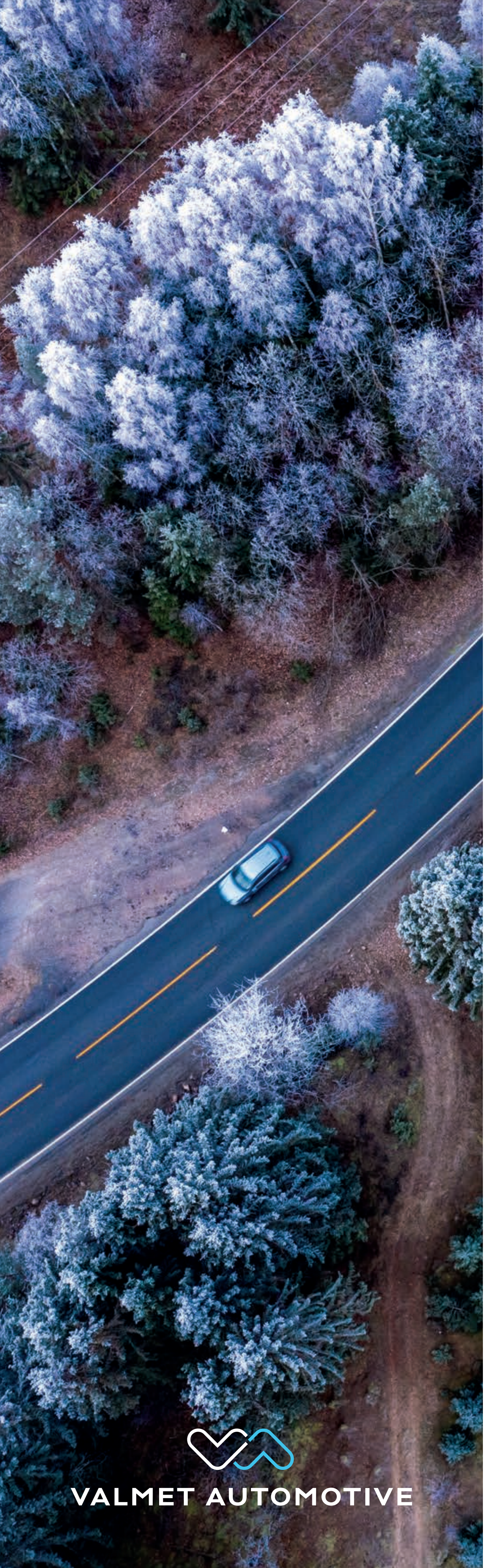

ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

VALMET AUTOMOTIVE GROUP

Business ID 0143991-2
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Finland

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BOARD OF DIRECTORS' REPORT

GENERAL

Valmet Automotive ("Group" or "Valmet Automotive") is a Top 100 global automotive supplier providing vehicle manufacturing, battery systems as well as convertible roof and kinematic systems. Valmet Automotive is a leading provider of advanced systems and services that support Original Equipment Manufacturers (OEM) in their transition to electrified mobility.

GROUP STRUCTURE

Valmet Automotive's business is conducted in three business lines – Vehicle Contract Manufacturing ("VCM"), Electric Vehicle Systems ("EVS") and Roof & Kinematic Systems ("RKS"). The Group's parent company is Valmet Automotive Plc, and the Group consists of subsidiaries in Finland, Germany and Poland, fully owned either directly or indirectly by Valmet Automotive Plc. There were no changes in the Group structure during 2023 or 2022.

OPERATING ENVIRONMENT

Valmet Automotive operates mainly within the automotive industry, in addition to non-automotive segments such as off-highway, truck & bus. Its key customers for all three business lines are primarily European OEMs. Accordingly, European light vehicle production volume and German premium OEMs European production are indicators of current output in its addressable customer segments. The xEV share provides indicative guidance on the current pace of transition from internal combustion engines (ICE) to alternative propulsions, relevant to EV battery systems, as well as more broadly to all business lines, which all cater to new vehicle concepts. The development of the automotive market is described in the following table.

Light vehicle production, in thousands	**Q4 2023**	**Q4 2022**	**Change**	**2023**	**2022**	**Change**
Global Production	23 597	21 905	8%	89 758	82 344	9%
of which xEV *	4 578	3 749	22%	15 420	11 450	35%
xEV of total	19%	17%		17%	14%	
European production **	4 562	4 316	6%	17 767	15 827	12%
of which xEV*	787	760	4%	3 085	2 322	33%
xEV of total	17%	18%		17%	15%	
German premium*** OEMs European production	938	884	6%	4 996	4 382	14%
of which xEV*	256	228	12%	1 795	1 335	34%
xEV of total	27%	26%		36%	30%	

* xEV = Plug-In Hybrid Electric Vehicle (PHEV), Battery Electric Vehicle (BEV) and Fuel-Cell Electric Vehicle (FCEV)

** European production excluding Russia and Turkey

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

Source: S&P Global Light Vehicle Powertrain + Alternative Propulsion Forecast - January 2024

Both global and European light vehicle production increased in the fourth quarter compared to the previous year, 8% globally and 6% in Europe. Global light vehicle production grew by 9 % in 2023 compared to the previous year while European production increased by 12 %. Both global and European production increased significantly as supply chain disruptions alleviated. Electrification of light vehicles continued during the financial year. Share of xEV of total production increased globally to 17 % in 2023 from 14 % in 2022 and to 17 % from 15 % in European production.

Globally, the Plug-In Hybrid Electric Vehicles production lead the growth, while in Europe, strongest growth took place within Battery Electric Vehicles.

According to S&P Global, overall, the European production shows clear recovery compared to previous years affected by the pandemic and supply chain disruptions. However, the production levels are forecasted to remain lower than 2019 levels until the end 2031.[1]

MACROECONOMIC ENVIRONMENT

In the current macroeconomic environment, a combination of reducing, yet still high inflation, high interest rates, geopolitical risks, and uncertainties regarding future economic developments pose challenges to operations and the value chain. According to S&P Global, macro and operating environment of the automotive industry has shifted from supply chain constraints towards macro-led demand dependent environment.

In this environment, the European industry particularly faces the emergence of Chinese branded vehicles increasingly targeting price sensitive segments, but increasingly also higher end segments with cheaper alternatives to European branded cars, thereby forcing the EU to evaluate possibilities to safeguard the local industry against intense price competition, e.g., by imposing import tariffs. In addition, Chinese competitors to European OEMs are expected to increase localized production in the EU.

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[1] S&P Global New Year's Briefing January 2024

Supply side constraints include eased general supply chain pressures, although potential future bottlenecks could emerge from the Red Sea crisis. Risks of commodity as well as component shortages continue to exist in light of the Russia-Ukraine war, tensions in the Middle East and potential disruptions to chip supply from Taiwan. From demand perspective, interest rates remain elevated with decreasing yet uncertain inflationary pressure. In addition, consumer confidence remains low in EU key markets (e.g., Germany), demand uncertainties persist – all impacting automotive industry output.

Major political elections take place in 2024, including European parliament elections and presidential elections in the US and Taiwan. Election results and further political decisions are expected to affect the automotive industry in respect of consumer subsidies, global trade relations and supply chain risks.

The automotive industry is energy intensive, and any material energy price increases or supply shortages might create disruptions to its supply chains. Potential future increases in raw material and component inflation might have negative influence notably in the system supply business, while the impact in contract manufacturing business is limited. Salary increases have an impact on all business activities.

Besides direct impact to operations, the macroeconomic environment impacts volume planning of automotive OEMs and accordingly their suppliers. Interest rate levels have an adverse impact on borrowing costs and future cash flow net present values.

EVENTS WITHIN THE FINANCIAL YEAR

The most significant events of the year included winning new customer contracts and launching new products as well as continued focus on sustainability, health and safety and development activities.

Valmet Automotive was recognized for the second time as one of the Top 100 global automotive suppliers published by the German automotive special interest magazine ***Automobil Produktion*** in July 2023.

Growth continued in battery systems and EVS employed around 200 additional people in Finland and Germany. In Uusikaupunki, Finland, battery plant new products were launched during the year. In the second quarter, Valmet Automotive started the series production of battery systems in Kirchardt, Germany. The Kirchardt plant is Valmet Automotive's third high volume battery assembly plant and the company's first battery plant outside Finland. The plant manufactures high-voltage systems for electric vehicles and plug-in hybrids. In 2023, Valmet Automotive raised the production of battery systems to a new record of annually 800,000 units. Since the start of battery production in 2019, Valmet Automotive has produced more than two million battery systems. Development projects continued with the objective of designing and manufacturing battery systems for new customer areas.

During the financial year, Valmet Automotive reduced its personnel in VCM through change negotiations due to a reduction in the plant's order book. In the second quarter, a total of 940 employees, mainly factory workers, were either laid off until further notice or their employment contracts were terminated. In the fourth quarter, the change negotiations concerning office workers were announced, which resulted in 115 contract terminations and temporary layoffs realized mainly in the first quarter of 2024.

During the financial year Valmet Automotive launched the Innovation Center at the Uusikaupunki car plant. At the Innovation Center, Valmet Automotive together with VTT and Telia, is piloting a globally pioneering metaverse technology that enables experts to collaborate in virtual reality in real time, even from different parts of the world. The pilot is part of the MURO[2] innovation project by VTT and Telia.

In the second half of 2023, RKS business line started production of active spoiler system programs as well as its first volume program for an active charging flap system. In the second half of 2023, RKS was also nominated by several premium OEMs for convertible roof and active spoiler system programs, and for another active charging flap module for a battery electric premium car. In October 2023 Valmet Automotive announced the plan of significantly expanding the Zary plant in Poland to increase production volumes of electromobility solutions, such as active spoiler and charging flap systems. The construction work for the plant expansion is scheduled for the first half year of 2024 and will be completed in 2025. With the plant

[2] Multi-purpose service robotics as operator business

extension, it is expected to create 350 new jobs between the years 2025 and 2027.

In October 2023, VCM started the series production of the Mercedes-AMG GT 4-Door Coupé at its car plant in Uusikaupunki, Finland. This is the first AMG model produced outside Germany and the most demanding sports car so far produced at the Uusikaupunki car plant. Valmet Automotive and Mercedes-Benz have now been cooperating in vehicle manufacturing for 10 years. The successful cooperation started in 2013 and Valmet Automotive has already manufactured more than 750,000 Mercedes-Benz vehicles.

On November 14, 2023, Pasi Rannus, Senior Vice President of VCM, was appointed as the Group's CEO, succeeding Olaf Bongwald. At the same time, the Group announced its efforts to strengthen the autonomy of its business lines both in strategy and the operative model. The target is to increase operational flexibility and efficiency to enable business lines meet the challenges and new opportunities of the business environment in an optimal way.

SALES AND PROFIT

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards in force as of January 1, 2023. There were no new or amended IFRS accounting principles in 2023 which would have had a material impact on Group's financial statements. The Group discloses its gross sales[3] as an alternative performance measure (non-IFRS) in order to give a complete picture of the size of the business and of the related balance sheet items in comparison to sales values.

During the financial year, the Group's gross sales amounted to EUR 2 221,4 (2 841,9) million, a decrease of 21,8 % compared to the year earlier. The net sales were EUR 531,2 (603,5) million, which was 12,0 % lower than the year earlier. In VCM, gross and net sales decreased due to lower volumes and the planned ending of Mercedes-Benz GLC production in June 2022. In EVS and RKS, gross and net sales increased significantly as a result of volume increases of existing products and new customer programs in production.

The Group's operating profit amounted to EUR 19,5 (31,3) million, a decrease of 37,6 % compared to the previous year, or 3,7 % (5,2 %) of net sales. Underlying profitability was negatively affected by the volume decline in VCM, partially offset by contractual compensations, while EVS and RKS profitability improved compared to the previous year.

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[3] 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.

CASH FLOW AND FINANCING

The Group's cash flow after investments amounted to EUR -49,7 (-56,8) million. The slight improvement in cash flow was mainly due to favorable net working capital change which more than offset the impact from lower profitability and higher cash flow used for investment activities. Investments related mainly to a new customer program in VCM, growth in EVS, group-wide ERP project as well as replacement, productivity and flexibility investments in all business lines.

Valmet Automotive has 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 Finnvera four-year revolving credit facility will mature at the end of 2025. The facility was fully utilized at the year-end 2023 and 2022.

The Group continued to explore financing options during the financial year to fund its growth strategy and considerable opportunities in the market as the automotive industry continues its transition to electrified mobility.

The Group participates in a supply chain financing program operated by one of its customers. Under the program, the Group has a possibility to sell before maturity some of the invoices of the said customer. At the end of the financial year, a total of EUR 21,2 million (20,5) was financed.

The Group's RKS business line entered into a new overdraft facility with a limit of EUR 20 million. It will replace the EUR 10 million receivable sale facility in RKS during the first quarter of 2024.

Lease financing is used for acquisition of facilities, machinery and equipment. Lease liabilities totaled EUR 34,7 (31,2) million at the year-end.

FINANCIAL POSITION AND INVESTMENTS

The consolidated balance sheet totaled EUR 715,9 (722,5) million. The Group's equity at the end of the financial year was EUR 62,8 (58,8) million. The Group had a EUR 20,0 million hybrid capital instrument, classified as equity, unchanged from the year before.

Gross investments in fixed assets totaled EUR 71,6 (77,9) million, consisting of replacement investments, development investments and investments into new production facilities and production lines.[4]

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[4] Comparison year gross investments included approximately EUR 19,0 million of non-cash arrangements.

PERSONNEL

The total number of active employees[5] in the Group during the financial year was on average 3 239 (4 023). The total amount of wages and salaries in the financial year was EUR 166,4 (179,7) million.

Employees by country, end of period	**31.12.2023**	**31.12.2022**
Finland	2 348	2749
Other countries	768	700
Total	**3 116**	**3 449**

The number of employees decreased in VCM mainly due to the lower volumes and fewer new programs as planned. The number of employees continued to grow in EVS, both in Finland and Germany.

RESEARCH AND DEVELOPMENT

In 2023, the total R&D related cash spending amounted to EUR 70,1 (43,6) million, covering R&D costs expensed and carried forward, including also costs related to technical development work carried out as part of system supply customer projects in EVS and RKS. In VCM, there are small-scale research activities while development is an integral part of customer projects.

EVS has ongoing development projects related to an industrial battery platform to be commercialized mainly in applications of non-automotive industry. The objective is to introduce an own modular battery platform product family for the need of off-highway and truck & bus segments. The first product, Modular Power Pack, was introduced in November 2021. Valmet Automotive has also received funding from the Innovation Funding Agency Business Finland for a project called “IPCEI Industrial Battery Innovation Center”. The objective is to develop new customizable and scalable modular solutions with world-leading technology readily available in a cost-effective manner for various land vehicle end-uses. As part of the product development, Valmet Automotive has defined and selected the cell, as well as developed its own battery management system (BMS) together with a partner company. As the next step in expanding the industrial battery platform, EVS is developing a scalable high-voltage Modular Energy Pack battery system that supports the full electrification of the off-highway and truck and bus segments.

Building on its extensive experience as a system supplier of convertible roof and active spoiler systems, Valmet Automotive has established its RKS business line as a leading supplier of active kinematic systems for electric vehicles. The spoiler systems developed by Valmet Automotive play a significant role in improving aero efficiency and thus helping to optimize the range of electric cars, saving resources

[5] Employees excluding temporary layoffs

and making a relevant contribution to sustainability.

After successfully entering the market with systems to optimize aero efficiency, RKS successfully expanded its product portfolio to include comfort solutions with a focus on charging flaps. The experts at Valmet Automotive have developed a modular system that ranges from manual to active solutions for charging flaps and covers the entire car spectrum from volume models to premium vehicles.

Valmet Automotive has an IPR portfolio that includes approximately 140 patent families which are mainly related to RKS and to some extent to EVS.

NON-FINANCIAL INFORMATION

Sustainability principles and strategy

Valmet Automotive publishes the Group annual sustainability report in accordance with the GRI (Global Reporting Initiative) Sustainability Reporting Standards. The Group is preparing for the EU Corporate Sustainability Reporting Directive (CSRD) reporting, starting from the financial year 2025.

Valmet Automotive sustainability strategy is founded on a holistic view of sustainability spanning the material topics of Environment, Social and Governance. The industry main driver is a comprehensive transformation to electrification of the products. Valmet Automotive intends 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.

Climate and environment

Valmet Automotive has made the low carbon transition a core element of its business and sustainability strategy. The Group has reduced CO_2 emissions from its own operations by 80% from 2019 and has been committed to carbon neutrality in own operations since the beginning of 2022. Its commitment is validated by DNV granting the Group a PAS 2060 certificate. Valmet Automotive continues to reduce its emissions by improving energy efficiency and replacing fossil fuels with renewables. The unavoidable CO_2 emissions from own operations are compensated by investing in Gold Standard -verified projects. Valmet Automotive has committed to set science-based climate targets and encourages its suppliers to do so as well.

The Group's sustainability strategy, goals and policy are translated into concrete environmental actions through the True Green Initiative. This is a Group-wide practical guide to integrate green thinking - considering environmental aspects across all operations and actions - into Valmet Automotive's organizational culture at all levels, applying circular design and manufacturing principles, and building sustainable value chains. Reducing emissions and waste and increasing its recycling rate are in the heart of Valmet Automotive's sustainability work. Valmet Automotive has put emphasis on systematic development of understanding and cultivating circularity principles into daily work as well as on strategic level.

The True Green Initiative focuses on five work streams:

1. **Green manufacturing:** Minimizing Valmet Automotive own scope 1 and 2 CO_2 emissions[6] and improving resource efficiency.
2. **Supply chain:** Developing a roadmap that defines the steps Valmet Automotive will take to reduce scope 3 emissions[7] and improve supplier risk management practices.
3. **Product design for environment (DFE):** Focusing on fulfilling legal and customer demands and reducing the CO_2 footprint of own products.
4. **Data management:** Developing data management processes and providing efficient, reliable, trackable, and tagged sustainability reporting in a common platform across the company.
5. **Green attitude:** Increasing the sustainability maturity level (sustainability awareness and competences) and implementing this into company processes.
6. **Decision-making & disclosure:** Strengthening decision-making and building preparedness for regulatory changes, risk management, enhancing external reporting and green financing opportunities.

Valmet Automotive has defined its activities according to the EU taxonomy regulation and the Environmental and Climate Delegated Acts. In 2023, the Group started the assessment of its activities to determine their eligibility and alignment with the taxonomy criteria as outlined in the Delegated Acts.[8]

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[6] Own activity direct emissions (scope 1) and own activity indirect emissions (scope 2)

[7] Emissions in value chain

[8] The EU Taxonomy Regulation is a classification system for environmentally sustainable activities. For Valmet Automotive, reporting requirement starts from the financial year 2025.

Employment, human rights and social issues

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 communication 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 participate in e-learning Commitment trainings. The success of these activities is reflected in the Pulse Check results, the annual personnel survey that comprehensively covers various areas affecting the employees' satisfaction at work and the implementation of Commitments. The value of the survey is comprehended among the employees and in 2023 the response rate of the survey was 75%, and more than 21.000 comments were submitted.

The Group adheres to international standards on human rights, labour conditions, anti-corruption and the environment. Valmet Automotive is committed to respect internationally recognized human rights standards and align its processes to comply with the principles of international conventions and standards such as the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Valmet Automotive accepts the labour rights defined by the International Labour Organization (ILO).

In its collaboration with its suppliers, Valmet Automotive formulates clear expectations and requires all its suppliers to agree and adhere to the requirements of the Supplier Code of Conduct (SCoC), which includes expectations related to environmental management, human rights, labor standards and responsible behavior.

Anti-corruption and bribery

Valmet Automotive Group Code of Conduct requires all employees and the Supplier Code of Conduct all suppliers to observe zero tolerance of corruption and bribery.

Sustainability-related risks

Valmet Automotive operating landscape is changing swiftly with the increasing prevalence of sustainability issues and expectations from customers, regulators and other stakeholders around sustainability. The Group's corporate and sustainability strategies focus on the low-carbon transition through e-mobility and are visible in sustainability risks and opportunities. To ensure strategic focus, sustainability risks are integrated into the Group's mainstream risk management process. Valmet Automotive is following closely the EU sustainability targets and reporting requirements to align its work accordingly.

The automotive sector´s and e-mobility´s value chain is susceptible to challenges in material sourcing, labour practices, human rights and environmental impact. Valmet Automotive is aware of its responsibility towards these challenges and is committed to ensuring appropriate due diligence along its supply chain by following the OECD Due Diligence Guidance for Responsible Business Conduct. To support identifying sustainability supply chain risk and improvement areas, Valmet Automotive uses a supplier self-assessment questionnaire (SAQ) which covers a large array of topics related to human resources, health & safety, responsible sourcing of raw materials, environmental management and other sustainability subjects aligned with current good practice and legislation.

Attracting skilled workforce in all locations is crucial for Valmet Automotive's future. The Group aims to keep its salaries competitive while pursuing well-being and equal treatment to ensure talent acquisition and continuity of business.

CERTIFICATIONS

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 occupational health and safety standard.

The Group is certified according to ISO/ IEC 27001:2013 Information Security Management System -standard.

ANNUAL GENERAL MEETING, BOARD OF DIRECTORS AND AUDITORS

Valmet Automotive Plc Annual General Meeting of the shareholders was held on March 31, 2023. The meeting approved that no dividend would be paid, and no funds would be distributed from the reserve of invested unrestricted capital. The meeting adopted the financial statements and the consolidated financial statements for the year 2022. The meeting granted a discharge from liability to the CEO and the board members for the 2022 financial year.

The Annual General Meeting elected the following board members: Jarkko Sairanen, Philip-Christian Eller, Timo Kokkila, Sven Ennerst, Kari Heinistö and Sabine Neuss. The meeting confirmed a monthly compensation of EUR 6,000 for the Chair of the Board and EUR 3,200 for the other Board members. In addition, both the Chair of the Board and the Board Members will be paid EUR 1,000 per attended meeting. In addition, the Chair of the Audit Committee and People and Culture Committee is paid a EUR 1,500 compensation per meeting and the other members of the board committees are paid a EUR 1,000 compensation per meeting. If the duration of the Board or Committee meeting is less than 90 minutes, only half of the compensation of an ordinary meeting shall be paid. On May 31, 2023, Sabine Neuss resigned from the Board of Directors.

The Annual General Meeting elected the authorized public accounting firm Ernst & Young Oy as the company's auditor and Mikko Rytilahti acts as the auditor with the principal responsibility.

The Board of Directors elected Jarkko Sairanen to continue as Chair of the Board and Kari Heinistö to continue as Vicechair of the Board. The Board also elected Kari Heinistö and Jarkko Sairanen to continue as Chairs of the Audit Committee and the People and Culture Committee, respectively.

GROUP MANAGEMENT TEAM

As of December 31, 2023, Valmet Automotive's Group Management Team consisted of the following members:

Pasi Rannus, CEO & Senior Vice President, Vehicle Contract Manufacturing
Jyrki Nurmi, Senior Vice President, Electric Vehicle Systems
Remigiusz Grzeskowiak, Senior Vice President, Roof & Kinematic Systems
Petra Teräsaho, CFO
Jaakko Liljeroos, General Counsel
Christian Kleinhans, Senior Vice President, Electric Vehicle Systems and Group Business Development & Communications
Charlotte Caswell, Senior Vice President, Group HR
René Kohl, Senior Vice President, Group ICT
Peter Ohm, Senior Vice President Operational Planning & Sustainability

As of November 14, 2023, Pasi Rannus replaced Olaf Bongwald as the CEO of Valmet Automotive.

SHARES AND PROFIT DISTRIBUTION PROPOSAL

Share capital and shares

On December 31, 2023, and on December 31, 2022, Valmet Automotive Plc share capital was EUR 10 932 thousand. The total number of shares at the end of December 2023 was 35 926 527 (35 926 527) shares. Valmet Automotive Plc has one class of shares. The shares do not have a nominal value. Each share entitles to equal voting and dividend rights.

Treasury shares

There were no treasury shares as of December 31, 2023 or December 31, 2022.

2022 Share split

The extraordinary general meeting held on October 11, 2022, decided to split the shares of the company after the treasury shares were cancelled with a ratio of 1:272. New shares were issued to the shareholders without payment and without any impact on the rights attached to the shares.

Shareholder structure

Valmet Automotive had three (three) shareholders at the end of December: Pontos Group (38,46%), Tesi (38,46%) and CATL (23,08 %). There have been no changes in shareholdings during 2023 or 2022.

Profit distribution proposal

As of December 31, 2023, Valmet Automotive Plc has distributable funds amounting to EUR 7 143 381, of which the net result for the financial year is EUR -2 804 911. The Board of Directors proposes to the Annual General Meeting to not distribute any dividends and to retain net loss for the year in the shareholders equity.

KEY FIGURES

	Group	Group	Parent (FAS)	Parent (FAS)
	2023	**2022**	**2023**	**2022**
Economic indicators, MEUR				
Gross sales	2 221,4	2 841,9	859,4	1 897,0
Net sales	531,2	603,5	209,4	362,9
EBITDA	78,3	90,3	19,0	37,5
EBITDA, % of net sales	14,7 %	15,0 %	9,1 %	10,3 %
Operating profit	19,5	31,3	-2,2	9,9
Operating profit, % of net sales	3,7 %	5,2 %	-1,1 %	2,7 %
Net income	2,4	16,8	-2,8	6,3
Net income, % of net sales	0,4 %	2,8 %	-1,3 %	1,7 %
Net working capital	-152,3	-85,7	-20,0	-52,3
Free cash flow before interest and taxes	-40,2	-49,0	-62,9	-65,5
Return on investments (ROI) %	22,1	43,5	6,7	28,3
Return on equity (ROE) %	3,9	33,2	-6,0	14,1
Equity ratio %	10,4	10,6	15,2	15,9
Headcount, average	3 239	4 023	1 490	2 436
Headcount, end of period	3 116	3 449	1 321	1 836

Calculation of key figures[9]

Net working capital

Inventories plus accounts receivable plus other non-IB receivables
minus accounts payable minus other non-IB liabilities

Free cash flow before interest and taxes

Net cash flows from/ (used in) operating activities minus
investments for tangible and intangible assets from operations plus taxes and interests

Return on investments (ROI), %

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

Return on equity (ROE), %

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

Equity ratio, %

$$\frac{\text{Total equity}}{\text{Balance sheet total minus contract liabilities}}$$

[9] In all relevant ratios the hybrid capital is counted as equity and the ratios are not adjusted by the unrecognized accrued interest to the hybrid capital.

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

The prevailing macroeconomic and geopolitical environment with sluggish European economy, increasing share of Chinese car imports in Europe, interest rates remaining on high level, salary increases, political and other strikes in Finland and Germany, geopolitical situation with pressures of transport connections between Asia and Europe, and general uncertainties regarding future developments, are the main risk and uncertainty areas in operations and the value chain.

Valmet Automotive's VCM business in the coming years is largely dependent on the strategic decisions of its largest customer, which may or may not have positive impacts. The most significant near-term risks are related to 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 volumes.

As Valmet Automotive builds its position and grows its business and volumes in EVS and RKS, Valmet Automotive is exposed to risks, which grow when Valmet Automotive operations transition from contract manufacturing to being more of a system supplier, associated with product liability, warranty claims, product recalls, lawsuits and claims. A 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.

RKS has a broader customer base than VCM, 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 while the demand for active spoiler systems and charging flaps is estimated to grow. The most significant risks in RKS are related to Valmet Automotive's ability to ensure new contract development, production start schedules and achieving planned efficiency, and to maintain ordered volumes, supply chain reliability, sales prices and margins.

The primary risks for EVS are associated with automotive system supply projects, specifically to develop new products within contracted budgets as well as to source the product components at budgeted prices, and to plan and run production in projected volumes and efficiency to meet the customer requirements. The main risks and uncertainties are related to budgets, contractual commitments and change management during the industrialisation phase of the programs. Valmet Automotive may be required to pre-finance development when spending takes place before customer payments are received, taking also into consideration potential delays with contractual agreements, change management and start of production. Additionally, there is a risk associated with securing the product supplier base and components at targeted prices, schedules and quality. Valmet Automotive is actively monitoring the projects and initiates renegotiations for the industrialisation phase payment schedules to mitigate the associated risks, including short-term liquidity risk. Delayed or unsuccessful negotiations may have a material adverse impact to the programs' industrialisation phase cash flows.

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

Valmet Automotive will need sufficient liquidity to realise potential growth opportunities and fund working capital. Valmet Automotive endeavors to safeguard its liquidity with regular monitoring of receivables, keeping sufficient liquid assets and financial assets that can easily be converted into cash in a short period of time, and considering the creditworthiness of its financial counterparties. Valmet Automotive also takes its liquidity position into account when negotiating payment terms with its customers and suppliers.

In some programs, part of the engineering 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.

SIGNIFICANT SUBSEQUENT EVENTS

In the fourth quarter of 2023, the change negotiations concerning office workers in VCM were announced, which resulted in 115 contract terminations and temporary layoffs realized mainly in the first quarter of 2024.

On January 10, 2024, Juha Torniainen was appointed as Interim CFO, succeeding Petra Teräsaho who decided to leave the company.

Vantaa, February 26, 2024

Valmet Automotive Plc
Board of Directors

ALTERNATIVE PERFORMANCE MEASURE

	Notes	1 Jan - 31 Dec 2023 €000	1 Jan - 31 Dec 2022 €000
Gross sales[1]		**2 221 396**	**2 841 882**
Customer-directed materials		-1 690 219	-2 238 337
Net sales	3	**531 177**	**603 545**

[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

	Notes	1 Jan - 31 Dec 2023 €000	1 Jan - 31 Dec 2022 €000
Continuing operations			
Net sales	3	**531 177**	**603 545**
Other operating income	4	8 422	6 287
Changes in inventories of finished goods and work in progress		65 666	66 914
Raw materials and consumables used		-224 173	-250 108
Depreciation and amortisation	14	-58 741	-59 036
Personnel expenses	5	-198 116	-215 197
Other operating expenses	4	-104 725	-121 148
Total expenses		-520 090	-578 575
Operating profit		**19 509**	**31 257**
Finance income and costs	7	-14 057	-11 345
Profit before taxes		**5 452**	**19 912**
Income tax expense	8.1	-3 080	-3 117
Net income		**2 371**	**16 794**
Profit attributable to:			
Equity holders of the parent		**2 371**	**16 794**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	1 Jan - 31 Dec 2023 €000	1 Jan - 31 Dec 2022 €000
Net income		**2 371**	**16 794**
Other comprehensive income:			
Exchange differences on translation of foreign operations		1 627	-286
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**1 627**	**-286**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains (losses) on defined	6	-	-6
benefit plans Income tax effect	8	-	1
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**-**	**-5**
Other comprehensive income, net of tax		**1 627**	**-291**
Total comprehensive income for the period, net of tax		**3 999**	**16 504**
Attributable to:			
Equity holders of the parent		**3 999**	**16 504**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, ASSETS

Assets	Notes	31 December 2023 €000	31 December 2022 €000
Non-current assets			
Intangible assets	12	44 947	36 718
Property, plant and equipment	10,11	293 339	274 825
Non-current financial assets	16	78	78
Contract assets	3	102 024	48 351
Deferred tax assets	8.2	18 099	15 839
Non-current prepayments		250	500
		458 739	**376 311**
Current assets			
Inventories	15	106 892	115 379
Trade receivables	16.5	91 387	77 142
Contract assets	3	9 519	7 983
Other current assets	16.5	26 425	62 597
Cash and cash equivalents	16.4	22 967	83 113
		257 191	**346 214**
Total assets		**715 929**	**722 526**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, SHAREHOLDERS' EQUITY AND LIABILITIES

		31 December 2023	31 December 2022
Equity and liabilities	**Notes**	**€000**	**€000**
Share capital	16.8	10 932	10 932
Other capital reserves	16.8	7 086	7 086
Translation differences	16.8	-2 135	-3 762
Fund for invested unrestricted equity	16.8	88 432	88 432
Hybrid capital	16.8	20 000	20 000
Retained Earnings		-61 541	-63 912
Total equity		**62 775**	**58 777**
Non-current liabilities			
Interest bearing loans and borrowings	10, 16.7	29 918	24 920
Net employee defined benefit liabilities	6.1	3 447	3 403
Provisions	17	9 572	7 496
Contract liabilities (incl. related financing component)	3	20 109	118 889
Deferred tax liabilities	8.2	10 866	8 500
Non-current accruals		464	1 655
		74 376	**164 863**
Current liabilities			
Interest bearing loans and borrowings	10, 16.7	104 807	107 829
Trade payables	16.6	210 244	211 107
Provisions	17	4 196	3 286
Contract liabilities (incl. related financing component)	3	93 007	48 132
Other current liabilities and accruals	16.6	165 551	127 223
Income tax payable		973	1 309
		578 778	**498 886**
Total liabilities		**653 154**	**663 749**
Total equity and liabilities		**715 930**	**722 526**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2023

€000	Share capital (Note 16.8)	Fund for invested unrestricted equity (Note 16.8)	Other capital reserves (Note 16.8)	Hybrid capital (Note 16.8)	Retained earnings	Foreign currency translation reserve (Note 16.8)	Total equity
	Attributable to the equity holders of the parent						
At 31 December 2022	**10 932**	**88 432**	**7 086**	**20 000**	**-63 912**	**-3 762**	**58 777**
Profit for the period continuing	-	-	-	-	2 371	-	2 371
Other compehensive income continuing	-	-	-	-	-	1 627	1 627
Total comprehensive income	-	-	-	-	2 371	1 627	3 999
At 31 December 2023	**10 932**	**88 432**	**7 086**	**20 000**	**-61 541**	**-2 135**	**62 775**

For the year ended December 31, 2022

€000	Share capital (Note 16.8)	Fund for invested unrestricted equity (Note 16.8)	Other capital reserves (Note 16.8)	Hybrid capital (Note 16.8)	Retained earnings	Foreign currency translation reserve (Note 16.8)	Total equity
	Attributable to the equity holders of the parent						
At 31 December 2021	**10 932**	**88 432**	**7 086**	**20 000**	**-80 701**	**-3 476**	**42 269**
Profit for the period continuing	-	-	-	-	16 794	-	16 794
Other compehensive income continuing	-	-	-	-	-5	-286	-291
Total comprehensive income	-	-	-	-	16 789	-286	16 504
At 31 December 2022	**10 932**	**88 432**	**7 086**	**20 000**	**-63 912**	**-3 762**	**58 777**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2023	2022
Operating activities			
Profit before tax		5 452	19 912
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property, plant and equipment		53 432	53 848
Amortization and impairment of intangible assets		5 309	5 187
Other non-cash items*		-53 301	-46 248
Finance income and costs		14 057	11 345
Change in working capital:			
Change in trade and other receivables (+/–)		-33 926	44 846
Change in inventories (+/–)		9 358	-12 056
Change in trade and other payables (+/–)		32 045	-66 923
Change in provisions (+/–)		-1 065	-430
Finance cost paid		-10 893	-4 200
Finance income received		2 962	279
Income tax paid		-1 486	-3 890
Net cash flows from/ (used in) operating activities		**21 943**	**1 670**
Investing activities			
Investments for tangible and intangible assets		-71 606	-58 518
Net cash flows from/ (used in) investing activities		**-71 606**	**-58 518**
Financing activities			
Increase in loans		0	101 502
Repayment of loans		-1 532	0
Change in restricted cash		90	-35
Lease payments		-9 075	-7 473
Net cash flows from/ (used in) financing activities		**-10 516**	**93 995**
Net increase in cash and cash equivalents		**-60 179**	**37 147**
Net foreign exchange difference		33	-14
Cash and cash equivalents at 1 January	16.4	83 113	45 980
Cash and cash equivalents at 31 December	16.4	**22 966**	**83 113**

*Consists mainly of non-cash revenue recognition of customer advances received (contract liabilities), partly offset by related cost recognition (contract assets).

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 Plc and its subsidiaries (collectively, the Group) for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Board of Directors on February 26, 2024, and the financial statements are either approved or rejected in the Annual General Meeting.

Valmet Automotive ("Group" or "Valmet Automotive") is a Top-100 global automotive supplier providing vehicle manufacturing, battery systems as well as convertible roof and kinematic systems in the automotive and truck & bus segments. Its business is conducted in three business lines - Vehicle Contract Manufacturing ("VCM"), Roof & Kinematic Systems ("RKS") and Electric Vehicle Systems ("EVS). The Group's parent company is Valmet Automotive Plc, and the Group consists of subsidiaries in Finland, Germany and Poland, fully owned either directly or indirectly by Valmet Automotive Plc.

The Group acts as a contract manufacturer and a system supplier for the automotive and other customers. In contract manufacturing, the principal is typically responsible for purchasing materials and parts for the production. These so-called customer-directed materials and parts are materials and parts that are purchased from principal or from supplier selected by the principal and at prices negotiated by the principal. They are sold to the principal without adding a margin and are not reported in net sales. Customer-directed material and parts are included in the balance sheet and cash flow and they have a significant impact on inventories, trade receivables and trade payables and related accruals.

BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

The consolidated financial statements, prepared in accordance with the IFRS Accounting Standards as adopted by the EU include the financial statements of Valmet Automotive Plc 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 CEO 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 long term development and manufacturing contracts which reach out to future periods. In addition, the Group has a working capital financing facility in place which has been fully utilised in 2023 and is expected to be fully utilised in 2024. The Board of Directors and the CEO have assessed the viability of the Group's going concern assumption and concluded that the Group has adequate liquidity to meet its committed obligations during the next 12 months.

When assessing the adequacy of the liquid funds, the following factors were considered relevant: the volumes delivered to the customers according to the business plan, the Group's ability to negotiate temporary or permanent new payment terms with its customers and suppliers, and the Group's ability to agree on financing and related risk distribution of new customer programs.

In its going concern assessment, the management has taken into account estimated results from renegotiating some industrialisation phase payment schedules for some programs with certain customers as well as some temporary rescheduling of certain payments to its suppliers and customers for programs in production phase. The actual outcome of the negotiations is not known at the time of preparing the financial statements and may have an impact to cash flow estimates used in the going concern assessment.

In addition, the Group's growth strategy requires additional financing, and the Group is seeking for financing alternatives to take advantage of the growth opportunities.

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 to 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 2023 including comparative period 2022.

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 9.

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.

MATERIAL 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. Changes in estimates are applied prospectively. 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.

Material 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 16. 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 2023.

CHANGES IN IFRS STANDARDS AND IFRIC INTERPRETATIONS INTO EFFECT IN 2023

The minor changes in IFRS Standards and IFRIC interpretations that took effect in 2023 did not have any significant impact on the result or the statement of financial position of the Group or on the presentation of the financial statements. They are not expected to significantly affect the next financial period January 1 – December 31, 2024.

CHANGES IN IFRS STANDARDS AND IFRIC INTERPRETATIONS NOT YET ADOPTED

New IFRS standards, amendments to standards and IFRIC interpretations effective on or after January 1, 2024 may have some impact on the presentation of the Group financial statements, however, they are not expected to have a material impact on the Group financial statements.

2 MACROECONOMIC ENVIRONMENT IMPACT TO BUSINESS ACTIVITY AND UNDERLYING PERFORMANCE

In the current macroeconomic environment, a combination of reducing, yet still high inflation, high interest rates, geopolitical risks, and uncertainties regarding future economic developments pose challenges to operations and the value chain. According to S&P Global, macro and operating environment of the automotive industry has shifted from supply chain constraints towards macro-led demand dependent environment.

The Group has assessed the impacts that the uncertainties in the macroeconomic environment might have on the financial statements. A material occurrence of one or more of prevailing risks could have an adverse effect on sales, profitability, cash flows and financial condition. Lower customer sales may have an impact on Valmet Automotive orders received, with an adverse impact on net sales, cash flow and result. Supply chain pressures may result in higher costs and changes in production, which may impact profitability and cash flow.

3 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.

Contractual compensations based on customer agreements are recorded as revenue when agreed with the customer.

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 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. In addition, the contract assets are assessed for impairment as of the reporting date.

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.

Assessing the contract assets for impairment requires management estimates and judgement related to the timing of the cash flows in the industrialisation and production phase, as well as volumes and profitability of the underlying programs.

Revenue recognised by timing category in 2023 and 2022 is summarized in the table below.

	2023	2022
	€000	€000
Performance obligations satisfied at point in time	513 075	586 811
Performance obligations satisfied over time	12 673	10 562
Interest revenue from significant financing component	5 429	6 172
Total revenue	**531 177**	**603 544**

The contract assets and liabilities on December 31, 2023 and December 31, 2022 are presented below. The table presents the net effects of individual contracts.

	31.12.2023	31.12.2022
Contract assets and liabilities	**€000**	**€000**
Contract assets		
Contract assets	140 975	79 483
Contract liabilities	-29 431	-23 149
Contract assets	**111 544**	**56 334**
Non-current	102 024	48 351
Current	9 519	7 983
	111 544	**56 334**
Contract liabilities		
Contract liabilities	146 671	202 341
Contract assets	-46 028	-46 113
Contract liabilities	**100 643**	**156 228**
Non-current	16 353	109 739
Current	84 290	46 489
	100 643	**156 228**
Contract liabilities from significant financing component		
Non-current interest liability	3 755	9 149
Current interest liability	8 717	1 644
	12 473	**10 793**
Contract liability including significant financing component		
Non-current	20 109	118 889
Current	93 007	48 132
	113 116	**167 021**

From the contract liabilities at the beginning of 2023 EUR 78,3 (48,3) million was recognised as revenue in 2023.

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 Contract 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 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 system supplier business, 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 revenue 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 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 terms 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.

4 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

	2023	2022
	€000	**€000**
Rental income	697	416
Goverment grants	1 513	533
Compensation from suppliers	5 522	3 769
Other income	691	1 568
Total	**8 422**	**6 287**

Government grants are mainly related to Business Finland projects. Compensation from suppliers relates to compensation received from suppliers, e.g., for quality related issues.

Other operating expenses

	2023	2022
	€000	**€000**
Property, operating and maintenance costs	-19 045	-22 743
External services	-39 363	-45 483
ICT expenses	-16 332	-15 862
Machinery and equipment expenses	-9 964	-15 587
Travel expenses	-3 760	-3 311
Other personnel expenses	-5 592	-7 010
Other expenses	-10 669	-11 152
Total other operating expenses	**-104 725**	**-121 148**

Research and development cost

Total research and development activities include general research and development expenses, own development projects capitalised and other development activities as part of customer projects. Own development projects capitalised include the modular battery platform projects in EVS.

Other development activities consist of costs related to technical development work carried out in EVS and RKS as part of system supply customer projects where costs are either expensed or capitalized as contract assets. The amounts for the reporting periods are detailed below.

Research and development costs	**2023**	**2022**
	€000	**€000**
R&D external cost	578	1 063
R&D salaries	1 739	1 909
Research and development costs expensed	**2 317**	**2 972**
Own development costs capitalized	3 883	3 915
Other development activities, customer projects, expensed	4 886	1 933
Other development activities, customer projects, capitalized	61 911	34 792
Total R&D	**72 997**	**43 612**

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

Auditor fees

Fees paid to the statutory auditor are presented below.

	2023	**2022**
	€000	**€000**
Auditing	-635	-548
Tax advisory	-118	-85
Other services	-567	-737
Total	**-1 320**	**-1 369**

5 EMPLOYEE BENEFITS AND NUMBER OF PERSONNEL

5.1 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 6.

	2023	2022
	€000	**€000**
Wages and salaries	-166 281	-178 882
Share based employee benefit (Note 5.2)	413	-288
Other long term employee benefits (Note 6.1)	-557	-572
Social security costs	-7 978	-8 988
Pension costs defined contribution	-23 715	-26 468
Pension costs defined benefit (Note 6.2)	2	0
Total employee benefits expense	**-198 116**	**-215 197**

	2023	2022
Number of employees, active, average*	3 239	4 023

*Active number of employees excludes temporarily laid off personnel.

5.2 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 Group has a cash-settled share-based incentive plan. It was established in 2021 for the Chairman of the Board and the CEO of the Group. 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 Plc 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 release of liability recognized for the year was EUR 0,4 (0,3 expense) million. The plan liability was EUR 0,4 (0,9) million on 31 December 2023.

After considering the stock split in 2022, the plan enables the issuance of a total of 541 311 options.

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 Plc and the strike price, i.e., the exercise price of each synthetic option, which is € 3,62.

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 €4,69 per share, none of the performance-based synthetic options vest, if the defined value is at least or more than €9,72 per share, all the performance-based options vest, and from the defined value of €4,69 to €9,72 per share the performance-based options vest linearly. As of December 31, 2023, a total of 300 728 (240 583) options have vested.

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 Plc is entitled in its sole discretion to decide whether and in which manner this will affect the plan.

6 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 long-service benefit plan cost is determined based on annual valuations performed by qualified actuaries, who calculate the obligation using several assumptions, such as the discount rate, salary increases and other actuarial factors. Many of these assumptions also require management judgment. In addition, management judgment of personnel turnover is required. As a result, the liability recorded on the balance sheet is sensitive to changes.

6.1 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.

	2023	2022
	€000	**€000**
1 January	**3 358**	**3 365**
Service cost	261	299
Net interest	79	-4
Curtailments	-325	-71
Actuarial changes on obligation	542	348
Other changes	107	119
Sub-total included in profit or loss	**664**	**691**
Benefits paid	-575	-655
31 December	**3 447**	**3 401**

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 3,7 % for Valmet Automotive Plc and 3,7 % for Valmet Automotive EV Power Oy for the year ended December 31, 2023 (2,7 % and 3,1 % for the year ended December 31, 2022).

6.2 DEFINED PENSION BENEFIT PLAN

The Group had a limited voluntary defined benefit pension plan in Finland, which ended in 2023 after all participants had retired. The benefits were insured with an insurance company. As the employer has no funding risk after retirement there is no reported liability on December 31, 2023.

	2023			2022		
€000	**Defined benefit obligation**	**Fair value of plan assets**	**Benefit liability**	**Defined benefit obligation**	**Fair value of plan assets**	**Benefit liability**
1 January	**84**	**-82**	**2**	**179**	**-180**	**-1**
Termination of defined pension benefit plan	-84	82	**-2**			**0**
Net interest				1	-1	**0**
Sub-total included in profit or loss	**-84**	**82**	**-2**	**1**	**-1**	**0**
Actuarial changes from changes in financial assumptions				-30	102	**73**
Experience adjustments				-67		**-67**
Sub-total included in OCI	**0**	**0**	**0**	**-96**	**102**	**6**
Contributions					-3	**-3**
31 December	**0**	**0**	**0**	**84**	**-82**	**2**

7 FINANCE INCOME AND COSTS

ACCOUNTING PRINCIPLES

Financing costs are charged to the income statement during the financial period in which they incur. 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.

Finance income	**2023**	**2022**
	€000	**€000**
Dividend received	2	6
Foreign exchange gains	1 878	-
Interest income	1 082	272
Total finance income	**2 962**	**279**

Finance costs	**2023**	**2022**
	€000	**€000**
Interest on debt and borrowings	-6 829	-2 964
Interest on lease liabilities	-1 453	-1 025
Interest on significant financing component	-7 109	-6 485
Other interest	-1 157	-378
Total interest expense	**-16 548**	**-10 852**
Foreign exchange losses	-	-390
Other finance expense	-471	-381
Total finance costs	**-17 019**	**-11 624**

8 INCOME TAXES

8.1 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, 2023 and December 31, 2022 are as follows:

	2023	2022
Consolidated statement of profit or loss	**€000**	**€000**
Current year income tax expense	-2 986	-3 830
Previous year income tax expense	86	1 559
Current income tax expense	**-2 899**	**-2 271**
Other temporary differences deferred tax assets	2 117	791
Other temporary differences deferred tax liabilities	-2 297	-1 637
Deferred tax expense	**-181**	**-846**
Income tax expense in statement of profit or loss	**-3 080**	**-3 117**
Deferred tax related to items recognised in OCI during the year		
Actuarial gains (+)/losses (-) from defined benefit plan	-	1
Income tax charged to other comprehensive income	**-**	**1**

Reconciliation of tax expense and the accounting profit or loss multiplied by Finland's 2023 statutory tax rate is presented below.

	2023	2022
	€000	**€000**
Accounting profit before income tax	5 452	19 912
At Finland's statutory income tax rate of 20%	-1 090	-3 982
Tax exempt income	1	1
Non-deductible expenses	-183	-302
Deferred taxes for previously unrecognised temporary differences	101	-37
Previous year income taxes	84	1 568
Unrecognised tax losses	-2 720	-611
Difference between Finnish and foreign tax rates	726	247
Income tax expense reported in the statement of profit or loss	**-3 080**	**-3 117**
Effective income tax rate %	**57%**	**16%**

8.2 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.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised.

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.

2023 Deferred tax assets	1.1.2023	Recognised in income statement	Recognized in OCI	Translation differences	31.12.2023
Employment related	961	-113	-	22	870
Property, plant and equipment	5 489	100	-	-	5 590
Confirmed losses	2 283	1 183	-	-	3 466
Leases	180	-28	-	-	152
Provisions	3 443	306	-	79	3 828
Revenue recognition	3 059	712	-	11	3 782
Other temporary differences	424	-43	-	31	411
Total	15 839	2 117	-	143	18 099

2023 Deferred tax liabilities	1.1.2023	Recognised in income statement	Recognized in OCI	Translation differences	31.12.2023
Property, plant and equipment	6 501	1 315	-	-	7 816
Fair value adjustment	820	-198	-	-	622
Leases	-1	1	-	-	0
Revenue recognition	1 180	1179	-	70	2 429
Total	8 500	2 297	-	70	10 867

2022 Deferred tax assets	1.1.2022	Recognised in income statement	Recognized in OCI	Translation differences	31.12.2022
Employment related	905	59	1	-3	961
Property, plant and equipment	5 032	457	-	-	5 489
Confirmed losses	1 750	533	-	-	2 283
Leases	290	-110	-	-	180
Provisions	1 833	1 600	-	11	3 443
Revenue recognition	4 955	-1 898	-	2	3 059
Other temporary differences	275	151	-	-3	424
Total	15 040	791	1	7	15 839

2022 Deferred tax liabilities	1.1.2022	Recognised in income statement	Recognized in OCI	Translation differences	31.12.2022
Property, plant and equipment	5 485	1 017	-	-	6 501
Fair value adjustment	1 018	-198	-	-	820
Leases	0	-1	-	-	-1
Revenue recognition	367	818	-	-6	1 180
Total	6 870	1 637	-	-6	8 500

Management has assessed all subsidiary losses carried forward for deferred asset recognition. Analysis was done by subsidiary. As of December 31, 2023, the Group had approximately EUR 27,4 (18,5) million of tax losses carried forward for which no deferred tax assets were recognised. Of the tax losses carried forward, EUR 1,0 (0,0) million expires after ten years from the loss-making year of 2023. Other tax losses do not have an expiration date.

9 SUBSIDIARIES AND ASSOCIATES

9.1 INFORMATION ABOUT SUBSIDIARIES

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

Name	Principal activities	Country of incorporation	% equity interest as of 31.12.2023 Group	Parent
Parent company				
Valmet Automotive Plc	Vehicle Contract 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%

9.2 ACQUISITIONS AND DISPOSALS

ACCOUNTING PRINCIPLES

Investments in subsidiaries are accounted for using the acquisition method and measured at fair value at the date of acquisition. The difference, if any, between the consideration transferred and the fair value of net assets obtained is recognized as goodwill. Subsidiaries acquired during the financial period are included in the consolidated financial statements from the date the control is obtained, and divested subsidiaries until the date the control is lost. When control is lost, all assets and liabilities related to the disposed subsidiary are derecognized.

SIGNIFICANT MANAGEMENT ESTIMATES AND JUDGMENT

In business combinations, the measurement of fair value of the acquired net assets is based on market value of similar assets (tangible assets), or an estimate of expected cash flows and returns (intangible assets). The valuation is prepared by an external advisor. Management judgment is necessary for expected cash flow calculations, and changes in circumstances may have significant influence in those estimates.

The Group did not make any acquisitions or disposals of subsidiaries in 2023 or 2022.

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 2023	37 511	8 494	46 005
Additions	11 906	973	12 878
Disposals	-2 340	-1 735	-4 075
Exchange differences	7	48	55
At 31 December 2023	**47 083**	**7 780**	**54 863**
Depreciation and impairment			
At 1 January 2023	-10 083	-5 293	-15 376
Depreciation charge for the year	-6 262	-2 071	-8 333
Disposals	2 137	1 597	3 734
Exchange differences	-6	-24	-30
At 31 December 2023	**-14 214**	**-5 791**	**-20 006**
Net book value 1 January 2023	**27 428**	**3 201**	**30 629**
Net book value 31 December 2023	**32 869**	**1 988**	**34 857**
Cost			
At 1 January 2022	26 393	8 983	35 375
Additions	13 234	1 703	14 937
Disposals	-2 115	-1 677	-3 792
Reclassifications*	-	-501	-501
Exchange differences	-1	-14	-15
At 31 December 2022	**37 511**	**8 494**	**46 005**
Depreciation and impairment			
At 1 January 2022	-6 874	-5 394	-12 267
Depreciation charge for the year	-5 133	-2 219	-7 352
Disposals	1 922	1 615	3 537
Reclassifications*	-	689	689
Exchange differences	1	15	16
At 31 December 2022	**-10 083**	**-5 293**	**-15 376**
Net book value 1 January 2022	**19 519**	**3 589**	**23 108**
Net book value 31 December 2022	**27 428**	**3 201**	**30 629**

*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:

	2023	2022
	€000	€000
At 1 January	**31 246**	**24 056**
Additions	12 878	14 937
Disposals	-351	-266
Payments	-9 075	-7 473
Exchange differences	27	-8
At 31 December	**34 726**	**31 246**

LEASE CASH FLOWS

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

	2023	2022
	€000	€000
Lease payments	-10 528	-8 498
of which liability	-9 075	-7 473
of which interest	-1 453	-1 025
Expenses related to short term leases	-759	-573
Expenses related to low value assets	-610	-667
Total Payments	**-11 896**	**-9 738**

OPERATING LEASE COMMITMENTS

Commitments consist of payments related to leases of low value assets and short-term leases. As of December 31, 2023 and 2022 operating lease commitments were as follows:

	2023	2022
	€000	€000
Within one year	971	1 018
After one year but no more than five years	137	93
	1 108	**1 110**

OFF-BALANCE SHEET LEASE LIABILITIES

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

	2023	2022
	€000	€000
Off-balance sheet lease liabilities	-	221

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 2023	5 183	119 005	426 373	44 439	594 999
Additions	-	11 934	4 605	54 415	70 954
Disposals	-	-2 847	-7 499	-11	-10 356
Reclassifications	-	12 124	62 551	-74 675	0
Exchange differences	33	560	1 107	629	2 329
At 31 December 2023	**5 217**	**140 775**	**487 137**	**24 797**	**657 926**
Depreciation and impairment					
At 1 January 2023	-	-34 319	-285 857	-	-320 176
Depreciation charge for the year	-	-10 198	-43 233	-	-53 432
Disposals	-	2 644	7 363	-	10 007
Exchange differences	-	-178	-808	-	-986
At 31 December 2023	**-**	**-42 051**	**-322 536**	**-**	**-364 587**
Net book value 1 January 2023	**5 183**	**84 686**	**140 516**	**44 439**	**274 823**
Net book value 31 December 2023	**5 217**	**98 724**	**164 601**	**24 797**	**293 340**
Cost					
At 1 January 2022	5 191	141 110	444 137	17 857	608 295
Additions	-	13 234	-3 262	73 342	83 314
Disposals	-	-36 349	-58 373	-1 398	-96 120
Reclassifications	-	1 139	44 124	-45 263	0
Exchange differences	-8	-129	-253	-99	-490
At 31 December 2022	**5 183**	**119 005**	**426 373**	**44 439**	**594 999**
Depreciation and impairment					
At 1 January 2022	-	-61 742	-300 728	-	-362 470
Depreciation charge for the year	-	-8 769	-43 680	-1 398	-53 848
Disposals	-	36 156	58 369	1 398	95 924
Exchange differences	-	36	183	-	219
At 31 December 2022	**-**	**-34 319**	**-285 857**	**-**	**-320 176**
Net book value 1 January 2022	**5 191**	**79 368**	**143 408**	**17 857**	**245 823**
Net book value 31 December 2022	**5 183**	**84 686**	**140 516**	**44 439**	**274 824**

Asset additions include non-cash right-of-use assets, which are detailed in Note 10. In addition, certain machinery and equipment additions related to production set-up are acquired through a non-cash arrangement against customer advance payments directly to the supplier. These non-cash arrangements amount to EUR 0,0 (19,3) million in 2023. In 2023 a subsidy amounting to EUR 1,99 (0,0) million was received for machinery and equipment, which is recorded as a reduction of the related assets.

The Group has contractual commitments amounting to EUR 17,9 million for the acquisition of property, plant and equipment at the end of 2023.

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 2023	8 741	7 948	6 581	33 180	4 911	61 361
Additions	-	1 842	-	-142	11 867	13 568
Disposals	-	-	-	-1 332	-29	-1 361
Reclassifications	-	-	-	1 284	-1 284	0
Exchange differences	-	-	-	14	0	14
At 31 December 2023	**8 741**	**9 790**	**6 581**	**33 004**	**15 465**	**73 581**
Amortization and impairment						
At 1 January 2023	-	-	-3 848	-20 795	-	-24 643
Amortization charge for the year	-	-	-660	-4 649	-	-5 309
Disposals	-	-	-	1 332	-	1 332
Exchange differences	-	-	-	-14	-	-14
At 31 December 2023	**-**	**-**	**-4 508**	**-24 126**	**-**	**-28 634**
Net book value 1 January 2023	**8 741**	**7 948**	**2 733**	**12 384**	**4 911**	**36 718**
Net book value 31 December 2023	**8 741**	**9 790**	**2 073**	**8 878**	**15 465**	**44 947**
Cost						
At 1 January 2022	8 741	4 208	6 581	32 186	1 635	53 351
Additions	-	3 972	-	59	5 521	9 552
Disposals	-	-	-	-1 539	-	-1 539
Reclassifications	-	-232	-	2 477	-2 245	0
Exchange differences	-	-	-	-3	-	-3
At 31 December 2022	**8 741**	**7 948**	**6 581**	**33 180**	**4 911**	**61 361**
Amortization and impairment						
At 1 January 2022	-	-	-3 188	-17 782	-	-20 971
Amortization charge for the year	-	-	-660	-4 527	-	-5 187
Disposals	-	-	-	1 510	-	1 510
Exchange differences	-	-	-	3	-	3
At 31 December 2022	-	-	**-3 848**	**-20 795**	-	**-24 643**
Net book value 1 January 2022	**8 741**	**-**	**3 393**	**14 404**	**1 635**	**32 381**
Net book value 31 December 2022	**8 741**	**7 948**	**2 733**	**12 384**	**4 911**	**36 718**

Development costs are presented net of subsidies received. At year-end 2023, gross development asset was EUR 13,65 million, subsidy EUR 3,86 million and net development asset EUR 9,79 million. At year-end 2022, gross development asset was EUR 9,78 million, subsidy EUR 1,82 million and net development asset EUR 7,95 million. Refer to Note 4 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 31.12.2023 the carrying amount of goodwill is EUR 8,7 (8,7) million and it is allocated solely to the Electric Vehicle 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, 2023 or December 31, 2022.

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. Forecast period is seven years given the long-term nature of customer contracts. 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 Electric Vehicle Systems business line CGU goodwill during December 2023. The key assumptions were the following: the management estimates for 2024 – 2030 with corresponding EBITDA, a risk-adjusted pre-tax discount rate of 14,9 % and a terminal growth of 2.0 %, 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. There are no reasonably possible changes in key assumptions that would cause the carrying amount of the CGU to exceed its recoverable amount.

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.

	2023	2022
Depreciation and amortisation	**€000**	**€000**
Intangible assets	-5 309	-5 187
Buildings and structures	-10 198	-8 816
Machinery and equipment	-43 234	-45 033
Total	**-58 741**	**-59 036**

15 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.

Finished goods and production material 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.

When not expensed, spare parts related to production equipment with low value or a normal operating cycle less than 12 months are recorded in inventory.

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.

	2023	**2022**
	€000	**€000**
Raw materials (at cost)	64 007	76 718
Work in process (at cost)	11 246	5 417
Finished goods (at cost or net realisable value)	30 266	32 248
Spare parts related to production equipment and machines	1 373	996
Total inventories at the lower of cost and net realisable value	**106 892**	**115 379**

In 2023, write-downs of obsolete and excess inventory amounted to EUR 0,5 (1,2) million.

All inventories include customer-directed material inventories.

16 FINANCIAL INSTRUMENTS

16.1 FINANCIAL RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Valmet Automotive is exposed in its business operations to various business and financial risks. The objective of the Group's financial risk management is to minimize the uncertainty which the changes in financial markets cause to its financial performance.

Financial risk management is carried out by the Group Treasury in co-operation with group companies under policies approved by the Board of Directors. Responsibilities between the Group Treasury and group companies are defined in the Group's Treasury Policy. In addition, the Group's Treasury Policy defines main principles and methods for financial risk management, cash and liquidity management and funding arrangements.

MARKET RISK

Market risk is the risk that the fair value or future cash flows arising from financial instruments will fluctuate because of changes in market prices or market conditions. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk, such as equity price risk and commodity risk.

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. The majority of Valmet Automotive's external loans have a fixed interest rate and hence variable interest rate risk is considered insignificant.

Foreign exchange risk

Valmet Automotive operates mainly in the euro zone and has limited exposure on changes in foreign exchange rates. Financial risk arising from the changing currency rates is largely mitigated either contractually or using financial derivatives. Majority of transactions is denominated in Euro, as such foreign currency transaction risk is not significant.

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. Contract manufacturing parts and materials are covered by the customer agreements, and the Group does not carry the commodity or logistics 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 16.5. The Group's maximum exposure relating to financial guarantees is presented in Note 18.

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 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 targeted to take place before related cash outflows.

The Group's business continuity assumption is based on the fact that its operations are largely based on a 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 or as per industry standard practices.

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 changeovers, which typically include production line reinstallations and downtime. The Finnvera four-year revolving working capital financing facility will mature at the end of 2025. The financing facility has been fully utilised in 2023 and is expected to be fully utilised in 2024.

The Board of Directors and the CEO have assessed the viability of the Group's going concern assumption and concluded that the Group has adequate liquidity to meet its committed obligations during the next 12 months. When assessing the adequacy of the liquid funds, the following factors were considered relevant: the volumes delivered to the customers according to the business plan, the Group's ability to negotiate temporary or permanent new payment terms with its customers and suppliers, and the Group's ability to agree on financing and related risk distribution of new customer programs.

In its going concern assessment, the management has taken into account estimated results from renegotiating some industrialisation phase payment schedules for some programs with certain customers as well as some temporary rescheduling of certain payments to its suppliers and customers for programs in production phase. The actual outcome of the negotiations is not known at the time of preparing the financial statements and may have an impact to cash flow estimates used in the going concern assessment.

In addition, the Group's growth strategy requires additional financing, and the Group is seeking for financing alternatives to take advantage of the growth opportunities.

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. Equity ratio and long-term Debt-to-Equity -ratio have been identified as a key financial indicators.

In some cases, customer advances are considered as significant financing components where interest is calculated at the incremental borrowing rate, refer to Note 3.

16.2 FINANCIAL INSTRUMENT CLASSIFICATION

ACCOUNTING PRINCIPLES

Financial assets

The Group's financial assets are measured at fair value at initial recognition at trade date and are classified as subsequently measured at amortised cost or fair value through profit or loss. The classification is based on the contractual cash flow characteristics of the financial asset and the Group's business model for managing the instruments.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified at amortised cost. Any gains or losses from these financial assets are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Group values equity investments at fair value through profit and loss. In addition, this category applies to derivatives when hedge accounting is not applied.

Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset have expired or the rights to the cash flows together with substantially all risks and rewards have transferred.

Financial liabilities

The Group recognises a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provision of the instrument. The Group recognises a financial liability at fair value at initial recognition at trade date and the liability is classified as subsequently measured at amortised cost or fair value through profit or loss.

At amortized cost

The Group's financial liabilities classified at amortized cost are initially recognized at fair value less any related transaction cost and are subsequently measured using the Effective Interest Rate (EIR) method.

Amortised cost is calculated by taking into account any fees or other costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Financial liabilities at fair value through profit and loss

Financial liabilities measured at fair value through profit and loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit and loss.

This category applies to derivatives when hedge accounting is not applied.

De-recognition of financial liabilities

Financial liabilities are derecognised when they are extinguished, that is when the obligation specified in the contract is discharged, cancelled or expires.

SUMMARY

The Group's financial assets at amortized cost include cash and cash equivalents, trade receivables, accrued income on manufacturing materials and loan receivables, while financial assets at fair value includes the Group's equity investments. The Group's financial liabilities at amortized cost consist of interest-bearing loans, trade payables and accruals on manufacturing materials. Trade receivables and payables include customer-directed material sales and purchases.

A summary of financial instruments is presented below.

	At amortised cost	At fair value through P&L	Total
2023			
NON-CURRENT FINANCIAL ASSETS			
Equity investments	-	78	**78**
Total	-	**78**	**78**
CURRENT FINANCIAL ASSETS			
Trade receivables	91 387	-	**91 387**
Accrued income on manufacturing materials	1 748	-	**1 748**
Cash and cash equivalents	22 967	-	**22 967**
Total	**116 102**	-	**116 102**
NON-CURRENT FINANCIAL LIABILITIES			
Interest bearing loans and borrowings	29 918	-	**29 918**
Total	**29 918**	-	**29 918**
CURRENT FINANCIAL LIABILITIES			
Interest bearing loans and borrowings	104 807	-	**104 807**
Trade payables	210 244	-	**210 244**
Accruals on manufacturing materials	118 590	-	**118 590**
Total	**433 641**	-	**433 641**

	At amortised cost	At fair value through P&L	Total
2022			
NON-CURRENT FINANCIAL ASSETS			
Equity investments	-	78	**78**
Total	**-**	**78**	**78**
CURRENT FINANCIAL ASSETS			
Trade receivables	77 142	-	**77 142**
Accrued income on manufacturing materials	23 809	-	**23 809**
Cash and cash equivalents	83 113	-	**83 113**
Total	**184 064**	**-**	**184 064**
NON-CURRENT FINANCIAL LIABILITIES			
Interest bearing loans and borrowings	24 920	-	**24 920**
Total	**24 920**	**-**	**24 920**
CURRENT FINANCIAL LIABILITIES			
Interest bearing loans and borrowings	107 829	-	**107 829**
Trade payables	211 107	-	**211 107**
Accruals on manufacturing materials	73 340	-	**73 340**
Total	**392 276**	**-**	**392 276**

16.3 FAIR VALUE MEASUREMENT

ACCOUNTING PRINCIPLES

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: The fair value of these assets or liabilities is based on available quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: The fair value of these assets or liabilities is based on valuation techniques, for which the lowest level input that is significant to the fair value measurement and it is directly or indirectly observable. The inputs for the valuation are based on quoted or other readily available source.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable and require independent consideration and judgement from the valuation perspective.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Aside from this note, additional fair value related disclosures, including the valuation methods, significant estimates and assumptions are also provided in Note 5.2.

The following tables provide 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 at December 31, 2023:

	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	78	-	-	78
Total	**78**	**-**	**-**	**78**

Fair value hierarchy at December 31, 2022:

	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	78	-	-	78
Total	**78**	**-**	**-**	**78**

Financial instruments in level 3 fair value include non-current equity investments.

	2023	2022
Non-current equity investments	€000	€000
At 1 January	**78**	**77**
Additions	-	1
At 31 December	**78**	**78**
Total current	-	-
Total non-current	**78**	**78**

16.4 CASH AND RESTRICTED BANK ACCOUNTS

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

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

	2023	**2022**
	€000	**€000**
Cash at banks in Cash Flow	**22 967**	**83 113**
Restricted bank accounts	**-**	**81**

16.5 TRADE AND OTHER RECEIVABLES

ACCOUNTING PRINCIPLE

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

Trade receivables, contract assets and lease receivables are subject to expected credit loss impairment allowance adjustments.

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:

	2023	**Impaired**	**Net**	**2022**	**Impaired**	**Net**
	€000	**€000**	**€000**	**€000**	**€000**	**€000**
Not past due	64 387	-40	64 347	49 483	-41	49 443
Past due						
< 30 days	19 423	-18	19 404	24 849	-37	24 813
30-60 days	1 370	-4	1 366	2 256	-23	2 233
61-90 days	2 148	-5	2 143	164	-16	148
> 90 days	4 158	-31	4 127	577	-71	506
Total	**91 485**	**-98**	**91 387**	**77 330**	**-188**	**77 142**

Trade receivables include receivables related to customer-directed materials.

Expected credit loss allowance is presented below.

	2023	2022
	€000	€000
Impairment allowance		
Opening balance 1.1	-180	-130
Recognized	82	-50
Balance at 31 December	**-98**	**-180**

OTHER CURRENT ASSETS

Details of other current assets are presented in the table below. From other current assets, the accrued income on manufacturing materials is classified as financial assets as its nature is similar to trade receivables.

	2023	2022
	€000	€000
Other current assets		
Prepayments and accrued income	13 806	26 934
Accrued income on manufacturing materials	1 748	23 809
VAT-receivables	8 830	8 787
Loan arrangement fee	250	250
Other S-T receivables	1 791	2 817
Total	**26 425**	**62 597**

16.6 TRADE AND OTHER PAYABLES

ACCOUNTING PRINCIPLE

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Applied trade payable payment terms are customary in the industry. Trade payables are classified as current liabilities if payment is due within 12 months or less. If not, they are presented as non-current liabilities.

Trade payables and accruals include liabilities related to customer-directed materials.

From other current liabilities and accruals, accruals on customer-directed manufacturing materials have been classified as financial liabilities as their nature is similar to trade payables.

Trade payables	**2023**	**2022**
	€000	**€000**
Related parties (Note 19)	-	25
Other trade payables	210 244	211 082
Total trade payables	**210 244**	**211 107**
Other current liabilities and accruals		
Employment benefit related liabilities	4 359	4 607
Other current liabilities	149	15
Total	4 508	4 622
Employment benefit related accruals	31 518	32 964
Accruals on manufacturing materials	118 590	73 340
Other accruals	10 935	16 297
Total	161 043	122 601
Total	**165 551**	**127 223**

16.7 LOANS AND BORROWINGS

SUMMARY

	2023	2022
	€000	**€000**
Current interest-bearing loans and borrowings		
Obligations under lease contracts	4 807	6 326
Loans from financial institutions	100 000	101 503
Total current	**104 807**	**107 829**
Non-current interest-bearing loans and borrowings		
Obligations under lease contracts	29 918	24 920
Total non-current	**29 918**	**24 920**
Total interest-bearing loans and borrowings	**134 725**	**132 749**
Cash and cash equivalents	**-22 967**	**-83 113**
Net debt	**111 759**	**49 636**

CHANGES

Changes in loans from financial institutions are presented in the table below. Changes in lease liabilities are presented in Note 10.

	2023	2022
	€000	**€000**
At 1 January	**101 502**	**-**
Increase in loans	-	101 502
Repayment of loans	-1 532	-
Other changes	30	-
At 31 December	**100 000**	**101 502**
Of which current	100 000	101 502
Of which non-current	-	-

FINANCING AGREEMENTS

In December 2021, an agreement for a EUR 100 million working capital financing facility was signed with Finnvera and guaranteed by the European Investment Bank's Pan-European Guarantee Fund. The facility was fully utilized at the end of the year 2023 and 2022.

During 2022 the Group entered into a new supply chain financing program operated by one of its customers. Under the program, the Group has a possibility to sell before maturity some of the invoices of the said customer. At the end of the financial year, a total of EUR 21,2 (20,5) million was financed.

In December 2023, the Group's RKS business line entered into a new overdraft facility with a limit of EUR 20 million. There were no drawdowns on the new facility at the year-end. The Group continued to have a EUR 10 million receivable sale facility in RKS of which EUR 1,1 (0.0) was utilized at the end of the year. The receivable sale facility will be discontinued in the first quarter of 2024.

Lease financing is used for acquisition of facilities, machinery and equipment.

The loan agreements contain common covenants which were all met at year-end 2023 and 2022.

MATURITY PROFILE

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 2023	**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	-	103 798	-	-	103 798
Lease liabilities	1 912	5 400	18 742	10 272	36 326
Trade payables	210 245	-	-	-	210 245
Accruals on manufacturing materials	118 590	-	-	-	118 590
	330 747	**109 198**	**18 742**	**10 272**	**468 959**

Year ended 31 December 2022	**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	103 004	-	-	-	103 004
Lease liabilities	1 463	5 856	21 908	4 947	34 175
Trade payables	211 107	-	-	-	211 107
Accruals on manufacturing materials	73 340	-	-	-	73 340
	388 914	**5 856**	**21 908**	**4 947**	**421 626**

16.8 EQUITY

ACCOUNTING PRINCIPLES

Equity and capital reserves

Equity consists of share capital, other capital reserves, exchange differences on translation of foreign operations, fund for invested unrestricted equity, hybrid capital and retained earnings.

Reserve for invested non-restricted equity

The reserve for invested non-restricted equity contains the other equity-related investments and share subscription prices to the extent not to be credited to the share capital.

Exchange differences on translation of foreign operations

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency euro are recognised in other comprehensive income and accumulated in the equity.

Hybrid capital instruments

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

SUMMARY

	Number of shares	Share capital €000	Share premium €000	Funds invested for unrestricted equity €000	Other capital reserves €000	Hybrid capital €000	Total €000
At 1 January 2022	**136 887**	**10 932**	**1 704**	**88 432**	**5 382**	**20 000**	**126 450**
Cancellation of treasury shares	-5 288						
Stock split	35 794 928						
At 31 December 2022	**35 926 527**	**10 932**	**1 704**	**88 432**	**5 382**	**20 000**	**126 450**
At 31 December 2023	**35 926 527**	**10 932**	**1 704**	**88 432**	**5 382**	**20 000**	**126 450**

SHARES

At the end of December 2021, Valmet Automotive Plc had total of 136 887 shares of which 5 288 were held by the company. These treasury shares were cancelled and removed from the shareholder register by the decision of the extraordinary general meeting held on October 11, 2022. In the same meeting, it was decided to split the remaining shares of the company with a ratio of 1:272. New shares were issued to the shareholders without payment. The share split does not otherwise impact the rights attached to the shares. After the cancellation of treasury shares and the share split, the number of shares is 35 926 527. There were no changes in the number of shares in 2023.

HYBRID CAPITAL INSTRUMENTS

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 continued 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 Plc 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 12,7 million at 31 December 2023 (EUR 7,8 million 20221). This interest is not recognised in the accounts.

PROFIT DISTRIBUTION

There were no dividend payments or other distributions for the financial year ended 31.12.2023 and 31.12.2022.

17 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	Other provision	Total
	€000	**€000**	**€000**	**€000**	**€000**
At 1 January 2023	**10 015**	**458**	**50**	**257**	**10 781**
Arising during the year	5 411	5 909	-	-	**11 320**
Utilised	-846	-3 566	-50	-88	**-4 551**
Released	-1 856	-2 098	-	-	**-3 954**
FX rate	150	-	-	20	**170**
At 31 December 2023	**12 874**	**703**	**0**	**189**	**13 767**
At 1 January 2022	**9 201**	**31**	**-**	-	**9 231**
Arising during the year	4 687	2 313	516	410	**7 926**
Utilised	-558	-1 201	-466	-235	**-2 460**
Released	-3 291	-395	-	-	**-3 685**
Reclassification	-	-290	-	82	**-207**
FX rate	-25	-	-	-	**-25**
At 31 December 2022	**10 015**	**458**	**50**	**257**	**10 781**
Current	3 303	703	-	189	**4 196**
Non-current	9 571	-	-	-	**9 571**

18 OTHER COMMITMENTS AND CONTINGENCIES

There are no commitments or contingent liabilities recorded in the accounts.

The Group has common fixed price supply agreements, which do not require recognition in the accounts.

	31.12.2023	31.12.2022
	€000	**€000**
Mortgages and pledges	615 732	593 415
Guarantees	22 500	7 254
Non-recognized hybrid capital interest	12 693	7 838
Pledge on insurance proceeds	11 538	-
Solar energy supply	476	476
Total	**662 939**	**608 983**

New leases agreed but not yet commenced at 31 December 2023 are presented in Note 10.

The majority of mortgages and pledges at the end of 2023 and 2022 are related to the working capital financing facility granted by Finnvera. At the end of 2023, the amounts also include mortgages and pledges, guarantees and pledge on insurance proceeds at Valmet Automotive Sp. z o.o. (RKS) related to its new overdraft facility.

There is no ongoing litigation that is likely to result in significant liability.

19 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

There have not been any transactions with related parties during 2023 or 2022, other than key management compensation detailed below.

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:

	2023	**2022**
	€000	**€000**
Salaries and other short-term employee benefits	-2 989	-2 927
Share based benefit	413	-288
Other long-term employee benefits	-431	-966
Total compensation	**-3 007**	**-4 181**

The Board of Directors' compensation amounted to EUR 349 thousand in 2023 and EUR 362 thousand in 2022.

20 EVENTS AFTER THE REPORTING PERIOD

In the fourth quarter of 2023, the change negotiations concerning office workers were announced, which resulted in 115 contract terminations and temporary layoffs realized mainly in the first quarter of 2024.

On January 10, 2024, Juha Torniainen was appointed as Interim CFO, succeeding Petra Teräsaho who decided to leave the company.

FINANCIAL STATEMENTS OF THE PARENT COMPANY (FAS)

INCOME STATEMENT OF THE PARENT COMPANY

	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
	EUR	EUR
Gross sales*	**859 438 230,61**	**1 897 012 667,39**
Customer directed materials	-650 015 281,00	-1 534 112 164,16
Net sales	**209 422 949,61**	**362 900 503,23**
Change in inventories of finished goods and in work in progress	741 055,58	-5 206 216,31
Other operating income	11 870 511,36	12 868 170,20
Materials and services	-71 835 424,32	-150 512 196,37
Personnel expenses	-87 369 403,33	-126 037 312,82
Depreciation and writedowns	-21 243 175,28	-27 602 090,81
Other operating expenses	-43 791 053,06	-56 512 400,75
Total expenses	-224 239 055,99	-360 664 000,75
Operating profit	**-2 204 539,44**	**9 898 456,37**
Financing income and expenses	-1 469 532,35	-1 170 840,92
Profit before appropriations and taxes	**-3 674 071,79**	**8 727 615,45**
Change in cumulative accelerated depreciation	-	-765 915,33
Change in deferred taxes	734 813,47	213 283,76
Income taxes	134 346,83	-1 844 682,75
Profit for the financial year	**-2 804 911,49**	**6 330 301,13**

*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 2023	31 December 2022
Assets	**EUR**	**EUR**
Non-current assets		
Intangible assets		
Intangible assets	246 842,44	369 338,60
Other capitalized long term expenditure	3 117 140,57	4 488 535,88
Assets under construction	14 902 952,47	4 410 085,19
	18 266 935,48	**9 267 959,67**
Property, plant and equipment		
Land and water areas	4 759 290,81	4 759 290,81
Buildings	59 769 881,22	51 426 047,78
Machinery and equipment	59 100 244,10	30 771 712,38
Other tangible assets	1 762 175,84	1 879 103,51
Assets under construction	2 910 470,00	19 254 885,59
	128 302 061,97	**108 091 040,07**
Investments		
Shares in group companies	35 035 116,41	32 035 116,41
Other shares and participations	77 993,50	77 993,67
	35 113 109,91	**32 113 110,08**
Non-current assets total	**181 682 107,36**	**149 472 109,82**
Current assets		
Inventories		
Materials and supplies	22 864 133,13	47 209 171,20
Work in progress	7 753 837,71	2 052 060,23
Finished products	3 869 034,21	17 794,99
	34 487 005,05	**49 279 026,42**
Long-term receivables		
Loan receivables from group companies	32 122 364,32	25 275 166,64
Deferred tax asset	7 738 399,14	7 003 585,67
Prepayments and accrued income	250 000,08	500 000,04
	40 110 763,54	**32 778 752,35**
Short-term receivables		
Accounts receivable	35 996 674,59	20 392 072,42
Receivables from group companies	25 004 319,12	15 385 348,13
Other receivables	3 877 682,72	4 526 581,05
Prepayments and accrued income	7 288 229,95	22 711 302,78
	72 166 906,38	**63 015 304,38**
Bank and cash	**20 829 856,08**	**81 219 982,88**
Current assets total	**167 594 531,05**	**226 293 066,03**
Total Assets	**349 276 638,41**	**375 765 175,85**

BALANCE SHEET OF THE PARENT COMPANY

	31 December 2023	31 December 2022
Shareholders' equity and liabilities	**EUR**	**EUR**
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	-78 892 431,04	-85 222 732,17
Profit for the financial year	-2 804 911,49	6 330 301,13
Hybrid capital	20 000 000,00	20 000 000,00
	45 161 745,08	**47 966 656,57**
Appropriations		
Cumulative accelerated depreciation	4 979 325,26	4 979 325,26
	4 979 325,26	**4 979 325,26**
Provisions		
Other provisions	6 520 764,80	8 016 135,39
	6 520 764,80	**8 016 135,39**
Liabilities		
Non-current liabilities		
Accrued expenses	210 720,00	389 040,00
Deferred tax liability	1 345 503,41	1 345 503,41
	1 556 223,41	**1 734 543,41**
Current liabilities		
Loans from financial institutions	100 000 000,00	100 000 000,00
Advances received	25 146 404,45	48 770 924,12
Trade payables	64 521 048,89	74 227 814,53
Liabilities to group companies	34 362 739,91	14 673 689,43
Other liabilities	1 414 466,39	2 179 421,39
Accrued expenses	65 613 920,22	73 216 665,75
	291 058 579,86	**313 068 515,22**
Total liabilities	**292 614 803,27**	**314 803 058,63**
Total shareholders' equity and liabilities	**349 276 638,41**	**375 765 175,85**

CASH FLOW STATEMENT OF THE PARENT COMPANY

	2023	2022
	EUR	**EUR**
Operating activities		
Operating profit (loss)	**-2 204 539,44**	**9 898 456,37**
Adjustments		
Depreciation and writedowns	21 243 175,28	27 602 090,81
Other non-cash adjustments	-6 414 086,31	-11 848 539,69
Change in net working capital		
Inventory, increase (-) / decrease (+)	14 792 021,37	5 590 373,08
Short term receivables, increase (-) / decrease (+)	-1 791 313,96	66 873 664,03
Short term liabilities, increase (+) / decrease (-)	-50 293 229,76	-158 565 342,50
Provisions, increase (-) / decrease (+)	-903 379,38	-637 394,61
Financing income and expenses, taxes	-2 965 239,58	-5 450 476,26
Net cash flows from operating activities	**-28 536 591,78**	**-66 537 168,76**
Investing activities		
Acquisitions of fixed assets, net	-50 453 172,99	-27 576 692,94
Shares and participations, net	-2 999 999,83	-1 021,92
Advances received, investments	16 074 583,91	23 117 919,05
Net cash flows from investing activities	**-37 378 588,91**	**-4 459 795,81**
Net cash flows before financing activities	**-65 915 180,69**	**-70 996 964,57**
Financing activities		
Increase (+) / decrease (-) in S-T loans	17 287 432,19	110 852 397,73
Increase (+) / decrease (-) in Group contribution	-	-2 470 000,00
Increase (-) / decrease (+) in other receivables	-11 762 378,30	-1 329 231,54
Net cash flows from financing activities	**5 525 053,89**	**107 053 166,19**
Net cash flow after financing activities	**-60 390 126,80**	**36 056 201,62**
Cash and cash equivalents at the beginning of year	81 219 982,88	45 163 781,26
Cash and cash equivalents at 31 December	**20 829 856,08**	**81 219 982,88**

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 recognised 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 material 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

	2023	2022
Net sales	**EUR**	**EUR**
By Business line		
Vehicle manufacturing	209 422 949,61	362 900 503,23
Total net sales	**209 422 949,61**	**362 900 503,23**
By market area		
Finland	1 067 133,81	1 727 759,89
Germany	207 264 528,66	353 915 390,05
Others	1 091 287,14	7 257 353,29
Total net sales	**209 422 949,61**	**362 900 503,23**
Specification of net sales		
POC sales	25 059 502,61	21 613 018,38
Other sales	184 363 447,00	341 287 484,85
Total net sales	**209 422 949,61**	**362 900 503,23**
Other operating income		
Royalties from group companies	672 320,19	421 017,78
Other income from group companies	9 812 016,26	10 048 506,49
Government grants	11 219,20	108 292,07
Compensation from suppliers	1 200 512,81	1 336 005,70
Other income	174 442,90	954 348,16
Total operating income	**11 870 511,36**	**12 868 170,20**
Materials and services		
Materials	-68 243 686,48	-140 468 565,23
External services	-3 591 737,84	-10 043 631,14
Total materials and services	**-71 835 424,32**	**-150 512 196,37**
Personnel expenses		
Wages & Salaries	-72 275 113,17	-104 132 290,24
Pension insurances	-12 635 430,29	-18 336 694,40
Other indirect employee costs	-2 458 859,87	-3 568 328,18
Total personnel expenses	**-87 369 403,33**	**-126 037 312,82**
Compensation to the Board of directors	**349 600,00**	**362 300,00**
The average number of personnel, active*	1 490	2 436

Pension liabilities

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

*Active number of employees excludes temporarily laid off personnel.

	2023	2022
	EUR	EUR
Depreciation and write-down of fixed assets		
Intangible rights	-143 357,16	-200 131,01
Other capitalized long-term expenditure	-2 372 007,42	-2 285 701,12
Improvements of land areas	-271 038,56	-205 651,80
Buildings	-3 777 857,75	-3 480 875,83
Machinery and equipment	-14 678 914,39	-21 429 731,05
Total depreciation and write-down of fixed assets	**-21 243 175,28**	**-27 602 090,81**

Other operating expenses		
Property, operating and maintenance costs	-9 746 951,04	-12 372 387,23
Research and development expenses	-12 764,12	-134 112,77
External services	-12 256 131,56	-16 328 003,66
ICT expenses	-11 305 005,85	-11 631 697,46
Machinery and equipment expenses and leases	-5 292 100,05	-9 340 688,40
Other personnel expenses	-2 594 867,05	-3 731 452,00
Other operating expenses	-2 583 233,39	-2 974 059,23
Total other operating expenses	**-43 791 053,06**	**-56 512 400,75**

Services rendered by statutory auditors		
Audit services	-314 420,50	-351 974,00
Other services	-670 281,16	-672 895,50
Total services rendered by statutory auditors	**-984 701,66**	**-1 024 869,50**

	2023	2022
	EUR	EUR
Finance income		
Dividend income	2 448,00	6 107,78
Interest income	1 081 679,58	272 433,45
Interest income from group companies	3 307 703,07	2 431 112,84
Gain from foreign exchange	1 878 073,14	56 053,21
Total finance income	**6 269 903,79**	**2 765 707,28**
Finance cost		
Loss from foreign exchange	-	-446 188,43
Interest expenses	-6 843 798,21	-3 208 204,59
Financing expenses to group companies	-630 862,27	-21 055,68
Other financing expenses	-264 775,66	-261 099,50
Total finance cost	**-7 739 436,14**	**-3 936 548,20**
Total financing income and expenses	**-1 469 532,35**	**-1 170 840,92**
Appropriations		
Change in accelerated depreciation	-	-765 915,33
of which profit for the financial year	-	*-612 732,26*
of which deferred tax liability	-	*-153 183,07*
Total	**-**	**-765 915,33**
Income taxes		
Current year taxes	-	-1 856 741,17
Previous year taxes	134 346,83	12 058,42
Change in deferred taxes	734 813,47	213 283,76
Total	**869 160,30**	**-1 631 398,99**

3. NOTES OF BALANCE SHEET

	2023	2022
Non-current assets	**EUR**	**EUR**
Intangible assets		
Intangible rights		
Historical purchase price 1.1	9 475 589,19	9 692 206,50
Additions	6 120,00	-
Disposals	-451 478,59	-216 617,31
Total cost 31.12.	**9 030 230,60**	**9 475 589,19**
Accumulated depreciation 1.1	9 106 250,59	9 093 612,69
Depreciation charge of the year	143 357,16	198 889,70
Disposals	-466 219,59	-186 251,80
Accumulated depreciation 31.12	**8 783 388,16**	**9 106 250,59**
Book value 31.12	**246 842,44**	**369 338,60**
Other capitalised long-term expenditure		
Historical purchase price 1.1	16 068 804,15	16 617 236,38
Additions	219 094,05	255 914,76
Disposals	-865 998,20	-1 322 675,06
Reclassifications	781 518,06	518 328,07
Total cost 31.12.	**16 203 418,06**	**16 068 804,15**
Accumulated depreciation 1.1	11 580 268,27	10 617 242,21
Depreciation charge of the year	2 369 922,59	2 285 701,12
Disposals	-863 913,37	-1 322 675,06
Accumulated depreciation 31.12	**13 086 277,49**	**11 580 268,27**
Book value 31.12	**3 117 140,57**	**4 488 535,88**
Assets under construction		
Historical purchase price 1.1	4 410 085,19	1 109 090,46
Additions	11 284 974,17	3 819 322,80
Reclassifications	-792 106,89	-518 328,07
Total cost 31.12.	**14 902 952,47**	**4 410 085,19**
Book value 31.12	**14 902 952,47**	**4 410 085,19**

	2023	2022
Property, plant and equipment	**EUR**	**EUR**
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	66 884 756,48	99 991 811,38
Additions	5 480 136,42	1 037 394,14
Disposals	-506 644,72	-34 234 447,54
Reclassifications	6 641 554,77	89 998,50
Total cost 31.12.	**78 499 802,95**	**66 884 756,48**
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	22 018 037,83	52 771 609,54
Depreciation charge of the year	3 760 021,61	3 440 081,56
Disposals	-488 808,58	-34 193 653,27
Accumulated depreciation 31.12	**25 289 250,86**	**22 018 037,83**
Book value 31.12	**59 769 881,22**	**51 426 047,78**

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	2023	2022
	EUR	EUR
Machinery and equipment		
Historical purchase price 1.1	242 828 478,20	290 529 649,99
Additions	31 986 391,60	3 745 780,66
Disposals	-5 549 504,59	-52 065 577,25
Reclassifications	11 021 054,51	618 624,80
Total cost 31.12.	**280 286 419,72**	**242 828 478,20**
Accumulated depreciation 1.1	212 056 765,82	242 606 412,68
Depreciation charge of the year	14 678 914,39	21 223 819,49
Disposals	-5 549 504,59	-51 773 466,35
Accumulated depreciation 31.12	**221 186 175,62**	**212 056 765,82**
Book value 31.12	**59 100 244,10**	**30 771 712,38**
Other tangible assets		
Historical purchase price 1.1	2 639 760,38	4 606 596,61
Increase	25 841,89	552 159,93
Disposals	-	-2 823 622,94
Reclassifications	128 269,00	304 626,78
Total cost 31.12.	**2 793 871,27**	**2 639 760,38**
Accumulated depreciation 1.1	760 656,87	3 378 628,01
Disposals	271 038,56	205 572,51
Depreciation charge of the year	-	-2 823 543,65
Accumulated depreciation 31.12	**1 031 695,43**	**760 656,87**
Book value 31.12	**1 762 175,84**	**1 879 103,51**
Assets under construction		
Historical purchase price 1.1	19 254 885,59	1 812 147,19
Additions	1 446 462,69	18 455 988,48
Reclassifications	-17 790 878,28	-1 013 250,08
Total cost 31.12.	**2 910 470,00**	**19 254 885,59**
Book value 31.12	**2 910 470,00**	**19 254 885,59**

		2023	2022
		EUR	**EUR**
Investments			
Shares and participations	**Share-%**		
Group companies			
Valmet Automotive GmbH	100	17 200 000,00	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		**35 035 116,41**	**32 035 116,41**
Other companies			
Other shareholdings total		77 993,50	77 993,67
Total shares and participations		**35 113 109,91**	**32 113 110,08**

	2023	2022
	EUR	EUR
Accounts receivable	**35 996 674,59**	**20 392 072,42**
Other short-term receivables		
VAT receivables	3 047 754,77	4 276 750,44
Salary and travel advances	109 595,51	59 018,25
Other receivables	720 332,44	190 812,36
Total other short-term receivables	**3 877 682,72**	**4 526 581,05**
Accrued income and prepaid expenses		
Long-term		
Loan arrangement fee	250 000,08	500 000,04
Total long-term	**250 000,08**	**500 000,04**
Short-term		
Accrued income	5 012 405,11	21 144 662,25
Loan arrangement fee	250 000,00	250 000,00
Income tax receivables	134 812,18	134 812,18
Other accrued income and prepaid expenses	1 891 012,66	1 181 828,35
Total short-term	**7 288 229,95**	**22 711 302,78**
Total accrued income and prepaid expenses	**7 538 230,03**	**23 211 302,82**
Receivables from group companies		
Long-term		
Loans receivable	32 122 364,32	25 275 166,64
Total long-term	**32 122 364,32**	**25 275 166,64**
Short-term		
Loans receivable	18 577 199,32	12 048 969,03
Accounts receivable	3 349 004,23	1 385 062,10
Accrued income	3 078 115,57	1 951 317,00
Total short-term	**25 004 319,12**	**15 385 348,13**
Total receivables from group companies	**57 126 683,44**	**40 660 514,77**

	2023	2022
	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.	-78 892 431,04	-85 222 732,17
Retained earnings 31.12.	-78 892 431,04	-85 222 732,17
Net income for the year	-2 804 911,49	6 330 301,13
Total unrestricted equity	**7 143 380,66**	**9 948 292,15**
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	**45 161 745,08**	**47 966 656,57**

Accrued interest of the hybrid capital, not booked, as of 31.12.2023, is 12 693 378,09 eur (31.12.2022 7 837 614,20 eur), which can only be paid from distributable funds.

	2023	2022
Distributable funds		
Retained earnings	-78 892 431,04	-85 222 732,17
Net income for the year	-2 804 911,49	6 330 301,13
Reserve for invested unrestricted equity	88 840 723,19	88 840 723,19
Total distributable funds	**7 143 380,66**	**9 948 292,15**
Appropriations		
Cumulative accelerated depreciation	4 979 325,26	4 979 325,26
of which shareholders equity	*3 983 460,21*	*3 983 460,21*
of which deferred tax liability	*995 865,05*	*995 865,05*
Total appropriations	**4 979 325,26**	**4 979 325,26**

	2023	2022
	EUR	EUR
Provisions		
Provision for restructuring, personnel	703 200,83	458 379,78
Long-service benefit and defined pension plans	2 885 571,57	3 025 774,37
Warranty reserves	2 931 992,40	3 629 894,00
Provision for losses	-	902 087,24
Total provisions	**6 520 764,80**	**8 016 135,39**
Advances received		
Advances received, POC projects	15 224 049,95	41 981 612,14
Other advances	24 937 094,12	28 495 967,18
Total advances received	**40 161 144,07**	**70 477 579,32**
Specification of accrued income, combined asset and liability amounts		
Long-term contracts, combined amounts		
Accrued receivables related to POC reveneues	-15 014 739,62	-21 706 655,20
Advances received from customers	15 224 049,95	41 981 612,14
Project receivables on the balance sheet, current assets	**209 310,33**	**20 274 956,94**
Liabilities to group companies		
Short-term liabilities		
Accounts payable	2 612 907,76	1 132 742,19
Other short-term liabilities	31 749 832,15	13 540 947,24
Short-term liabilities total	**34 362 739,91**	**14 673 689,43**
Total liabilities to group companies	**34 362 739,91**	**14 673 689,43**
Other short-term liablities		
Witholding taxes and social security expenses	1 414 422,19	2 179 357,39
Other short-term liabilities	44,20	64,00
Total other short-term liablities	**1 414 466,39**	**2 179 421,39**
Accruals		
Wages and salaries including social security expenses	16 306 286,94	20 030 719,11
Accruals on manufacturing materials	45 870 755,84	50 282 773,01
Other accruals	3 647 597,44	3 292 213,63
Total accruals	**65 824 640,22**	**73 605 705,75**

4. OTHER NOTES

Other notes	2023 EUR	2022 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.	**15 014 739,62**	**21 706 655,20**
Not recognized as revenue 31.12. (order backlog)	**209 310,33**	**20 274 956,94**
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)	5 400 358,59	5 400 358,59
Accruals	1 304 152,96	1 603 227,08
From loss carry forwards	1 033 887,59	-
Total deferred tax asset	**7 738 399,14**	**7 003 585,67**
Total deferred taxes	**6 392 895,73**	**5 658 082,26**
Mortgages and lease contracts		
Lease and rental contracts (Excluding VAT)		
Due in 12 months	1 806 822,52	2 130 479,72
Due in 12-24 months	717 546,28	901 243,45
Due in 24-36 months	141 772,95	371 537,64
Due in 37 months and later	5 427,30	5 760,00
Total lease and rental contracts	**2 671 569,05**	**3 409 020,81**
Other commitments		
Solar energy supply	475 890,00	475 890,00
Total other commitments	**475 890,00**	**475 890,00**
Other mortgages and pledges		
Mortgages and pledges	593 702 471,00	593 415 383,00
Other guarantees on behalf of group companies	6 603 794,97	7 253 794,97
Total other mortgages and pledges	**600 306 265,97**	**600 669 177,97**

SIGNATURES FOR BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS

Vantaa, February 26, 2024

JARKKO SAIRANEN
Jarkko Sairanen
Chairman

TIMO KOKKILA
Timo Kokkila
Member

SVEN ENNERST
Sven Ennerst
Member

KARI HEINISTÖ
Kari Heinistö
Member

PHILIP-CHRISTIAN ELLER
Philip-Christian Eller
Member

PASI RANNUS
Pasi Rannus
Chief Executive Officer

The Auditor's report has been given today.

Ernst & Young Oy
Authorized Public Accountant Firm

Helsinki, February 29, 2024

MIKKO RYTILAHTI
Mikko Rytilahti
Authorized Public Accountant


VALMET AUTOMOTIVE

Building a better
working world

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domicile Helsinki

AUDITOR'S REPORT (Translation of the Finnish original)

To the Annual General Meeting of Valmet Automotive Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Valmet Automotive Corporation (business identity code 0143991-2) for the year ended 31 December, 2023. 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 material accounting policy information, 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, financial performance and cash flows in accordance with IFRS Accounting Standards 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 IFRS Accounting Standards 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.

Helsinki, 29th of February 2024

Ernst & Young Oy
Authorized Public Accountant Firm

MIKKO RYTILAHTI

Mikko Rytilahti
Authorized Public Accountant