 million higher rent payments from May 2021 to December 2021, compared to the original agreement.

OPERATING LEASE COMMITMENTS

Commitments consist of payments related to leases of low value assets and short-term leases. As of December 31, 2021 and 2020, operating lease commitments were as follows:

	2021	2020
	€000	€000
Within one year	930	555
After one year but no more than five years	97	430
	1 027	**985**

OFF-BALANCE SHEET LEASE LIABILITIES

Lease commitments of leases signed but not commenced on December 31 are presented in the table below:

	2021	2020
	€000	**€000**
Off-balance sheet lease liabilities	10 714	2 533

11 PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING PRINCIPLES

Property, plant and equipment are stated on the balance sheet at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Improvement costs related to an asset are included in the carrying value of such asset or recognised as a separate asset, as appropriate, only when the future economic benefits associated with the costs are probable and the related costs can be separated from normal maintenance costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

Leased right of use assets are recognised at the commencement date of the lease at cost.

	Land and water areas	Buildings and constructions	Machinery and equipment*	Fixed assets under construction	Total
	€000	€000	€000	€000	€000
Cost					
At 1 January 2021	5 194	118 232	406 028	20 721	547 071
Additions	-	10 881	1 472	54 699	67 052
Disposals	-	-2 700	-6 006	-	-8 706
Reclassifications	-	14 753	42 734	-57 486	0
Exchange differences	-4	-55	-91	-76	-227
At 31 December 2021	**5 191**	**141 110**	**444 137**	**17 857**	**605 190**
Depreciation and impairment					
At 1 January 2021	-	-57 398	-250 310	-	-304 602
Depreciation charge for the year	-	-6 996	-55 784	-	-62 780
Disposals	-	2 636	5 276	-	7 913
Exchange differences	-	15	90	-	105
At 31 December 2021	**-**	**-61 742**	**-300 728**	**-**	**-359 365**
Net book value 1 January 2021	**5 194**	**60 835**	**155 718**	**20 721**	**242 467**
Net book value 31 December 2021	**5 191**	**79 368**	**143 408**	**17 857**	**245 825**
Cost					
At 1 January 2020	5 225	126 399	451 042	29 518	612 184
Additions	-	6 706	1 075	26 297	34 077
Disposals	-	-4 097	-61 721	1 294	-64 524
Reclassifications	-	1 123	34 891	-36 015	0
Discontinued operations	-	-11 397	-21 526	-	-32 923
Exchange differences	-31	-500	-839	-373	-1 743
At 31 December 2020	**5 194**	**118 232**	**402 923**	**20 721**	**547 071**
Depreciation and impairment					
At 1 January 2020	-	-54 162	-267 103	-	-321 265
Depreciation charge for the year	-	-7 895	-57 668	-	-65 564
Disposals	-	698	60 804	-	61 502
Discontinued operations	-	3 832	16 063	-	19 895
Exchange differences	-	130	700	-	830
At 31 December 2020	**-**	**-57 398**	**-247 205**	**-**	**-304 602**
Net book value 1 January 2020	**5 225**	**72 237**	**183 939**	**29 518**	**290 918**
Net book value 31 December 2020	**5 194**	**60 835**	**155 719**	**20 721**	**242 468**

*Opening balances 1.1.2021 of machinery and equipment, cost and depreciation, were adjusted relating to certain fully depreciated balance sheet assets without restating 2020 closing balance.

Asset additions include non-cash right-of-use assets, which are detailed in Note 10. In addition, relating to production set-up, certain machinery and equipment additions are acquired through a non-cash arrangement against customer advance payments directly to the supplier. These non-cash arrangements amount to EUR 7,2 million in 2021 (9,7 million in 2020).

12 INTANGIBLE ASSETS

12.1 INTANGIBLE ASSETS, TOTAL

ACCOUNTING PRINCIPLES

The Group's intangible assets comprise mainly of goodwill, development costs, customer relations, patents, licenses and software. They are stated at historical cost less accumulated amortization and impairment losses, if any. When a grant is received related to an asset, it is recorded as a deduction of the related asset.

Development activities are an integral part of customer projects where technical development is carried out in close co-operation with customers. The related expenditures are typically expensed. However, development expenditures are capitalised when certain criteria related to economic and technical conditions are met and it is expected that the asset will generate future economic benefits. Capitalised development costs are included in intangible assets and carried at cost less any accumulated amortization and accumulated impairment losses. Amortization over the period of expected future benefits of the asset is started when the development is complete, and the asset is available for use.

	Goodwill	Development costs	Customer relation-ships	Other intangible rights	Intangible asset under constuction	Total
	€000	€000	€000	€000	€000	€000
Cost						
At 1 January 2021	8 741	-	6 581	26 459	7 035	48 816
Additions	-	-	-	659	6 744	7 403
Disposals	-	-	-	-2 866	-	-2 866
Reclassifications	-	4 208	-	7 936	-12 144	0
Exchange differences	-	-	-	-1	-	-1
At 31 December 2021	**8 741**	**4 208**	**6 581**	**32 186**	**1 635**	**53 351**
Amortization and impairment						
At 1 January 2021	-	-	-2 528	-17 309	-	-19 837
Amortization charge for the year	-	-	-660	-3 341	-	-4 001
Disposals	-	-	-	2 866	-	2 866
Exchange differences	-	-	-	2	-	2
At 31 December 2021	**-**	**-**	**-3 188**	**-17 782**	**-**	**-20 970**
Net book value 1 January 2021	**8 741**	**-**	**4 053**	**9 150**	**7 035**	**28 980**
Net book value 31 December 2021	**8 741**	**4 208**	**3 393**	**14 404**	**1 635**	**32 381**
Cost						
At 1 January 2020	8 741	-	6 581	29 067	6 070	50 459
Additions	-	-	-	0	3 917	3 917
Disposals	-	-	-	-3 475	-	-3 475
Reclassifications	-	-	-	2 952	-2 951	1
Discontinued operations	-	-	-	-2 073	-	-2 073
Exchange differences	-	-	-	-13	-	-13
At 31 December 2020	**8 741**	**-**	**6 581**	**26 459**	**7 035**	**48 816**
Amortization and impairment						
At 1 January 2020	-	-	-1 869	-19 760	-	-21 629
Amortization charge for the year	-	-	-658	-2 937	-	-3 595
Disposals	-	-	-	3 475	-	3 475
Discontinued operations	-	-	-	1 901	-	1 901
Exchange differences	-	-	-	12	-	12
At 31 December 2020	**-**	**-**	**-2 528**	**-17 309**	**-**	**-19 837**
Net book value 1 January 2020	**8 741**	**-**	**4 712**	**9 307**	**6 070**	**28 830**
Net book value 31 December 2020	**8 741**	**-**	**4 053**	**9 150**	**7 035**	**28 980**

Development costs are presented net of subsidies received. At year-end 2021, gross development asset was EUR 5,86 million, subsidy EUR 1,65 million and net development asset EUR 4,21 million, reported as development costs. At year-end 2020, the gross development asset was EUR 1,46 million, subsidy EUR 0,29 million and net asset EUR 1,17 million, reported in assets under construction. Refer to Note 5 for total R&D cost.

12.2 GOODWILL

ACCOUNTING PRINCIPLES

Acquisitions are accounted for using the acquisition method. Goodwill represents the excess of acquisition cost over the fair values of identified acquired assets and liabilities of acquired companies.

Goodwill represents typically the value of the acquired market share, business knowledge and the synergies obtained in connection with the acquisition. The carrying amount of goodwill is tested for impairment at least annually.

Goodwill is allocated to cash-generating units (CGUs), which are identified as business lines of the Group. Initial goodwill calculation is prepared at the acquisition date book values with fair value adjustments of acquired assets and related deferred tax adjustments.

If a CGU is disposed entirely, the corresponding goodwill is totally derecognised. If a CGU is disposed partly, the corresponding goodwill is allocated to the remaining business calculating the value of the acquired market share, business knowledge and the synergies obtained in connection with the acquisition for the other Group businesses, and any excess goodwill is derecognised.

As of 31.12.2021 the carrying amount of goodwill is EUR 8 741 thousand (EUR 8 741 thousand) and it is allocated solely to EV Systems business line. Goodwill impairment testing is detailed in Note 13.2.

13 IMPAIRMENT TESTING

13.1 TESTING OF NON-FINANCIAL ASSETS

ACCOUNTING PRINCIPLES

At each reporting date, the Group assesses whether there is an indication that an asset may be impaired. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account.

When there is an indication that previously recognised impairment losses no longer exist or have decreased, the Group estimates the asset's recoverable amount, and previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

SIGNIFICANT MANAGEMENT ESTIMATES AND JUDGMENTS

The carrying values of property, plant and equipment and intangible assets, subject to depreciation and amortization are reviewed for impairment whenever there are indications that their carrying values could exceed their value in use or disposal value if disposal is considered as a possible option.

The valuation is inherently judgmental and highly susceptible to change from period to period because it requires the Group to make assumptions about future supply and demand related to its individual business units, future sales prices and achievable cost savings. The value of the benefits and savings expected from the efficiency improvement programs are inherently subjective. The cash flows are derived from the budget for the foreseeable future and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the unit being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The fair value of is determined using a derived weighted average cost of capital as the rate to discount estimated future cash flows. This rate may not be indicative of actual rates obtained in the market.

The Group had no impaired non-financial assets as of December 31, 2021 or December 31, 2020. As such, no impairment losses on non-financial assets have been recognised.

13.2 TESTING OF GOODWILL

ACCOUNTING PRINCIPLES

The Group assesses the carrying amount of goodwill annually or more frequently if any indication of impairment exists on business unit level at which goodwill is monitored for internal purposes. The carrying value of goodwill is tested with the CGU's value in use or CGU's fair value less costs of disposal, when appropriate. In assessing the value in use amount, estimated future cash flows are discounted to their present value. Cash flow estimates are based on operative managerial estimates. The discount rate is a nominal rate, which is based on the weighted average cost of capital (WACC) for the main currency area in the location of the CGU. The nominal discount rate reflects the market assessment for the time-value of money and for the risk specific in the business.

The value in use calculations for the CGU specific cash flow projections are based on financial estimates prepared by the management. The cash flows are derived from the current year's last quarter estimate, the following year's budget and the approved strategy for the following six years, beyond which cash flows are calculated using the terminal value method. The terminal growth rate used is based on the management's judgment regarding the average long-term growth. Cash flows include only normal maintenance investments and exclude any potential investments that enhance the CGUs performance and acquisitions.

Any impairment loss of goodwill is recognised immediately as an expense and is not subsequently reversed.

SIGNIFICANT MANAGEMENT ESTIMATES AND JUDGEMENT

Upon initial acquisition the Group applies available market values to determine the fair values of acquired net assets. However, when this is not possible, the valuation is based on past performance of such an asset and expected future cash generating capacity, which requires management to make estimates and assumptions of the future performance and use of such assets.

The business growth, price and cost development assumptions embedded in the CGU specific cash flow projections are based on management assessments of the market demand and environment, which are examined against external information sources. Value in use calculations are sensitive to changes between periods, as they require management to make assumptions about future supply and demand related to its individual business units, future sales prices, margins and achievable cost savings over time. Such assumptions are subjective by nature and require management judgment.

The Group conducted value in use impairment testing of the EV Systems business line CGU goodwill during December 2021. The key assumptions were the following: the management estimates for 2022 – 2028 with corresponding EBITDA, a risk-adjusted pre-tax discount rate of 13.8% and a terminal growth of 1.3%, which assumes no real-terms volume growth. No goodwill impairment losses were recognised during the accounting period based on the impairment tests.

The impairment testing was supported by a sensitivity analysis, in which the CGU specific EBITDA estimates were reduced, the discount interest rates were increased, and the terminal growth rate was reduced. According to the sensitivity analysis conducted, there is no risk that the carrying amount would exceed the recoverable amount. Under the basic scenario, the discounted cash flow in use was 7.1 times the carrying amount of the CGU's assets employed.

In addition, the sensitivities of the key assumptions were tested. If the assumptions used in the impairment test were changed to a greater extent than what is presented below, the changes would, in isolation, lead to an impairment loss being recognised for the year ended 31 December 2021. For an impairment loss to occur, the pre-tax WACC should increase by 37.4 percentage points and the EBITDA marginal decrease by 8.7 percentage points each year. As the discounted free cash flows for the forecast years excluding the terminal year are clearly above the carrying amount, no reduction in terminal growth rate will result in an impairment loss. Based on the sensitivity analyses, the impairment risk was considered low.

14 DEPRECIATION AND AMORTIZATION

ACCOUNTING PRINCIPLES

Tangible assets are stated at historical cost, less accumulated depreciation and impairment loss, if any. Tangible assets of acquisitions are measured at fair value on acquisition date.

Depreciation is calculated on a straight-line basis over the expected useful lives of the assets as follows:

Improvements to land areas:	10 years
Buildings and structures:	5-40 years
Machinery and equipment:	3-10 years

Leased right-of-use assets' useful lifetimes are adjusted by expected lease periods and use of purchase option at the end of the lease period.

Land areas are not depreciated.

The Group reviews residual values and useful lives of property, plant and equipment for impairment whenever events and changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment of property, plant and equipment and capital gains and losses on their disposal are included in other operating income and expenses.

Depreciation of property, plant and equipment ceases when an item is classified as a non-current asset held for sale.

Amortization of intangible assets with a definite useful life is calculated over the expected economic lives of the assets, which is 3-10 years.

Any intangible assets with indefinite useful lives are not amortized but tested annually for impairment. See Note 13 for impairment testing.

The consolidated depreciation and amortization charges include the impact from the assets acquired in business combinations and measured at fair value.

	2021	2020
Depreciation and amortization	**€000**	**€000**
Intangible assets	-4 002	-3 563
Buildings and constructions	-6 996	-5 869
Machinery and equipment	-55 785	-56 802
Total	**-66 783**	**-66 234**

15 FINANCIAL INSTRUMENTS

ACCOUNTING PRINCIPLES

The Group classifies its financial assets into the following categories: at amortized cost and at fair value through profit or loss. The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows and is determined at the time of the acquisition depending on the intended purpose. Financial assets are derecognised when the contractual rights to cash flows have expired, or the rights to cash flows together with substantially all risks and rewards of ownership, have transferred.

Financial liabilities are classified either at amortized cost or at fair value through profit or loss. Financial liabilities are derecognised when they are extinguished, that is when the obligation specified in the contract is discharged, cancelled or expires.

The Group applies trade date accounting to all financial assets and liabilities.

15.1 SUMMARY

	At amortised cost	At fair value through P&L	Total
2021			
NON-CURRENT FINANCIAL ASSETS			
Equity investments	-	77	**77**
Net contract assets	39 747	-	**39 747**
Total	**39 747**	**77**	**39 824**
CURRENT FINANCIAL ASSETS			
Trade receivables	164 088	-	**164 088**
Other current assets*	13 332	-	**13 332**
Net contract assets	6 459	-	**6 459**
Cash and cash equivalents	45 980	-	**45 980**
Total	**229 859**	**-**	**229 859**
NON-CURRENT FINANCIAL LIABILITIES			
Interest bearing loans and borrowings	17 806	-	**17 806**
Net contract liabilities	84 676	-	**84 676**
Non-current accruals	760	564	**1 324**
Total	**103 241**	**564**	**103 805**
CURRENT FINANCIAL LIABILITIES			
Interest bearing loans and borrowings	6 250	-	**6 250**
Net contract liabilities	52 657	-	**52 657**
Trade payables	291 194	-	**291 194**
Other current liabilities	4 654	-	**4 654**
Total	**354 755**	**-**	**354 755**

* Excluding prepayments and accrued income

2020	At amortised cost	At fair value through P&L	Total
NON-CURRENT FINANCIAL ASSETS			
Equity investments	-	77	**77**
Net contract assets	13 336	-	**13 336**
Total	**13 336**	**77**	**13 413**
CURRENT FINANCIAL ASSETS			
Trade receivables	105 191	-	**105 191**
Other current assets*	28 444	-	**28 444**
Net contract assets	2 611	-	**2 611**
Cash and cash equivalents	117 586	-	**117 586**
Total	**253 831**	**-**	**253 831**
NON-CURRENT FINANCIAL LIABILITIES			
Interest bearing loans and borrowings	18 832	-	**18 832**
Net contract liabilities	96 970	-	**96 970**
Non-current accruals	302	-	**302**
Total	**116 105**	**-**	**116 105**
CURRENT FINANCIAL LIABILITIES			
Interest bearing loans and borrowings	79 307	-	**79 307**
Net contract liabilities	47 884	-	**47 884**
Trade payables	207 241	-	**207 241**
Other current liabilities	9 439	-	**9 439**
Total	**343 871**	**-**	**343 871**

* Excluding prepayments and accrued income

Trade receivables and payables include customer-directed materials sales and purchases.

15.2 CASH AND RESTRICTED CASH ACCOUNTS

Cash and cash equivalents consist of cash in banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

Restricted bank accounts related to given guarantees, which may be interest bearing, are reported in other receivables. Current accounts with restrictions, such as accounts held for tax payments, and which are typically non-interesting bearing accounts, are reported as bank accounts.

For the purpose of statement of cash flows, cash and cash equivalents consist of the following as of December 31.

	2021	2020
	€000	**€000**
Cash at banks and on hand in Cash Flow	45 980	117 586
Restricted cash accounts	47	20 020

At 2020 year-end, restricted cash included a EUR 20 million escrow account deposit related to the bridge financing package.

15.3 FINANCIAL ASSETS AT AMORTIZED COST

This category comprises assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. It includes trade receivables and net contract assets, other receivables as well as loan receivables.

Trade receivables, contract assets and lease receivables are subject to expected credit loss impairment allowance adjustments. Net contract assets and loan receivables are considered not having any such credit default risk, which would create a credit loss allowance.

TRADE RECEIVABLES

Trade receivables are recognised at original invoice amount to customers and reported in the balance sheet, net of expected credit loss allowance.

Trade receivables are assessed at each reporting date to determine whether there is evidence of impairment applying the expected credit loss model. In assessing the expected lifetime credit loss, the Group uses both historical information on credit losses and forward-looking information that is available without undue cost or effort. The Group considers evidence of impairment for trade receivables at a collective level by customer group. The customer groups are determined by grouping customers that have similar risk characteristics.

Significant increases in credit risk are reflected in the impairment allowance and are recognised in profit and loss. If the estimated credit risk subsequently decreases, the previously recognised increase in impairment allowance is recognised in profit and loss.

When the Group considers that it has no reasonable expectations of recovering a trade receivable, the relevant amounts are written off.

Impairment allowance is recognised in the statement of financial position as part of the carrying amount of trade receivables. Changes in allowance together with final bad debts are reported under other operating income and expenses.

Trade receivables are non-interest bearing. Applied payment terms are customary in the industry and market area and are generally on terms of 10 to 60 days.

The aging analysis of trade receivables is as follows:

	2021	Impaired	Net	2021	Impaired	Net
	€000	€000	€000	€000	€000	€000
Not past due	113 204	-93	113 111	61 392	-55	61 339
Past due						
< 30 days	49 350	-24	49 325	43 028	-40	42 988
30-60 days	433	-2	431	237	-1	237
61-90 days	262	-1	261	33	0	33
> 90 days	969	-10	959	599	-4	595
Total	**164 218**	**-130**	**164 088**	**105 290**	**-100**	**105 191**

Trade receivables include receivables related to customer-directed materials recognized in gross sales.

Expected credit loss allowance is presented below.

	2021	2020
	€000	€000
Impairment allowance		
Opening balance 1.1	-100	-208
Recognized	-30	-28
Discontinued	-	135
Balance at 31 December 2021	**-130**	**-100**

OTHER CURRENT RECEIVABLES

Details of other current assets are presented in the table below.

	2021	2020
	€000	€000
Other current assets		
Prepayments and accrued income	18 587	6 023
VAT-receivables	10 989	7 238
Loan arrangement fee	250	-
Other S-T receivables	2 093	21 205
Total	**31 919**	**34 466**

15.4 FINANCIAL LIABILITIES AT AMORTIZED COST

The Group's financial liabilities include mainly trade payables and cost accruals as well as interest bearing loans, net contract liabilities and lease liabilities. Financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest rate (EIR) method.

Details of trade payables and other current liabilities are presented in the tables below.

Trade payables	**2021**	**2020**
	€000	**€000**
Related parties (Note 21)	-	25
Other trade payables	291 194	207 216
Total trade payables	**291 194**	**207 241**
Other current liabilities and accruals		
Employment benefit related	4 652	3 459
VAT liabilities	1	339
Other current liabilities	1	5 642
Other current liabilities total	4 654	9 439
Employment benefit related	38 220	30 332
Accruals on manufacturing materials	118 092	83 886
Other accruals	7 333	13 128
Accruals total	163 645	127 346
Total other current liabilities and accruals	**168 299**	**136 786**

Trade payables and accruals include liabilities related to customer-directed materials. Details of interest-bearing liabilities are presented in the table below.

	2021	**2020**
	€000	**€000**
Current interest-bearing loans and borrowings		
Obligations under lease contracts	6 250	10 579
Loans from financial institutions	0	68 728
Total current	**6 250**	**79 307**
Non-current interest-bearing loans and borrowings		
Obligations under lease contracts	17 805	14 666
Loans from financial institutions	-	4 166
Total non-current	**17 806**	**18 832**
Total interest-bearing loans and borrowings	**24 056**	**98 139**

During 2021, the Group repaid the remaining EUR 66 million of its short-term debt financing raised in 2020. In addition, the remaining EUR 6,7 million balance of the European Investment Bank loan was fully repaid during 2021.

In December 2021, an agreement for a EUR 100 million working capital financing facility was granted by Finnvera and guaranteed by the European Investment Bank's Pan-European Guarantee Fund. The facility was not used at the year-end of 2021. An arrangement fee of EUR 1,0 million was paid in December 2021. It is reported as prepayments on the balance sheet, divided into current (EUR 0,25 million) and non-current prepayments (EUR 0,75 million).

In addition, the Group continued to have a receivable sale facility in Roof & Kinematics with a limit of EUR 10 million, which of EUR 1,8 million was utilized at the year-end of 2021 (not utilized at the end of the year 2020). Lease financing is used for acquisition of facilities, machinery and equipment.

The loan agreements contain common covenants which were all met at year-end 2021 and 2020.

The table below summarises the maturity profile of the Group's interest-bearing liabilities and trade payables based on contractual undiscounted payments.

Year ended 31 December 2021	**On demand €000**	**Less than 3 months €000**	**3 to 12 months €000**	**1 to 5 years €000**	**> 5 years €000**	**Total €000**
Interest-bearing loans and borrowings	-	-	-	-	-	-
Lease liabilities	-	1 562	5 515	14 483	5 059	26 619
Trade payables	42 324	248 821	49	-	-	291 194
Other financial liabilities	-	-	-	-	-	-
	42 324	**250 384**	**5 564**	**14 483**	**5 059**	**317 814**

Year ended 31 December 2020	**On demand €000**	**Less than 3 months €000**	**3 to 12 months €000**	**1 to 5 years €000**	**> 5 years €000**	**Total €000**
Interest-bearing loans and borrowings	-	-	69 526	4 411	-	73 937
Lease liabilities	-	1 471	10 189	14 408	948	27 015
Trade payables	28 668	178 643	-	-	-	207 312
Other financial liabilities	-	-	773	-	-	773
	28 668	**180 114**	**80 488**	**18 818**	**948**	**309 036**

15.5 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

This category comprises of equity investments, derivative instruments and share-based employee benefits that are to be measured at fair value through profit and loss. The Group has not elected to present changes of equity investments in fair value in other comprehensive income.

The Group may use derivative financial instruments, such as forward currency contracts, to reduce its foreign currency risks. Such instruments are initially recognised at fair value and are subsequently measured at their fair value at each reporting date. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Hedge accounting is not applied.

Equity investments consist of mainly shares not quoted on an active market and which are carried at cost as the fair value of these assets cannot be measured reliably or the fair value would not significantly differ from the acquisition cost.

	2021	2020
Non-current equity investments	**€000**	**€000**
At 1 January	**77**	**77**
Additions	-	-
Disposals	-	-
At 31 December	**77**	**77**
Total current	**-**	**-**
Total non-current	**77**	**77**

Share-based employee benefits comprise synthetic options, which may entitle their holder to cash reward. The fair value of the plan liability is reviewed at the end of each financial year, refer to Note 6.2.

	2021	2020
Share based employee benefits	**€000**	**€000**
At 1 January	-	-
Additions	564	-
Disposals	-	-
At 31 December	**564**	**-**
Total current	**-**	**-**
Total non-current	**564**	**-**

FAIR VALUE ESTIMATION

ACCOUNTING PRINCIPLES

The Group measures financial instruments such as derivatives at fair value at each balance sheet date.

For those financial assets and liabilities, which have been recognised at fair value in the balance sheet, the following measurement hierarchy and valuation methods have been applied:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3; Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities. There have been no transfers between level 1, level 2 and level 3 during the period. There were no differences between fair values and carrying amounts of other financial assets and liabilities.

Fair value hierarchy for financial instruments measured at fair value at December 31, 2021:

	Total	Level 1	Level 2	Level 3
	€000	€000	€000	€000
Assets measured at fair value:				
Financial assets at fair value through profit and loss	77	-	-	77
Total	**77**	**-**	**-**	**77**

Fair value hierarchy for financial instruments measured at fair value at December 31, 2020:

	Total	Level 1	Level 2	Level 3
	€000	€000	€000	€000
Assets measured at fair value:				
Financial assets at fair value through profit and loss	77	-	-	77
Total	**77**	**-**	**-**	**77**

16 ISSUED CAPITAL AND RESERVES

16.1 SUMMARY

	Number of shares	Issued capital	Share premium	Funds invested for unrestricted equity	Other capital reserves	Hybrid capital	Total
		€000	€000	€000	€000	€000	€000
At 1 January 2020	**136 887**	**10 932**	**1 704**	**88 432**	**5 382**		**106 450**
Hybrid capital						20 000	**20 000**
At 31 December 2020	**136 887**	**10 932**	**1 704**	**88 432**	**5 382**	**20 000**	**126 450**
At 31 December 2021	**136 887**	**10 932**	**1 704**	**88 432**	**5 382**	**20 000**	**126 450**

The Group holds 5 288 own shares. Other capital reserves consist of Valmet Automotive Oy restricted reserves.

16.2 HYBRID CAPITAL INSTRUMENTS

ACCOUNTING PRINCIPLES

Hybrid capital is initially recognised at fair value less transaction costs and subsequently the capital is measured at amortised cost. If interest is paid to the hybrid capital, it is charged to equity.

The Group issued a EUR 20 million hybrid capital on 24 April 2020, an instrument classified as equity in the financial statements. The hybrid capital does not have a maturity date but the Group is entitled to redeem the hybrid capital in full or in part together with accrued but unpaid interest at any time without any premium or penalty.

The hybrid capital accrued interest of 10,0% p.a. until 23 April 2021 and 12,5% p.a. until 31 December, 2021. It continues to accrue 12.5% p.a. interest until 23 April 2022, and 17,5% p.a. thereafter. The interest from the hybrid capital must be paid to the investors if Valmet Automotive Oy pays dividends or other distribution of equity. If dividends are not paid, a separate decision regarding interest payment on the hybrid capital will be made, if the interest payment conditions were met. The accrued interest on the capital was EUR 3,915 million at 31 December 2021 (EUR 1,373 million). This interest is not recognised in the accounts.

17 TREASURY RISK MANAGEMENT

LIQUIDITY AND REFINANCING RISK

The Group safeguards its liquidity with constant monitoring of receivables, keeping sufficient financial assets in cash and liquid assets and considering its financial counterparties based on their creditworthiness. Group Treasury maintains bank account structures and monitors cash balances and forecasts of the operating units and manages their liquidity position. The maturity profile of the debt portfolio is monitored to minimize refinancing risk of the debt for the Group. The Group takes liquidity position into account when negotiating payment terms in its customer and supplier contracts. The cash flow profile of the major customer projects is monitored and customer advances for investment and development costs are scheduled to take place before related cash outflows.

The Group's business continuity assumption is based on the fact that its business operations are largely based on long-term order backlog, i.e. long-term development and manufacturing contracts which reach out to future periods. Furthermore, these long-term contracts typically include annual and/or life-time minimum volumes and the Group is entitled to contractual compensations should such minimum volumes not be met annually or during the contract lifetime. In the short and medium term, the Group may utilize its working capital financing facility to manage fluctuations in working capital related disturbances in supply chain and production and short-term seasonal and other volume changes, as well as program change-overs, which typically include production line reinstallations and downtime.

Geopolitical risks have increased since Russia started the war activities towards Ukraine in February 2022. Even if It is not expected to have a direct impact on the Group's business, financial position or results, the crisis may have unpredictable effects, for example on the availability of funding in the future.

INTEREST RATE RISK

Interest rate risk arises when changes in market interest rates and interest margins influence finance costs, returns on financial investments and valuation of interest-bearing balance sheet items. Interest rate risks are reduced through fixed interest rate loans and interest rate derivatives.

FOREIGN EXCHANGE RISK

Valmet Automotive operates mainly in the euro zone and has limited exposure on changes in foreign exchange rates. Nearly all financial risk arising from the changing currency rates is mitigated either contractually or using financial derivatives. The most relevant currency pair in terms of revaluation differences is EUR/PLN.

TRANSLATION OR EQUITY EXPOSURE

Foreign exchange translation exposure arises when the equity of a subsidiary is denominated in currency other than the functional currency of the parent company. The major translation exposure of the Group is in PLN. The Group does not hedge any of its equity exposure.

COMMODITY RISK

The Group is affected by the price volatility of certain raw materials and components and supplies including energy. Car manufacturing parts and materials are covered by the customer agreements, and the Group does not carry the commodity or logistics price risk. Roof & Kinematic business supplies do not have any significant commodity price risk. The Group may also enter into fixed price commodity agreements based on business considerations to limit the effects of fluctuating commodity prices.

CREDIT AND COUNTERPARTY RISK

Credit risk is the risk that a customer, supplier or financial counterparty would not meet its obligations under a financial instrument or customer or supplier contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. Customer credit risk is assessed low, as practically all major customers are large automotive groups with good credit ratings. Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy.

The maximum credit risk equals the carrying value of trade and other receivables, and contract assets of revenue recognised but not yet billed. The credit quality is evaluated both on the basis of aging of the trade receivables and also on the basis of customer specific analysis. The corresponding expected lifetime credit loss allowance and the aging structure of trade receivables are presented in Note 15. The Group's maximum exposure relating to financial guarantees is presented in Note 20.

CAPITAL STRUCTURE MANAGEMENT

The objectives of capital structure management are to maintain the long-term capital structure in a level that safeguards the ongoing business operations and optimizes the cost of capital. Due to nature of its business, the Group may have significant investment programs, which can have a temporary effect on the capital structure because of increased loan or customer advance payment funding needs.

The capital structure is assessed on a regular basis by the Board of Directors. The Group has a set target for long-term Debt-to-Equity-ratio. Equity ratio has also been identified as a key financial indicator.

In some cases, customer advances are considered as significant financing components where interest is calculated at the incremental borrowing rate, refer to Note 4.

18 INVENTORIES

ACCOUNTING PRINCIPLES

Inventories are valued at the lower of cost and net realisable value. Purchase, transport and processing costs incurred in bringing each product to its present location and condition are included in inventory costs. The costs of finished goods and work-in-progress include direct materials and labour and allocable proportion of production overheads based on the normal operating capacity but excluding borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Inventories are shown net of a provision for obsolete and slow-moving inventories. A provision is established, and a corresponding charge is taken to profit and loss in the period in which the loss occurs, when obsolescence and related factors are assessed.

SIGNIFICANT MANAGEMENT ESTIMATES AND JUDGMENTS

The Group policy maintains a provision for slow-moving and obsolete inventory based on the best estimate of such amounts at the balance sheet date. The estimates are made in consideration of the composition and age of the inventory compared to anticipated future needs. Given the typically short turnover times, typically only minor allowances are considered necessary.

	2021	**2020**
	€000	**€000**
Raw materials (at cost)	63 865	45 886
Work in process (at cost)	10 557	9 887
Finished goods (at cost or net realisable value)	29 110	15 036
Total inventories at the lower of cost and net realisable value	**103 532**	**70 810**

All inventories include customer-directed materials.

19 PROVISIONS

ACCOUNTING PRINCIPLES

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources is required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions, for which settlement is expected to occur more than one year after the initial recognition, are discounted to their present value and adjusted in subsequent closings for the time effect.

A provision for restructuring costs is recognised only after management has developed and approved a detailed plan and started the implementation of the plan or communicated the plan. Employee termination benefits are recognised after the representatives of employees or individual employees have been informed of the intended measures in detail and the related compensation packages can be reliably measured. Restructuring costs are booked to the expense group to which they by nature belong, e.g., termination payments are entered in personnel expenses.

Provisions for warranties cover the estimated costs to repair or replace products still under warranty on the balance sheet date. The Group provides warranty usually for 3 to 5 years, in line with the industry practice. Provision for warranty is calculated based on historical experience. A liability is recognised at the time the product is sold.

Provisions for loss-making contracts are recognised in the period in which they are determined.

SIGNIFICANT MANAGEMENT ESTIMATES AND JUDGMENTS

Provision amounts to be recorded are based on management judgement and are the best estimate of the cost required to settle the obligations at the reporting date. Provisions are reviewed on a regular basis, and when necessary, adjusted to reflect the current best estimate. The actual costs may differ from the estimated costs.

The most significant provisions based on estimates are warranty provisions. Warranty provisions include estimated costs for repair work during warranty periods.

	Warranty provision	Restructuring provision	Loss contracts	Total
	€000	**€000**	**€000**	**€000**
At 1 January 2021	**7 542**	**90**	**0**	**7 632**
Arising during the year	3 514	0	0	**3 514**
Utilised	-1 071	-17	0	**-1 089**
Released	-772	-42	0	**-814**
FX rate	-12	0	0	**-12**
At 31 December 2021	**9 201**	**31**	**0**	**9 231**
At 1 January 2020	**6 490**	**794**	**192**	**7 476**
Arising during the year	3 190	0	0	**3 190**
Utilised	-1 178	0	0	**-1 178**
Released	-834	0	0	**-834**
Discontinued operations	0	-704	-192	**-896**
FX rate	-126	0	0	**-126**
At 31 December 2020	**7 542**	**90**	**0**	**7 632**
Current	2 031	31	-	**2 062**
Non-current	7 170	-	-	**7 170**

20 OTHER COMMITMENTS AND CONTINGENCIES

There are no commitments or contingent liabilities recorded in the accounts.
The Group has common fixed price supply agreements for electricity and other supplies, which do not require recognition in the accounts.

	2021	2020*
	€000	**€000**
Mortgages and pledges	593 182	593 353
Guarantees	6 857	4 793
Non-recognized hybrid capital interest	3 915	1 373
Total	**603 954**	**599 519**

*Adjusted mortgages and pledges due to an incorrect presentation in the financial statements for the financial year 2020.

New leases agreed but not yet commenced as of 31 December 2021 are presented in Note 10.

21 RELATED PARTY TRANSACTIONS

ACCOUNTING PRINCIPLES

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, a person or entity, regardless of whether a price is charged.

Intragroup related party transactions and outstanding balances are eliminated in the consolidated financial statements.

TRANSACTIONS

The Group's transactions with related parties are detailed below.

		Revenue	Receivables	Expenses	Payables	Loans
		€000	**€000**	**€000**	**€000**	**€000**
Key management personnel	31.12.2021	-	-	18	-	-
	31.12.2020	-	-	120	25	-
Entity with significant influence over the Group	31.12.2021	-	-	209	-	-
	31.12.2020	-	-	451	-	-

KEY MANAGEMENT COMPENSATION

The key management includes the Board of Directors and the Group Management Team. The remuneration paid or payable to key management based on the work performed consists of the following:

	2021	2020
	€000	**€000**
Salaries and other short-term employee benefits	-3 282	-3 474
Share based benefit	-564	-
Other long-term employee benefits	-1 179	-257
Total compensation	**-5 025**	**-3 731**

Group Management Team consisted of 10 persons on average during 2021 (11 persons in 2020).

The Board of Directors' compensation amounted to EUR 266 thousand in 2021 and EUR 347 thousand in 2020, respectively.

22 EVENTS AFTER THE REPORTING PERIOD

There have been no significant events in the Group after the end of the financial year.

FINANCIAL STATEMENTS OF THE PARENT COMPANY (FAS)

INCOME STATEMENT OF THE PARENT COMPANY

	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
	EUR	EUR
Gross sales*	**2 582 016 489,50**	**2 221 245 715,81**
Customer directed materials	-2 160 631 484,10	-1 843 691 761,03
Net sales	**421 385 005,40**	**377 553 954,78**
Change in inventories of finished goods and in work in progress	-486 094,53	1 868 666,11
Other operating income	9 811 431,52	5 847 180,56
Materials and services	-159 264 706,79	-150 687 517,93
Personnel expenses	-146 409 961,75	-130 813 495,42
Depreciation and writedowns	-42 199 824,56	-46 445 583,75
Other operating expenses	-57 423 959,61	-56 338 020,53
Total expenses	-405 298 452,71	-384 284 617,63
Operating profit	**25 411 889,68**	**985 183,82**
Financing income and expenses	-1 021 957,18	-38 101 980,22
Profit before appropriations and taxes	**24 389 932,50**	**-37 116 796,40**
Change in cumulative accelerated depreciation	-2 659 233,18	-1 554 176,75
Group contribution	-2 470 000,00	-
Change in deferred taxes	2 762 543,14	2 555 095,47
Income taxes	-6 648 923,69	-1 137 124,80
Profit for the financial year	**15 374 318,77**	**-37 253 002,48**

*Gross sales are defined as total (gross) sales including both net sales and sales of customer-directed materials and parts. Customer-directed materials and parts are materials that are purchased from the principal or from suppliers selected by the principal at prices negotiated by the principal.

BALANCE SHEET OF THE PARENT COMPANY

	31 December 2021	31 December 2020
Assets		
Non-current assets		
Intangible assets		
Intangible assets	598 593,81	630 725,53
Other capitalized long term expenditure	5 999 994,17	6 128 239,13
Assets under construction	1 109 090,46	1 689 066,03
	7 707 678,44	**8 448 030,69**
Property, plant and equipment		
Land and water areas	4 759 290,81	4 759 290,81
Buildings	53 779 530,97	42 252 574,45
Machinery and equipment	47 923 237,31	80 809 796,61
Other tangible assets	1 227 968,60	919 583,45
Assets under construction	1 812 147,19	2 383 976,61
	109 502 174,88	**131 125 221,93**
Investments		
Shares in group companies	32 035 116,41	32 035 116,41
Other shares and participations	76 971,75	76 971,75
	32 112 088,16	**32 112 088,16**
Non-current assets total	**149 321 941,48**	**171 685 340,78**
Current assets		
Inventories		
Materials and supplies	37 393 045,06	34 436 979,42
Work in progress	7 973 703,94	8 297 594,16
Finished products	9 502 650,50	11 309 473,24
	54 869 399,50	**54 044 046,82**
Long-term receivables		
Loan receivables from group companies	25 553 960,27	13 487 729,46
Pension plan receivables	702,00	47 020,00
Deferred tax asset	6 790 301,91	4 027 758,77
Prepayments and accrued income	750 000,00	0,00
	33 094 964,18	**17 562 508,23**
Short-term receivables		
Accounts receivable	93 622 630,14	85 646 745,32
Receivables from group companies	12 186 041,27	15 316 725,89
Other receivables	9 298 415,38	25 382 368,91
Prepayments and accrued income	12 045 902,41	5 485 402,85
	127 152 989,20	**131 831 242,97**
Bank and cash	**45 163 781,26**	**109 853 499,78**
Current assets total	**260 281 134,14**	**313 291 297,80**
Total Assets	**409 603 075,62**	**484 976 638,58**

BALANCE SHEET OF THE PARENT COMPANY

	31 December 2021	31 December 2020
Shareholders' equity and liabilities		
Shareholders' equity		
Share capital	10 932 215,22	10 932 215,22
Share premium reserve	1 704 135,55	1 704 135,55
Revaluation reserve	5 382 013,65	5 382 013,65
Reserve for invested unresticted equity	88 840 723,19	88 840 723,19
Retained earnings	-100 597 050,94	-63 344 048,46
Profit for the financial year	15 374 318,77	-37 253 002,48
Hybrid capital	20 000 000,00	20 000 000,00
	41 636 355,44	**26 262 036,67**
Appropriations		
Cumulative accelerated depreciation	4 213 409,93	1 554 176,75
	4 213 409,93	**1 554 176,75**
Provisions		
Other provisions	8 988 726,72	7 449 325,92
	8 988 726,72	**7 449 325,92**
Liabilities		
Non-current liabilities		
Loans from financial institutions	-	4 166 666,69
Accrued expenses	260 135,44	-
Deferred tax liability	1 345 503,41	1 345 503,41
	1 605 638,85	**5 512 170,10**
Current liabilities		
Loans from financial institutions	-	68 822 231,99
Advances received	21 580 295,30	46 434 290,95
Trade payables	231 685 792,18	189 270 983,93
Liabilities to group companies	6 724 427,09	15 552 947,59
Other liabilities	2 856 121,10	11 765 150,96
Accrued expenses	90 312 309,01	112 353 323,72
	353 158 944,68	**444 198 929,14**
Total liabilities	**354 764 583,53**	**449 711 099,24**
Total shareholders' equity and liabilities	**409 603 075,62**	**484 976 638,58**

CASH FLOW STATEMENT OF THE PARENT COMPANY

	2021	2020
Operating activities		
Operating profit (loss)	**25 411 889,68**	**985 183,82**
Adjustments		
Depreciation and writedowns	42 199 824,56	46 445 583,75
Other non-cash adjustments	-28 217 946,85	-32 233 424,84
Change in net working capital		
Inventory, increase (-) / decrease (+)	-825 352,68	5 571 535,37
Short term receivables, increase (-) / decrease (+)	-16 521 954,38	-36 352 443,54
Short term liabilities, increase (+) / decrease (-)	25 148 246,98	55 025 355,76
Provisions, increase (-) / decrease (+)	-674 351,98	-626 267,47
Financing income and expenses, taxes	-11 218 868,71	4 698 955,19
Net cash flows from operating activities	**35 301 486,62**	**43 514 478,04**
Investing activities		
Acquisitions of fixed assets, net	-19 836 425,26	-5 899 447,52
Shares and participations, net	-5 538 611,00	-6 025 801,00
Increase (-) / decrease (+) in loans, non-current assets	-12 218 377,04	-35 540 095,11
Advances received, investments	1 648 150,00	168 000,00
Net cash flows from investing activities	**-35 945 263,30**	**-47 297 343,63**
Net cash flows before financing activities	**-643 776,68**	**-3 782 865,59**
Financing activities		
Increase in hybrid capital	-	20 000 000,00
Change in restricted cash	20 000 000,00	-20 000 000,00
Increase (+) / decrease (-) in L-T loans	-6 666 666,68	-833 333,33
Increase (+) / decrease (-) in S-T loans	-79 064 097,19	63 882 991,48
Increase (-) / decrease (+) in other receivables	1 684 822,03	4 773 213,10
Net cash flows from financing activities	**-64 045 941,84**	**67 822 871,25**
Net cash flow after financing activities	**-64 689 718,52**	**64 040 005,66**
Cash and cash equivalents at the beginning of year	109 853 499,78	45 813 494,12
Cash and cash equivalents at 31 December	**45 163 781,26**	**109 853 499,78**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS (FAS)

1. ACCOUNTING PRINCIPLES

Basis of preparation

The domicile of the parent company is Uusikaupunki, Finland. The parent company financial statements have been prepared in accordance with the Finnish Accounting Standards (FAS).

Foreign currency translation

Receivables and payables in foreign currency are converted into Euros at the exchange rates of the European Central Bank for the balance sheet date. Exchange gains and losses related to fixed assets are treated as adjustments to the acquisition cost of fixed assets.

Fixed assets and depreciation

Fixed assets are mainly stated at original purchase prices. Depreciation and amortization are made on a straight-line basis. The buildings and land areas include also revaluations.

Depreciation time according to expected useful lives of the assets:

Intangible assets	3 - 10 years
Improvements of land areas	10 years
Buildings and structures	20 years
Machinery and equipment	3 - 10 years

Inventories

Inventories are valued at the original purchase price or at the lower of cost or market. Indirect production costs are also included to the work in progress inventory value.

Receivables

Receivables are booked at nominal value or at their estimated realizable value.

Deferred tax assets and liabilities

Deferred tax liabilities or assets are calculated based on temporary differences between financial reporting and the taxation calculated with enacted tax rates effective for the future years. The deferred tax liabilities are recognised in the balance sheet in full, and the deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Revenue recognition based on the percentage of completion

Revenue on long-term contracts is recognized based on the Percentage of Completion (POC) Method. A project lasting more than one year is considered a long-term contract. Percentage of completion is calculated based on costs incurred to date in relation to total estimated project costs (cost-to-cost method).

Material purchases

Customer directed materials for manufacturing is included in gross sales but excluded from net sales. All the material is included in inventory, accounts payable, accruals and accounts receivable in the balance sheet. Gross sales are defined as total (gross) sales including both net sales and sales of customer-directed materials and parts. Customer-directed materials and parts are materials that are purchased from the principal or from suppliers selected by the principal at prices negotiated by the principal.

2. NOTES OF THE INCOME STATEMENT

	2021	2020
Net sales	**EUR**	**EUR**
By Business line		
Vehicle manufacturing	421 385 005,40	375 425 245,18
Electric vehicle systems	-	2 107 134,38
Other sales (mostly intra-group sales)	-	21 575,22
Total net sales	**421 385 005,40**	**377 553 954,78**
By market area		
Finland	4 824 300,61	7 019 621,87
Germany	411 965 914,86	363 052 893,79
Others	4 594 789,93	7 481 439,12
Total net sales	**421 385 005,40**	**377 553 954,78**
Specification of net sales		
POC sales	1 780 878,91	3 374 000,53
Other sales	419 604 126,49	374 179 954,25
Total net sales	**421 385 005,40**	**377 553 954,78**
Other operating income		
Royalties from group companies	402 728,84	349 499,97
Other income from group companies	6 238 535,00	1 165 662,00
Government grants	1 713 283,08	2 246 860,59
Compensation from customers and suppliers	1 257 114, 95	1 901 717,68
Other income	199 769,65	183 440,32
Total operating income	**9 811 431, 52**	**5 847 180,56**
Materials and services		
Materials	-153 501 826,52	-146 356 090,81
External services	-5 762 880,27	-4 331 427,12
Total materials and services	**-159 264 706,79**	**-150 687 517,93**
Personnel expenses		
Wages & Salaries	-120 871 719,53	-110 872 876,40
Pension insurances	-20 672 313,24	-16 141 233,18
Other indirect employee costs	-4 865 928,98	-3 799 385,84
Total personnel expenses	**-146 409 961,75**	**-130 813 495,42**
Compensation to the Board of directors	**265 500,00**	**347 500,00**
The average number of personnel	3 068	3 169

Pension liabilities

The pension responsibility for personnel is covered by a pension insurance agreement with an external insurance company.

	2021	2020
	EUR	EUR
Depreciation and write-down of fixed assets		
Intangible rights	-239 715,96	-239 433,59
Other capitalized long-term expenditure	-2 315 481,71	-2 146 388,02
Improvements of land areas	-144 490,30	-132 783,63
Buildings	-2 917 379,95	-2 586 357,10
Machinery and equipment	-36 582 756,64	-41 340 621,41
Total depreciation and write-down of fixed assets	**-42 199 824,56**	**-46 445 583,75**

Other operating expenses		
Property, operating and maintenance costs	-11 888 688,97	-10 732 854,36
Research and development expenses	-646 025,03	-1 486 217,83
External services	-13 557 804,68	-13 327 455,71
ICT expenses	-10 865 174,53	-12 108 433,24
Machinery and equipment expenses and leases	-13 306 171,19	-12 885 175,19
Other personnel expenses	-4 092 159,75	-2 107 831,12
Other operating expenses	-3 067 935,46	-3 690 053,08
Total other operating expenses	**-57 423 959,61**	**-56 338 020,53**

Services rendered by statutory auditors		
Audit services	-295 122,00	-308 252,00
Tax advisory services	-33 450,00	-49 347,00
Other services	-803 902,33	-4 430,00
Total services rendered by statutory auditors	**-1 132 474,33**	**-362 029,00**

	2021	2020
	EUR	**EUR**
Finance income		
Dividend income	4 284,00	5 085,00
Dividend income from group companies	-	9 575 344,60
Interest income	97,16	3 092,66
Interest income from group companies	845 552,89	1 249 209,42
Other financing income	-	143 048,02
Other financing income from group companies	5 021,74	204 973,08
Total finance income	**854 955,79**	**11 180 752,78**
Finance cost		
Loss from foreign exchange	-183 405,42	-216 341,26
Interest expenses	-842 716,24	-1 107 156,89
Financing expenses to group companies	-18 248,66	-33 879 677,20
Other financing expenses	-832 542,65	-2 579 557,65
Total finance cost	**-1 876 912,97**	**-37 782 733,00**
Losses from investments in fixed assets	**-**	**-11 500 000,00**
Total financing income and expenses	**-1 021 957,18**	**-38 101 980,22**

Loss from investments in fixed assets of EUR 11,5 million relates to the selling of the Valmet Beteiligungs GmbH.

Appropriations		
Change in accelerated depreciation	-2 659 233,18	-1 554 176,75
of which profit for the financial year	-2 127 386,54	-1 243 341,40
of which deferred tax liability	-531 846,64	-310 835,35
Group contribution expenses	-2 470 000,00	-
Total	**-5 129 233,18**	**-1 554 176,75**

Income taxes		
Current year taxes	-6 636 203,47	-1 976 067,57
Previous year taxes	-12 720,22	838 942,77
Change in deferred taxes	2 762 543,14	2 555 095,47
Total	**-3 886 380,55**	**1 417 970,67**

3. NOTES OF BALANCE SHEET

	2021	2020
Non-current assets	**EUR**	**EUR**
Intangible assets		
Intangible rights		
Historical purchase price 1.1	11 434 425,38	11 145 820,61
Adjustment to opening balance*	-1 906 329,93	-
Additions	207 584,24	216 391,55
Disposals	-43 473,19	-47 875,92
Reclassifications	-	120 089,14
Total cost 31.12.	**9 692 206,50**	**11 434 425,38**
Accumulated depreciation 1.1	10 803 699,85	10 570 913,69
Adjustment to opening balance*	-1 906 329,93	-
Depreciation charge of the year	239 715,96	232 786,16
Disposals	-43 473,19	-
Accumulated depreciation 31.12	**9 093 612,69**	**10 803 699,85**
Book value 31.12	**598 593,81**	**630 725,53**
Other capitalised long-term expenditure		
Historical purchase price 1.1	22 378 250,77	22 503 970,88
Adjustment to opening balance*	-5 125 346,08	-
Additions	552 874,47	110 633,59
Disposals	-2 822 905,06	-283 706,90
Reclassifications	1 634 362,28	47 353,20
Total cost 31.12.	**16 617 236,38**	**22 378 250,77**
Accumulated depreciation 1.1	16 250 011,64	14 115 413,28
Adjustment to opening balance*	-5 125 346,08	-
Depreciation charge of the year	2 315 481,71	2 134 598,36
Disposals	-2 822 905,06	-
Accumulated depreciation 31.12	**10 617 242,21**	**16 250 011,64**
Book value 31.12	**5 999 994,17**	**6 128 239,13**
Assets under construction		
Historical purchase price 1.1	1 689 066,03	923 219,95
Additions	1 054 386,71	933 288,42
Reclassifications	-1 634 362,28	-167 442,34
Total cost 31.12.	**1 109 090,46**	**1 689 066,03**
Book value 31.12	**1 109 090,46**	**1 689 066,03**

* Historical purchase prices and accumulated depreciation of the investments 1.1.2021 have been adjusted to match the balances in accounting without adjusting the closing balance of 2020.

	2021	2020
	EUR	EUR
Property, plant and equipment		
Land- and water areas		
Historical purchase price 1.1	4 591 102,88	4 591 102,88
Total cost 31.12.	**4 591 102,88**	**4 591 102,88**
Accumulated revaluation 1.1.	168 187,93	168 187,93
Revaluation 31.12.	**168 187,93**	**168 187,93**
Book value 31.12	**4 759 290,81**	**4 759 290,81**
Buildings and constructions		
Historical purchase price 1.1	90 413 109,47	89 579 726,38
Adjustment to opening balance*	-4 613 190,66	-
Additions	13 360 036,00	817 175,52
Disposals	-252 443,90	-853,33
Reclassifications	1 084 300,47	17 060,90
Total cost 31.12.	**99 991 811,38**	**90 413 109,47**
Revaluation 1.1	6 559 329,13	6 559 329,13
Revaluation 31.12	**6 559 329,13**	**6 559 329,13**
Accumulated depreciation 1.1	54 719 864,15	52 134 360,38
Adjustment to opening balance*	-4 613 190,66	-
Depreciation charge of the year	2 916 642,54	2 585 503,77
Disposals	-251 706,49	-
Accumulated depreciation 31.12	**52 771 609,54**	**54 719 864,15**
Book value 31.12	**53 779 530,97**	**42 252 574,45**

* Historical purchase prices and accumulated depreciation of the investments 1.1.2021 have been adjusted to match the balances in accounting without adjusting the closing balance of 2020.

	2021	2020
	EUR	EUR
Machinery and equipment		
Historical purchase price 1.1	370 171 281,45	368 724 347,60
Adjustment to opening balance*	-79 550 009,30	-
Additions	2 856 909,72	1 705 680,85
Impairments	-	-1 914,44
Disposals	-3 787 819,50	-1 812 469,41
Reclassifications	839 287,62	1 555 636,85
Total cost 31.12.	**290 529 649,99**	**370 171 281,45**
Accumulated depreciation 1.1	289 361 484,84	248 022 777,87
Adjustment to opening balance*	-79 550 009,30	-
Depreciation charge of the year	36 582 756,64	41 338 706,97
Disposals	-3 787 819,50	-
Accumulated depreciation 31.12	**242 606 412,68**	**289 361 484,84**
Book value 31.12	**47 923 237,31**	**80 809 796,61**
Other tangible assets		
Historical purchase price 1.1	4 155 403,04	4 155 403,04
Adjustment to opening balance*	-1 681,88	-
Increase	228 067,45	-
Reclassifications	224 808,00	-
Total cost 31.12.	**4 606 596,61**	**4 155 403,04**
Accumulated depreciation 1.1	3 235 819,59	3 103 035,96
Adjustment to opening balance*	-1 681,88	-
Depreciation charge of the year	144 490,30	132 783,63
Accumulated depreciation 31.12	**3 378 628,01**	**3 235 819,59**
Book value 31.12	**1 227 968,60**	**919 583,45**
Assets under construction		
Historical purchase price 1.1	2 383 976,61	1 840 396,77
Additions	1 576 566,67	2 116 277,59
Reclassifications	-2 148 396,09	-1 572 697,75
Total cost 31.12.	**1 812 147,19**	**2 383 976,61**
Book value 31.12	**1 812 147,19**	**2 383 976,61**

* Historical purchase prices and accumulated depreciation of the investments 1.1.2021 have been adjusted to match the balances in accounting without adjusting the closing balance of 2020.

		2021	2020
		EUR	**EUR**
Investments			
Shares and participations	**Share-%**		
Group companies			
Valmet Automotive GmbH	100	14 200 000,00	14 200 000,00
Valmet Automotive EV Power Oy	100	8 221 190,92	8 221 190,92
Valmet Automotive Sp. z o.o.	100	9 588 925,49	9 588 925,49
Valmet Automotive Management GmbH	100	25 000,00	25 000,00
Total Group companies		**32 035 116,41**	**32 035 116,41**
Associated companies			
Kiint. Oy Pietolankatu 13, Uusikaupunki	40	0,17	0,17
Valmet Automotive's share of			
shareholder's equity 58 193,41 EUR			
Other shareholdings total		76 971,75	76 971,75
Total shares and participations		**32 112 088,16**	**32 112 088,16**

	2021 EUR	2020 EUR
Accounts receivables	**93 622 630,14**	**85 646 745,32**
Other short-term receivables		
VAT receivables	8 893 021,84	5 224 196,94
Salary and travel advances	46 595,12	6 472,02
Other receivables	358 798,42	151 699,95
Danske Bank escrow account	-	20 000 000,00
Total other short-term receivables	**9 298 415,38**	**25 382 368,91**
Accrued income and prepaid expenses		
Long-term		
Loan arrangement fee	750 000,00	-
Total long-term	**750 000,00**	**-**
Short-term		
Accrued sales revenue	8 049 571,39	5 025 821,53
Loan arrangement fee	250 000,00	94 500,00
Other accrued income and prepaid expenses	3 746 331,02	365 081,32
Total short-term	**12 045 902,41**	**5 485 402,85**
Total accrued income and prepaid expenses	**12 795 902,41**	**5 485 402,85**
Receivables from group companies		
Long-term		
Loans receivable	25 553 960,27	13 487 729,46
Total long-term	**25 553 960,27**	**13 487 729,46**
Short-term		
Loans receivable	10 815 268,18	12 502 933,57
Accounts receivables	384 117,57	2 106 311,78
Accrued income	986 655,52	707 480,54
Total short-term	**12 186 041,27**	**15 316 725,89**
Total receivables from group companies	**37 740 001,54**	**28 804 455,35**

	2021	2020
	EUR	EUR
Shareholders’ equity		
Equity		
Shareholders' equity 1.1.	10 932 215,22	10 932 215,22
Shareholders' equity 31.12.	10 932 215,22	10 932 215,22
Additional paid-in capital 1.1.	1 704 135,55	1 704 135,55
Additional paid-in capital 31.12.	1 704 135,55	1 704 135,55
Revaluation reserve 1.1.	5 382 013,65	5 382 013,65
Revaluation reserve 31.12.	5 382 013,65	5 382 013,65
Total equity	**18 018 364,42**	**18 018 364,42**
Unrestricted equity		
Reserve for invested unrestricted equity 1.1.	88 840 723,19	88 840 723,19
Reserve for invested unrestricted equity 31.12.	88 840 723,19	88 840 723,19
Retained earnings 1.1.	-100 597 050,94	-63 344 048,46
Retained earnings 31.12.	-100 597 050,94	-63 344 048,46
Net income for the year	15 374 318,77	-37 253 002,48
Total unrestricted equity	**3 617 991,02**	**-11 756 327,75**
Hybrid capital		
Hybrid capital	20 000 000,00	20 000 000,00
Total hybrid capital	**20 000 000,00**	**20 000 000,00**
Total shareholders’ equity	**41 636 355,44**	**26 262 036,67**

Accrued interest of the hybrid capital, not booked, until 31.12.2021 is 3 914 820,99 eur (31.12.2020 1 373 000 eur). which can only be paid from distributable funds.

	2021	2020
Distributable funds		
Retained earnings	-100 597 050,94	-63 344 048,46
Net income for the year	15 374 318,77	-37 253 002,48
Reserve for invested unrestricted equity	88 840 723,19	88 840 723,19
Government subsidy	-1 000 000,00	-500 000,00
Total distributable funds	**2 617 991,02**	**-12 256 327,75**
Appropriations		
Cumulative accelerated depreciation	4 213 409,93	1 554 176,75
of which shareholders equity	3 370 727,94	1 243 341,40
of which deferred tax liability	842 681,99	310 835,35
Total appropriations	**4 213 409,93**	**1 554 176,75**

	2021	2020
	EUR	**EUR**
Provisions		
Provision for restructuring, personnel	30 715,61	90 176,04
Long-service benefit and defined pension plans	3 034 819,97	2 425 095,00
Warranty reserves	5 923 191,14	4 934 054,88
Total provisions	**8 988 726,72**	**7 449 325,92**
Advances received		
Advances received, POC projects	6 160 936,56	-
Other advances	16 963 024,11	46 434 290,95
Total advances received	**23 123 960,67**	**46 434 290,95**
Specification of accrued income, combined asset and liability amounts		
Long-term contracts, combined amounts		
Accrued receivables related to POC reveneues	-1 543 665,37	-
Advances received from customers	6 160 936,56	-
Project receivables on the balance sheet, current assets	**4 617 271,19**	**-**
Liabilities to group companies		
Short-term liabilities		
Accounts payable	3 430 797,62	1 349 391,11
Group contribution liabilities	2 470 000,00	-
Other short-term liabilities	823 629,47	14 203 556,48
Short-term liabilities total	**6 724 427,09**	**536 860,19**
Total liabilities to group companies	**6 724 427,09**	**15 552 947,59**
Other short-term liablities		
Witholding taxes and social security expenses	2 856 121,10	2 349 859,41
Total other short-term liablities	**2 856 121,10**	**2 349 859,41**
Accruals		
Wages and salaries including social security expenses	26 252 953,30	25 254 625,83
Accrual on manufacturing materials	57 629 287,54	77 286 547,10
Income taxes	1 875 269,35	3 876 680,55
Other accruals	4 814 934,26	9 812 150,79
Total accruals	**90 572 444,45**	**116 230 004,27**

4. OTHER NOTES

Other notes	2021 EUR	2020 EUR
Revenue recognition on long-term contracts based on POC		
POC revenue booked on long-term contracts not yet delivered to customers, total amount booked in the financial year and in earlier financial years, as of 31.12.	**1 543 665,37**	-
Not recognized as revenue 31.12. (order backlog)	**4 617 271,19**	-
Deferred taxes		
Deferred tax liabilities		
Revaluations of fixed assets	1 345 503,41	1 345 503,41
Total deferred taxes	**1 345 503,41**	**1 345 503,41**
Deferred tax asset		
Fixed assets (depreciation)	4 992 696,97	2 547 297,59
Accruals	1 797 604,94	1 480 461,18
Total deferred tax asset	**6 790 301,91**	**4 027 758,77**
Total deferred taxes	**5 444 798,50**	**2 682 255,36**
Mortgages and lease contracts		
Lease and rental contracts (Excluding VAT)		
Due in 12 months	2 795 206,82	9 392 344,00
Due in 12-24 months	1 238 230,60	1 844 334,00
Due in 24-36 months	346 254,00	1 358 342,00
Due in 37 months and later	32 821,00	311 094,00
Total lease and rental contracts	**4 412 512,41**	**12 906 114,00**
Other mortgages and pledges		
Mortgages and pledges	593 435 471,00	593 352 561,00
Other guarantees on behalf of group companies	6 803 794,97	4 793 201,96
Total other mortgages and pledges	**600 239 265,97**	**598 145 762,96**

*Adjusted mortgages and pledges due to an incorrect presentation in the financial statements for the financial year 2020.

SIGNATURES FOR BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS

Vantaa, March 3, 2022

JARKKO SAIRANEN

Jarkko Sairanen

Chairman

TIMO KOKKILA

Timo Kokkila

Member

HANS-JOACHIM SCHÖPF

Hans-Joachim Schöpf

Member

KARI HEINISTÖ

Kari Heinistö

Member

PHILIP-CHRISTIAN ELLER

Philip-Christian Eller

Member

OLAF BONGWALD

Olaf Bongwald

Chief Executive Officer

The Auditor's report has been given today

Ernst & Young Oy

Authorized Public Accountant Firm

Vantaa, March 3, 2022

MIKKO RYTILAHTI

Mikko Rytilahti

Authorized Public Accountant


VALMET AUTOMOTIVE

Building a better working world

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Business ID: 2204039-6,
domicile Helsinki

AUDITOR'S REPORT (Translation of the Finnish original)

To the Annual General Meeting of Valmet Automotive Oy

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Valmet Automotive Oy (business identity code 0143991-2) for the year ended 31 December, 2021. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- The consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- The financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

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

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

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

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

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

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Reporting Requirements

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors.

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

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

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

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

Vantaa 3.3.2022

Ernst & Young Oy
Authorized Public Accountant Firm

MIKKO RYTILAHTI

Mikko Rytilahti
Authorized Public Accountant