



Annual
report
2022

ANNUAL REPORT

(Translation of the Estonian original)*

Beginning of financial year: 01.01.2022

End of financial year: 31.12.2022

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* This version of the annual report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the annual report takes precedence over this translation.

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Management report

ETS NORD AS is a rapidly developing technology company that creates healthy and sustainable indoor climate solutions. We are committed to digitizing the entire value chain, from system modelling, delivery and manufacturing processes to logistics, commissioning and maintenance processes.

The Company has development, sales, production and logistics units in Estonia, Finland, Sweden and United Arab Emirates. The Finnish and Swedish units operate as branches. United Arab Emirates units operate as subsidiaries, but in 2022 there was no active economic activity in these companies.

Key events in 2022

The year 2022 will be remembered primarily as the year of war. Russia's terrorist aggression in Ukraine, which began on February 24, once again showed that it is not possible to adequately prepare for any crisis. Today's world requires us all to be flexible and quick to respond to the situations that arise.

Helping Ukraine to win this war is a guarantee of security for the whole Europe and especially for the Baltic states. The Company has also contributed to the cause. We have supported the Ukrainian Red Cross with 30,000 euros during 2022. In 2023, we will continue to provide support according to needs and possibilities.

For the company, 2022 was a volatile year in terms of input prices. At the beginning of the year, there was a significant increase in prices, and the second half of the year was a time of stabilization. In the first half of the year, we made the best result ever, the growth in the second half was slightly lower due to the higher comparison base and the decrease of demand in the construction market. One of the important components of the increase in sales revenue in 2022 was the increase in sales prices.

The biggest one-time event was the acquisition of a new company, Venttillverkarna Huddinge Aktiebolag in Sweden. This company is strategically located next to Stockholm and allows us to continue to grow rapidly in a declining construction market.

Last year we also started designing our new factory in Tallinn, which will be commissioned in the summer of 2024. The total amount of the investment,

including the construction cost, is 13-15 million euros. With the new factory building, we will complete the development of the property at 53 Peterburi road. This will be a springboard for our growth in the following periods.

In 2022, the Company bought back 3,237 own shares with a nominal value of 0.6 euros per share. The proportion of bought back own shares in the share capital was 1.88%. The company paid 647 thousand euros for the shares. The purpose of the acquisition of the own shares was to pay for the assets of Venttillverkarna Huddinge Aktiebolag, namely a part of the agreement was that a part of the acquisition price will be paid in ETS NORD AS own shares.

Revenue, costs and profit

Company's revenue in 2022 was EUR 70.4 million (2021: EUR 59.2 million). Operating profit in 2022 amounted to EUR 5.5 million (2021: EUR 4.3 million) and net profit to EUR 4.1 million (2021: EUR 3.2 million).

From mid-2022, interest rates began to rise sharply. Interest expenses for the financial year were EUR 552 thousand (2021: EUR 455 thousand). According to the company's management, interest rates can continue to rise in the next reporting period, but at a more moderate rate than last year. In the event of a 1% increase in interest rates, the Company's interest costs would increase by EUR 278 thousand (2021: EUR 146 thousand). Additional details can be found from financial statements Note 2.

Company's assets and liabilities as of the balance sheet date denominated in foreign currencies is considered marginal by the management and therefore currency risks are assessed as low.

Investments

The Company invested EUR 3.3 million (2021: EUR 3.7 million) in fixed assets during the reporting period. The most significant investments of 2022 were the acquisition of a new Swedish business unit (EUR 1,015 thousand) and in addition, investments were also made in machinery and equipment (EUR 762 thousand) and in product development and IT projects (EUR 163 thousand).

Goals for 2023

In 2023, the Company will celebrate its twenty-fifth birthday.

2023 will not be easy for the world. Moreover, more than a dozen years of continuous growth was interrupted last year. Inflation is at its peak and loan interest rates are rising. The prices of energy and raw materials have risen more in the last year and a half than in the last ten years combined.

This all affects the construction market, which is the basis for our sales. We must admit, that under these circumstances, only the best will survive. And most certainly, we are the best.

It is now even more important that everyone in our company is focused on common goals and results.

We have three most important success factors in the eyes of our partners:

- Excellent delivery reliability – we keep our word and deliver the right things to the right place at the right time.
- Partner Support – Our great team helps our customers get the right information, technical support and maintenance service.

- Order Fulfillment Time - To be the best in the market for our customers, we need to speed up our deliveries!

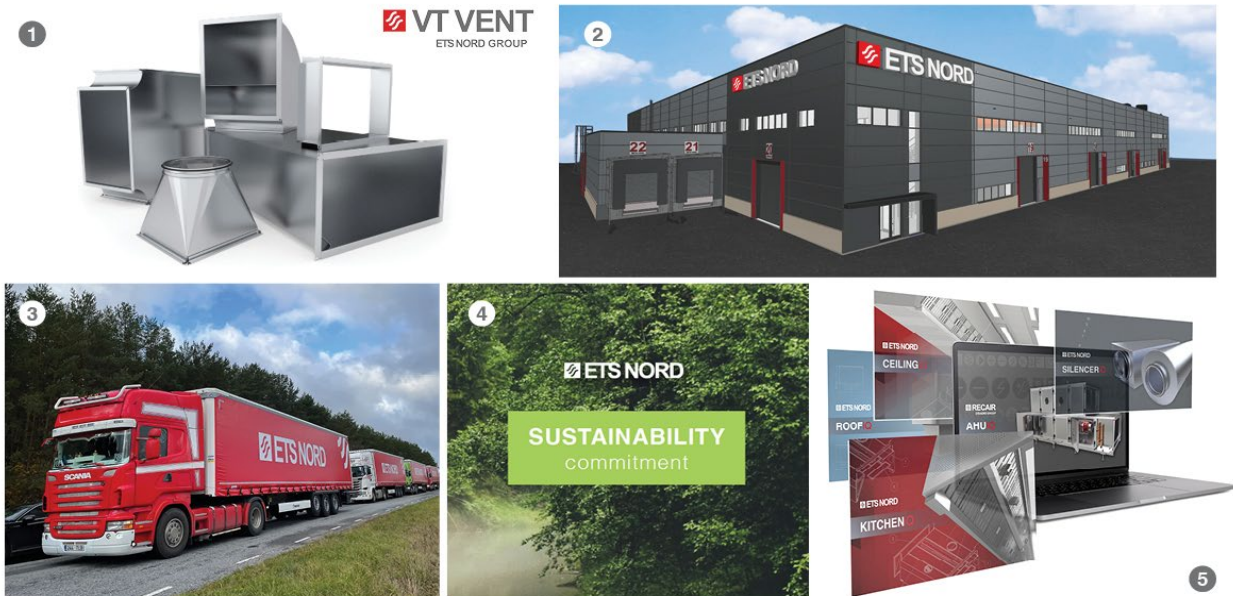
By 2023, we have set a goal to bring all project deliveries of special products from the Tallinn factory to less than three weeks. This is from the order to the delivery to the construction site. We develop realistic yet challenging goals for all departments across the value chain.

2023 is also the first year for which we have written a sustainability policy and strategy!

Sustainability consists of three big whales:

- The basis of everything is our carbon footprint and saving nature;
- On the second level is caring for our people and the society around us;
- And most narrowly at the top is the financial capacity. This allows us to perform other sustainability tasks.

In general, saving resources and taking care of people has been in the DNA of the ETS NORD collective since the beginning. This year, the time has come to show it to others and measure your results even more carefully.



1. ETS NORD acquired a Swedish producer of ventilation ducts Vent-tillverkarna AB, now rebranded as VT VENT ETS NORD GROUP
 2. The construction plan of the new factory in Tallinn was approved 3. Trailers with ETS NORD branding were produced 4. Sustainability
 5. ETS NORD smart selection tools support the designing of technical building systems

Key ratios

	2022	2021
Revenue (tEUR)	70,428	59,152
Revenue growth, %	19.1%	20.7%
Operating profit (tEUR)	5,524	4,267
Operating profit margin, %	7.8%	7.2%
Net profit (tEUR)	4,103	3,219
Net profit margin, %	5.8%	5.4%
Current assets (tEUR)	28,334	24,420
Current liabilities (tEUR)	24,761	24,297
Current ratio	1.1	1.0
Average total assets (tEUR)	49,465	40,968
Average equity (tEUR)	15,625	13,658
ROA	8.3%	7.9%
ROE	26.3%	23.6%

Formulas used in calculating key ratios:

Revenue growth (%) = (revenue 2022 – revenue 2021)/ revenue 2021 * 100

Operating profit margin (%) = operating profit / revenue * 100

Net profit margin (%) = Net profit / revenue * 100

Current ratio (times) = current assets / current liabilities

ROA (%) = net profit/ annual average amount of assets * 100

ROE (%) = net profit/ annual average amount of equity * 100

Personnel

In 2022, the average number of employees of the Company was 432 (2021: 392 employees). Personnel expenses amounted to EUR 17.1 million (2021: EUR 15.0 million), of which the remuneration of the members of the Management Board in 2022 was EUR 603 thousand (2021: EUR 523 thousand). Upon termination of the contract, the members of the Management Board are paid compensation in the amount of up to three months' remuneration.

Social and environmental effects

The foundation of the success of construction material producers lies in product and process development. Our international team includes over 30 specialists, whose daily job is to create the best, material and energy-saving indoor climate solutions. The production philosophy of ETS NORD AS has always been to decrease waste and our carbon footprint is consequently very small. The development of this topic started in October 2022, and the goal is to deal more thoroughly with the communication of important environmental aspects and sustainable values resulting from the company's CO2 footprint.

Financial statements

Balance Sheet

(in thousands of euros)

	31.12.2022	31.12.2021	Note
Assets			
Current assets			
Cash and cash equivalents	1,732	893	
Receivables and prepayments	13,256	11,485	3
Inventories	13,346	12,042	6
Total current assets	28,334	24,420	
Non-current assets			
Investments in associates	90	46	
Receivables and prepayments	11	0	3
Investment properties	2,870	2,640	7
Property, plant and equipment	5,572	3,392	8
Intangible assets	3,818	3,207	9
Prepayments for non-current assets	904	1,323	8,9
Right-of-use assets	11,706	10,597	10
Total non-current assets	24,971	21,205	
TOTAL ASSETS	53,305	45,625	
Liabilities and equity			
Liabilities			
Current liabilities			
Borrowings	11,741	10,585	12
Payables and prepayments	13,020	13,712	13
Total current liabilities	24,761	24,297	
Non-current liabilities			
Borrowings	11,852	6,574	12
Payables and prepayments	98	98	13
Total non-current liabilities	11,950	6,672	
Total liabilities	36,711	30,969	
Equity			
Share capital	103	103	14
Own shares	-244	0	14
Share premium	1,053	1,156	
Statutory reserve capital	10	10	
Other reserves	110	28	
Retained earnings	11,459	10,140	
Profit for the financial year	4,103	3,219	
Total equity	16,594	14,656	
TOTAL LIABILITIES AND EQUITY	53,305	45,625	

The notes to the financial statements on pages 12-41 are an integral part of these financial statements.

Income Statement

(in thousands of euros)

	2022	2021	Note
Revenue	70,428	59,152	15
Cost of goods sold	-46,006	-38,163	16
Gross profit	24,422	20,989	
Marketing and distribution expenses	-9,231	-7,820	17
General and administrative expenses	-10,124	-8,904	18
Other operating income	497	44	19
Other operating expenses	-40	-42	
Operating profit	5,524	4,267	
Interest expense	-552	-455	
Other net finance income and costs	-224	-206	
Total finance costs	-776	-661	
Profit before tax	4,748	3,606	
Income tax	-645	-387	14
Net profit for the financial year	4,103	3,219	

The notes to the financial statements on pages 12-41 are an integral part of these financial statements.

Statement of comprehensive income

(in thousands of euros)

	2022	2021
Net profit for the financial year	4,103	3,219
<i>Line items, which can subsequently be classified into the income statement</i>		
Other comprehensive income:		
Unrealised exchange rate differences	82	7
Total other comprehensive income	82	7
Comprehensive income for the financial year	4,185	3,226

The notes to the financial statements on pages 12-41 are an integral part of these financial statements.

Statement of cash flows

(in thousands of euros)	2022	2021	Note
Cash flows from operating activities			
Operating profit (loss)	5,524	4,267	
Adjustments			
Depreciation and impairment on fixed assets	3,747	3,710	16,17,18
Profit (loss) from sale of fixed assets	48	14	8
Change in fair value of investment property	-230	0	7,19
Loss from revaluation of loan receivables	-6	0	
Income from government grants	93	-15	19
Other adjustments	-48	12	
Total adjustments	3,604	3,721	
Change in receivables and prepayments related to operating activities	-1,787	-3,155	
Change in inventories	-1,304	-5,591	6
Change in liabilities and prepayments related to operating activities	-692	4,867	13
Interest paid	-529	-447	
Corporate income tax paid	-645	-387	14
Government grants received	88	111	
Total cash flows from operating activities	4,259	3,386	
Cash flows from investing activities			
Cash paid in business combination	-809	-522	
Purchase of property, plant and equipment and intangible assets	-1,712	-2,518	8,9,10
Proceeds from sale of property, plant and equipment and intangible assets	80	106	8
Loan granted	-16	-150	21
Repayments of loans granted	122	0	
Interest received	10	0	
Total cash flows from investing activities	-2,325	-2,934	
Cash flows from financing activities			
Proceeds from borrowings	6,000	499	12
Repayments from borrowings	-1,180	-633	12
Change in overdraft and factoring balance	68	1,849	12
Lease liability repayments	-1,893	-2,062	12
Finance lease principal payments	-1,171	-1,059	12
Own shares acquired	-647	0	14
Dividends paid	-2,265	-865	14
Total cash flows from financing activities	-1,088	-2,421	
Total cash flows	846	-1,969	
Cash and cash equivalents at the beginning of the period	893	2,868	
Change in cash and cash equivalents	839	-1,975	
Effect of exchange rate changes	-7	-6	
Cash and cash equivalents at the end of period	1,732	893	

The notes to the financial statements on pages 12-41 are an integral part of these financial statements.

Statement of changes in equity

(in thousands of euros)

	Share capital	Own shares	Share premium	Statutory reserve capital	Other reserves	Retained earnings (loss)	Total
31.12.2020	103	0	1,156	10	21	11,370	12,660
Net profit for the financial year	0	0	0	0	0	3,219	3,219
Dividends declared	0	0	0	0	0	-1,230	-1,230
Other comprehensive income for the financial year	0	0	0	0	7	0	7
31.12.2021	103	0	1,156	10	28	13,359	14,656
Net profit for the financial year	0	0	0	0	0	4,103	4,103
Dividends declared	0	0	0	0	0	-1,900	-1,900
Acquisition of own shares	0	-647	0	0	0	0	-647
Sale of own shares	0	403	-103	0	0	0	300
Other comprehensive income for the financial year	0	0	0	0	82	0	82
31.12.2022	103	-244	1,053	10	110	15,562	16,594

In 2022, unrealised exchange rate differences have been recognised as changes in reserves in the amount of EUR 82 thousand (2021: EUR 7 thousand).

Further information on share capital is provided in Note 14.

The notes to the financial statements on pages 12-41 are an integral part of these financial statements.



Financial Statements



NOTES

Note 1 Accounting Policies

Principal accounting policies applied in the financial statements of AS ETS NORD (hereinafter “the Company”) are set out below. The accounting policies have been applied consistently throughout the years presented in the report, unless stated otherwise.

General information

ETS NORD AS is a public limited Company established in 1998. The Company's main activity are designing, manufacturing and sales of ventilation equipment and accessories. The Company owns sales, production and logistics units in Estonia, Finland, Sweden and United Arab Emirates. The Finnish and Swedish units operate as branches of ETS NORD AS. United Arab Emirates units operate as subsidiaries, but in 2022 there was no active economic activity in these companies.

These financial statements for 2022 have been approved by the Management Board on 13.03.2023. Pursuant to the Commercial Code of the Republic of Estonia, the annual report is subject to approval by the Company's Supervisory Board and sole shareholders. Shareholders have the right not to approve the annual report prepared and approved by the Management Board and to demand the preparation of a new report.

Accounting policies used in preparing the financial statements

The Company's financial statements for 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The preparation of the financial statements in accordance with IFRS requires management to

make assumptions and pass judgements, which affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and related assumptions are based on the historical experience and topical information. Actual results may not coincide with these estimates. Significant estimate for the Company is the estimation of the investment property's fair value. Refer to Note 7 for the significant inputs of the regarding estimation.

The Company's management has prepared the financial statements on a going concern basis. According to management's judgement, the Company has no intention nor need to cease operations and there is no uncertainty to continue as a going concern as to the date of preparation of the annual report.

The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in thousands of euros.

Changes in accounting policies or presentation of information

The financial statements have been prepared in accordance with the principles of consistency and comparability, the content of the methodological changes and their impact are explained in the respective notes. If the presentation or classification method of the items in the financial statements has changed significantly, the comparable figures of previous periods have also been adjusted.

New international financial reporting standards, amendments to published standards and interpretations of the international financial reporting interpretations committee (IFRIC)

Adoption of new or revised standards and interpretations

The following new or revised standards and interpretations have been issued and became mandatory for the Company from 1 January 2023 or later periods and the Company has not applied them prematurely:

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies; effective for annual periods beginning on or after 1 January 2023.

IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand

other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The company considers the impact of the changes to be significant, as it has an impact on the volume of accounting principles disclosed in the report.

Other new or altered standards or interpretations, that are not in effect yet, are not presumed to have material impact on the Company.

Financial instruments

As at 31 December 2022, the Company's financial assets were classified into the following categories:

- trade receivables;
- bank deposits;
- cash and cash equivalents;
- other receivables.

Equity instruments

The Company has no investments in equity instruments, except for investments in associates.

Impairment

The Company assesses the expected credit losses of debt instruments at amortised cost on the basis of future information. The impairment method applied depends on whether the credit risk has increased significantly.

Estimated credit loss measurement takes into account: an unbiased and probable weighted amount that is determined by range of possible different outcomes, time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For receivables and contractual assets that do not have a significant financing component, the Company applies the simplified approach permitted by IFRS 9 and recognises the impairment of receivables as the expected credit loss on initial recognition. The Company uses a discount matrix where the discount is calculated on the basis of different periods of expirations.

Cash and cash equivalents

For the purposes of the balance sheet and the cash flow statement, cash and cash equivalents comprise cash on hand, bank account balances (except for overdraft), demand deposits held in banks, term deposits with maturities of one year or less and money market fund (MMF) units.

Overdrafts are recognised in the balance sheet as non-current borrowings.

Foreign currency transactions and financial assets and liabilities denominated in a foreign currency

The functional currencies of the Company's branches are the currency of the economic environment in which they operate. The functional currency of the Estonian Company and the branch registered in Finland is the euro, the functional currency of the branch registered in Sweden is the Swedish krona and the functional currency of the subsidiaries registered in UAE is the UAE dirham. The submitted reports have been prepared in thousands of euros. Transactions in foreign currencies are recorded at the official exchange rates of the European Central Bank or the Swedish and UAE central banks on the date of the transaction. Exchange differences arising on the difference between the exchange rate of the cash transfer and the transaction date are recognised in the income statement. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange rates of the European Central Bank or the Swedish and UAE central banks at the balance sheet date. Foreign exchange gains and losses resulting from revaluation are recognised in the income statement for the period.

Gains and losses arising from the revaluation of debt and cash and cash equivalents are recognised in the income statement as financial income and expenses; other foreign exchange gains and losses are included in other operating income or operating expenses. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rates of the European Central Bank or the Swedish and UAE central banks at the date that the fair value was determined. Non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value (e.g. prepayments, inventories carried at cost, property, plant and equipment and intangible assets) are not revalued at the balance sheet date but continue to be translated at the exchange rate at the date of the transaction.

None of the Company's branches operates in a hyperinflationary economic environment.

Financial statements of foreign branches

For consolidation purposes, the financial statements of foreign branches will be translated from their functional currency to the presentation currency of ETS NORD AS. If the functional currency of the foreign branch is not the same as the presentation currency of ETS NORD AS the following exchange rates will be used to convert the foreign currency:

- a) all assets and liabilities are translated into euros at the exchange rate of the European Central Bank prevailing at the balance sheet date;
- b) income and expenses, cash flows and other changes in equity are translated at the rate at the transaction dates. The differences arising from the conversion of the financial statements will be recognised as other comprehensive profit or loss in the statement of comprehensive income.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are recorded at cost.

Business combinations

The Company uses the acquisition method for recognising business combinations. The consideration transferred for the acquisition of the business consists of the fair values of the assets transferred, the liabilities assumed by the acquirer and the equity instruments issued by the entity. The transferred consideration also includes the fair value of the asset or liability arising from the contingent consideration arrangement. Acquisition costs are recognised as an expense. Acquired identifiable assets and liabilities and contingent liabilities are recognised at their fair values at the acquisition date. For each business combination, an entity chooses whether to recognise a non-controlling interest in the acquiree at fair value or in proportion to the non-controlling interest in the acquiree's identifiable net assets. From the acquisition date, the income and expenses of the acquired entity are recognised in the income statement of the Company and goodwill is recognised in the balance sheet of the Company.

If the cost of the acquired interest is less than the fair value of the net assets acquired, the difference is recognised in the income statement as income.

Inventories

Inventories are stated in the balance sheet at the lower of cost and net realisable value. Inventories are initially recorded at their acquisition cost, which consists of purchase costs, production costs and other costs necessary to bring the inventories to their existing location and condition.

In addition to the purchase price, purchase costs also include custom duties, other non-refundable taxes and directly attributable transport, less discounts and subsidies. The production costs of inventories include costs directly related to the units of production (such as direct raw materials and materials and packing material costs, unavoidable storage costs related to work in progress, direct labour costs), and also a proportional part of general production overheads (depreciation of production buildings and equipment, repair and maintenance costs, salaries of management involved in production activities).

The cost of inventories and their book value is calculated by using the FIFO method.

Investment properties

Investment properties are real estate properties (building) that the Company owns or leases under operating lease terms for the purpose of earning rental income or benefiting from the increase of market value, and that are not used for the Company's operating activities.

Investment properties are recognised in the balance sheet at fair value.

Property, plant and equipment and intangible assets

Items of property, plant and equipment are initially recorded at their acquisition cost, which consists of the purchase price (including customs duties and other non-refundable taxes) and other expenditures directly related to the acquisition, which are necessary to bring the asset to its operating condition and location. Items of property, plant and equipment are subsequently carried at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets.

Items of property, plant and equipment are derecognised upon disposal or when no future

economic benefits are expected from their use or disposal. Gains or losses arising from the disposal of items of property, plant and equipment are recognised in the income statement either in other operating income or other operating expenses.

Intangible assets are recognised in the balance sheet only if the following conditions are met:

- the asset is controlled by the Company;
- it is probable that the Company will benefit from the use of the asset in the future;
- acquisition cost of the asset can be reliably measured.

Intangible assets are initially recognised at its cost which consists of the purchase price and other expenditures directly related to the acquisition. Intangible assets are subsequently carried at cost less accumulated depreciation and any impairment losses. Intangible assets are amortised by using the straight-line method during the estimated useful life. Improvement costs of non-current assets, which increase the performance ability of such assets over the initially estimated level and will likely participate in generating future additional income, are capitalised in the balance sheet as non-current assets. Expenditures made with the objective of ensuring and preserving the future income from the asset are recorded in expenses of the reporting period as incurred.

Assets with estimated useful lives are reviewed for any indication of impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For impairment, the recoverable amount is evaluated either for a single asset item or for the smallest possible group of assets for which the cash flow can be identified (cash generating unit). The impairment loss is expensed in the income statement.

At the end of every reporting period, it is assessed whether there are circumstances indicating that the impairment loss of assets recognised in previous years no longer exists or it has decreased (except goodwill which for impairment loss is not reversed). If the impairment test indicates that the recoverable amount of an asset or an asset group (cash generating unit) has increased above its carrying amount, the previous impairment loss is reversed up

to the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. Reversals of impairment losses are recognised in the income statement as a reduction of the impairment loss.

Research and development costs

Development costs are costs that are incurred in applying research findings for the development of specific new products or services. Development costs can be capitalised if a plan exists for implementing the project and it is possible to assess the future income generated by the intangible asset. The Company does not capitalise development costs, as the product development and research stages cannot be clearly differentiated, and it is difficult to reliably estimate the possible future income generated by the intangible asset.

Threshold for recognising assets as items of property, plant and equipment and intangible assets; 959 euros

Useful lives assigned to asset classes (in years):

Fixed asset group name	Useful life
Buildings and structures	3-11
Production equipment	5-20
Inventory and IT equipment	3-5
Machinery and equipment	3-6
Intangible assets	3-5
Trademark	5-15
Fixed asset group name	Useful life
Buildings and structures	3-11
Production equipment	5-20
Inventory and IT equipment	3-5
Machinery and equipment	3-6
Intangible assets	3-5
Trademark	5-15

Sale of tangible and intangible fixed assets

Gains and losses on the sale of tangible and intangible assets are recognised in the income statement in net amount under 'Other operating income' or 'Other operating expenses'.

Trademark

Trademarks, licenses and customer agreements are recognised at fair value on the acquisition date less accumulated depreciation and any impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the trademark.

Impairment of non-financial assets

As at the balance sheet date, the Company does not have assets with indefinite useful lives. Assets that are subject to depreciation and amortisation are reviewed for any indication of impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Losses arising from the impairment of assets are recognised in the amount which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of the:

- fair value of the asset less selling costs;
- value in use.

In case it is not possible to determine the fair value of the asset less costs to sell, the asset's value in use is considered its recoverable value. The value in use is calculated as the present value of the estimated future cash flows generated by the assets.

The impairment of assets may be assessed either for an individual asset or for a group of assets (cash generating unit). A cash generating unit is the smallest separate group of identifiable assets the cash flow generated can be forecast for significant part regardless of cash flow generated from the rest of assets. The impairment loss is expensed immediately in the income statement.

Depending on the results of the impairment test, the previously recognised impairment loss could be partially or completely reversed.

Leases

The Company as a lessee

At inception of a contract, the Company assesses whether the contract is, or contains, 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 period of time in exchange for consideration.

The Company determines the lease term as the non-cancellable period of a lease, together with both

periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. The Company reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the Company; and affects whether the lessee is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term. The Company revises the lease term if there is a change in the non-cancellable period of a lease.

Initial measurement

At the commencement date, The Company shall recognise a right-of-use asset and a lease liability.

At the commencement date, The Company shall measure the right-of-use asset at cost. The cost of the right-of-use asset shall comprise:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs;
- an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use asset is recorded on the separate line in the balance sheet.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company shall use the lessee's incremental borrowing rate, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use

asset in a similar economic environment with similar terms, security and conditions.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- a) fixed payments, less any lease incentives receivable;
- b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date. Variable lease payments that depend on an index or a rate include, for example, payments linked to a consumer price index, payments linked to a benchmark interest rate (such as LIBOR) or payments that vary to reflect changes in market rental rates. Variable lease payments are present in some of the Company's lease contracts;
- c) amounts expected to be payable by the Company under residual value guarantees;
- d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- e) payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

Subsequent measurement

After the commencement date, the Company measures the right-of-use asset applying a cost model. To apply a cost model, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company shall depreciate the right-of-use asset from the commencement date to the earlier of the end of

the useful life of the right-of-use asset or the end of the lease term.

After the commencement date, the Company shall measure the lease liability by:

- a) increasing the carrying amount to reflect interest on the lease liability;
- b) reducing the carrying amount to reflect the lease payments made; and
- c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. After the commencement date, the Company recognises in the income statement interest on the lease liability and variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs. If there are changes in lease payments, there may be a need to remeasure the lease liability. The Company shall recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company shall recognise any remaining amount of the remeasurement in the income statement.

The Company shall remeasure the lease liability by discounting the revised lease payments using a revised discount rate, if either:

- a) there is a change in the lease term. The Company shall determine the revised lease payments on the basis of the revised lease term; or
- b) there is a change in the assessment of an option to purchase the underlying asset.

The Company shall determine the revised lease payments to reflect the change in amounts payable under the purchase option.

The Company shall remeasure the lease liability by discounting the revised lease payments, if either:

- a) there is a change in the amounts expected to be payable under a residual value guarantee. The

Company shall determine the revised lease payments to reflect the change in amounts expected to be payable under the residual value guarantee.

b) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, including for example a change to reflect changes in market rental rates following a market rent review. The Company shall remeasure the lease liability to reflect those revised lease payments only when there is a change in the cash flows (i.e. when the adjustment to the lease payments takes effect). The Company shall determine the revised lease payments for the remainder of the lease term based on the revised contractual payments. The Company shall use an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates.

The Company shall account for a lease modification as a separate lease if both: (a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

The Company has elected not to apply the requirements of IFRS 16 to short-term leases and leases for which the underlying asset is of low value. Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value asset leases comprise of IT equipment and some motor vehicle leases.

Factoring

The recognition of amounts received for the resale (factoring) of receivables arising in the ordinary course of business depends on whether the buyer of the receivable (the factor) has the right to surrender the receivable to the seller (with recourse) or not (without recourse). In the case of non-regression factoring, amounts received are recognised as deduction of receivables. The difference between the carrying amount of the receivable and the cash received is recognised as an expense in the period.

Factoring with regress is treated as a financial liability with the receivables as a collateral. Until the receivable is received, the amounts received from the sale of receivables are recognised as interest bearing liabilities. The difference between the carrying amount of the receivable and the cash received is recognised in the financial expenses of the period.

The Company uses factoring with the right of regress, meaning that receivables are not held for trading, which is why receivables in factoring are recognised in amortised cost.

Provisions and contingent liabilities

Provisions are recognised in the balance sheet when the Company has a present legal or contractual obligation which has arisen as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the liability can be reliably estimated.

Provisions have been recognised based on the best estimates of the management and the actual costs of these transactions can differ from the provided estimates.

Other possible or existing liabilities, which will probably not require an outflow of resources or for which a reliable estimate of resources is not possible, but they may in certain conditions become liabilities in the future, are disclosed as contingent liabilities in the notes to the financial statements.

Warranty provision

The Company gives warranties on products sold. Previous years' experience shows that the Company's guarantee costs are insignificant and, accordingly, no warranty provision has been established, except in exceptional cases, when provisions are established according to management's assessment.

Statutory reserve capital

Reserve capital is formed to comply with the requirements of Articles of Association. Reserve capital is formed from annual net profit allocations. During each financial year, at least 1/20 of the net profit shall be entered in reserve capital, until reserve capital reaches 1/10 of share capital. Reserve capital may be used to cover a loss, or to increase share

capital. Payments to shareholders cannot be made from reserve capital.

Revenue from Contracts with Customers

Revenue is income arising in the course of the Company's ordinary activities. Revenue is measured in the amount of transaction price. Transaction price is the amount of consideration to which the Company expects to be entitled in exchange of transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a good or service to a customer.

Larger customers are granted retroactive volume-based discounts, which depend on the volumes sold over the last 12 months. Revenue from these sales is recognised in the transaction price agreed in the contracts, less estimated volume-based discounts. The amount of volume-based discounts is based on past experience using the estimated value method, and revenue is recognised only to the extent that it is highly probable that it will not be reversed at a later date. With respect to expected volume-based allowances to be paid, the repayment obligation (recognised under "Other payables") is recognised for all sales during the period.

No element of financing is deemed present as the sales are made with a credit term of 60 days, which is consistent with industry practice.

The Company has set up a provision for products where the Company is obliged under the terms of the warranty to repair or replace the defective product.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Company has not made any contractual obligations to revoke any products. As the number of returned products has remained at a very low level for years, it is very likely that there will be no significant cumulative reversal of revenue. The validity of this assumption and the estimated amount of refunds is reviewed at each balance sheet date.

If the Company provides any additional services to the customer after control over the goods has

passed, revenue from such services is considered to be a separate performance obligation and is recognised over the time of the service rendering.

Maintenance service

The Company provides maintenance services for equipment sold under maintenance contracts at a variable price. Revenue from the services is recognised in the period in which the services are rendered.

Financing component

The Company has no contracts where the period between the delivery of goods or services allowed to the customer and the receipt of payment from the customer would be longer than one year. Consequently, the Company's transaction price is not adjusted for the effect of the time value of money.

Statement of cash flows

The indirect method has been used for the preparation of the cash flow statement. Cash flows from operating activities are determined by adjusting the net profit for the financial year through elimination of the effect of non-monetary transactions, changes in the balances of assets and liabilities related to operating activities and revenue and expenses related to investing or financing activities. Cash flows from investing and financing activities are reported using the direct method.

Taxation

Corporate income tax in Estonia

Under Estonian laws, corporate profit for the year is not subject to income tax. Because of the specific nature of the taxation system, there are no temporary differences between the tax bases and carrying amounts of assets and liabilities and, therefore, deferred tax assets and liabilities do not arise. In Estonia, instead of taxing the profit, the distribution of retained earnings is subject to income tax of 20/80 of the amount paid out as dividends (effective from 1 January 2015). Income tax payable on dividends is recognised as income tax expense and a liability at the time the dividend is declared, regardless of the period for which the dividend is declared or the period in which the dividend is actually distributed.

As at 1 January 2018, the dividend tax rate has changed (depending on the Company, the tax rate on dividends paid may decrease to 14/86 of net dividends paid). The management evaluates that the change will not have a significant impact on the subsequent reporting period because following the principle of equal treatment for the shareholders gross dividends are followed in the future.

Due to the specific nature of the taxation system, there is no difference between asset's estimated taxation and carrying amount and as a result, no income tax receivables or liabilities, for a Company registered in Estonia. The contingent liability resulting from possible dividend pay-out is not recognised in the balance sheet. The maximum income tax liability that would arise if all of the unrestricted equity were distributed as dividends is disclosed in the notes to the financial statements

Corporate income tax in other countries

In Sweden and Finland, the entity's net profit is subject to income tax, adjusted for temporary and permanent differences in the Income Tax Act

Income tax rates in other countries	2022	2021	2020
Finland	20.0%	20.0%	20.0%
Sweden	20.6%	20.6%	21.4%
United Arab Emirates	0%	0%	0%

Government grants

A government grant is recognised at fair value, when there is reasonable assurance that the grant will be received, and the Company will comply with all attached conditions. Grants related to income are recognised as income over the periods necessary to match them with the costs which they are intended to compensate.

Grants related to assets are accounted for using the gross method whereby the asset acquired with a grant is recognised at cost. The amount received as a government grant is recognised as deferred income related to the government grant.

Related assets are depreciated and the grant liability is recognised as income over the estimated useful life of the asset.

Related parties

Parties are considered to be related if one party has control over the other party or can exercise significant influence over the financial decisions of the other party. For the Company the following are considered to be related parties:

- management and supervisory board members, and persons holding significant share (except if the relevant persons cannot exercise significant influence over the entity's financial decisions);
- immediate family members of management and supervisory board members, and persons holding significant share.

Events after the balance sheet date

Significant circumstances that have an adjusting effect on the evaluation of assets and liabilities and that have become evident between the balance sheet date and the date of approving the financial statements of 13.03.2023, but that are related to the reporting period or prior periods. Non-adjusting events and the events that have a significant impact on the results of the next financial year have been disclosed in the notes to the financial statements.

Note 2 Financial risk management

Note 2.1 Financial risks

The operations of the Company expose it to a variety of financial risks: credit risk, liquidity risk and market risk (which involves foreign currency risk and interest rate risk of cash flows). The general risk management program of the Company focuses on unpredictability of the financial market and attempts to minimise any possible negative effects on the financial activities of the Company. The Company's financial instruments are cash that is for funding operating activities, receivables from debtors

and payables to creditors arising from operating activities and loans received. Management defines risk as a potential deviation from the expected results. The Company's risk management is based on the Company's internal regulations. All financial assets of the Company are divided into „amortised cost“ categories, all financial liabilities are divided into „amortised cost“ categories, which are recognised at amortised cost.

in thousands of euros	31.12.2022	31.12.2021
Financial assets		
Cash and cash equivalents	1,732	893
Trade receivables (Note 3)	12,253	10,713
Other receivables (Note 3)	58	115
Total financial assets	14,043	11,721
Financial liabilities		
Borrowings (Note 12)	13,104	8,216
Trade payables (Note 13)	4,961	6,701
Other payables (Note 13)	2,760	2,511
Finance lease liability (Note 12)	2,178	2,763
Lease liability (Note 12)	8,311	6,180
Total financial liabilities	31,314	26,371

Note 2.1.1 Credit risk

The Company's credit risk includes potential losses arising from the failure of business partners to meet their contractual obligations. The Company's credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and exposed

exposures. The Company is exposed to credit risk as at 31 December 2022 in the amount of EUR 14,043 thousand, as at 31 December 2021 in the amount of EUR 11,721 thousand.

Cash and cash equivalents

The Company accepts banks and financial institutions with the credit rate "A-B" as long-term

cooperation partners, but banks with no credit rating are also accepted in the short term.

in thousands of euros	31.12.2022	31.12.2021
„A3“ Credit rating	644	280
„Baa1“ Credit rating	632	543
„A+“ Credit rating	455	69
Total	1,731	892

The credit rating is derived from the website of Fitch Ratings.

The cash balance on hand as at 31.12.2022 was EUR 1 thousand (31.12.2021 EUR 1 thousand).

Receivables

Pursuant to the Company's credit policy, collateral is not required from wholesale customers to ensure collection of receivables, but focus is laid on monitoring deliveries, balances of trade receivables and compliance with payment terms on a continuous basis. For riskier customers, complete or partial prepayment, credit limits, sureties and shorter payment terms are applied.

As a rule, sales to retail customers occur in cash, prepayment or bank payment cards. Thus, the sale to retail customers does not involve credit risk, except for the risk arising from banks and financial institutions that the Company has accepted as a contractual partner.

To measure expected credit losses, trade receivables are grouped based on common

characteristics of credit risk and maturity. Expected credit loss rates are based on payment discipline and historical credit losses in the respective periods. Historical losses have been adjusted to reflect current and future information regarding macroeconomic factors and the ability of buyers to pay their receivables. The Company has estimated that the credit loss ratio and the number of bankruptcies in countries where goods and services are sold are the most relevant indicators and adjusts historical loss rates accordingly based on the expected change in these indicators.

As at the balance sheet date, the Company was not aware of any significant risks related to accounts receivables. The Company monitors the financial position of its existing and potential partners and their ability to meet their commitments.

in thousands of euros	31.12.2022	31.12.2021
Not overdue	10,503	9,575
Overdue	1,750	1,138
Incl. 1-45 days overdue	1,569	1,049
Incl. 46-90 days overdue	110	21
Incl. 91 days and more overdue	71	68
Total receivables	12,253	10,713

Additional information on discounts is disclosed in Note 4. As at the compilation date of the annual report, the amount of outstanding receivables (both unexpired and overdue) recognised in the balance sheet as at 31 December 2022, amount to EUR 829 thousand (31.12.2021 EUR 448 thousand).

Note 2.1.2 Liquidity risk

Liquidity risk is a potential loss arising from limited or insufficient monetary funds to meet the obligations arising from the Company's operations. The management constantly monitors financial forecasts

using the Company's financial resources and sufficiency to meet obligations and to finance the Company's strategic goals.

Analysis of financial liabilities by maturity as at 31 December 2022:

Amounts in thousands of euros	31.12.2022	Undiscounted cash flow		
		1-12 months	1-5 years	Total
Borrowings (Note 12)	13,104	9,053	4,477	13,530
Trade payables (Note 13)	4,961	4,961	0	4,961
Other payables (Note 13)	2,760	2,689	71	2,760
Finance lease liability (Note 12)	2,178	867	1,437	2,304
Lease liability (Note 12)	8,311	2,419	6,704	9,123
Total	31,314	19,989	12,689	32,678

Analysis of financial liabilities by payment terms as at 31 December 2021:

Amounts in thousands of euros	31.12.2021	Undiscounted cash flow		
		1-12 month	1-5 years	Total
Borrowings (Note 12)	8,216	7,956	342	8,298
Trade payables (Note 13)	6,701	6,701	0	6,701
Other payables (Note 13)	2,511	2,440	71	2,511
Finance lease liability (Note 12)	2,763	1,187	1,671	2,858
Lease liability (Note 12)	6,180	1,775	5,010	6,785
Total	26,371	20,059	7,094	27,153

The effective interest rate at the balance sheet date is used to define the undiscounted cash flows of loans based on a floating interest rate. As at 31 December 2022, the Company had an unused overdraft limit of EUR 347 thousand (as at 31 December 2020: EUR 30 thousand). Repayments of the principal of a long-term bank loan are made in

accordance with the payment schedule specified in the loan agreement.

The Company's working capital as at the balance sheet date of 2022 is EUR 3,573 thousand (as at 31 December 2021: EUR 123 thousand).

Note 2.1.3 Market risk

Interest rate risk of cash flows

The Company's cash flow interest rate risk is mainly related to long-term borrowings that bear a floating interest rate.

The Company is exposed to cash flow risk due to interest rate changes as the loan has floating interest rate - the sensitivity analysis of interest rate fluctuations is presented below. Management estimates that the cash flow risk arising from changes in interest rates does not have a material impact, and therefore derivatives are not used to hedge the risks.

The Company's interest rate risk depends mainly on the possible change in Euribor (Euro Interbank Offered Rate). Interest rates on loans and leases are linked to 1, 3 or 6-month Euribor. As at 31 December 2022, the 1-month Euribor was 1.884% (31.12.2021: -0.583 %) the 3-month Euribor was 2.132 % (31.12.2021: -0.572%) and the 6-month Euribor was 2.693% (31.12.2021: -0,546%).

Based on Euribor changes, the review dates for the interest are based on Euribor changes, which for long-term bank loans are done on an ongoing basis depending on the date of conclusion of the contract.

The residual value of loan liabilities as at 31 December 2022 was EUR 15,268 thousand, as at 31 December 2021 it was EUR 10,966 thousand.

A 1% change in the interest rate of the borrowings would have an impact on the Company's net profit in 2022 of EUR 278 thousand (2021: EUR 146 thousand).

Foreign currency risk

Currency risk is the risk that an entity will incur a significant loss due to fluctuations in foreign exchange rates. The Company's currency risk in export-import transactions is low, as the vast majority of contracts are concluded in euros. The Company has assessed the currency risk as low and, as a result, has not acquired hedging instruments to hedge the currency risk.

Note 2.2 Capital management

The main objective of the Company in managing capital risk is to ensure the sustainability of the Company in order to secure the return to shareholders and benefits to other stakeholders, while maintaining an optimal capital structure to reduce the cost of capital. In order to maintain or improve the capital structure, the Company is able to regulate the dividends paid to the shareholders, reimburse the paid share capital to the shareholders, issue new shares or sell assets to reduce liabilities. The management monitors capital on the basis of the debt to capital ratio. This ratio is calculated as net debt divided by total assets. The Company finances business with both loan capital and equity.

The Company's loan agreements set out special conditions (equity to assets ratio), the non-fulfilment of which may require the lender to repay the loan early. As at the balance sheet date, the Company's financial indicators are in line with the special terms of the loan agreements.

in thousands of euros	31.12.2022	31.12.2021
Total assets	53,305	45,625
Total equity	16,594	14,656
Equity to assets ratio	31%	32%

As at 31 December 2022 and 31 December 2021, the Company's equity complied with the requirements of the Commercial Code.

Note 2.3 Fair value

The fair value of long-term loans and borrowings (except overdrafts) does not differ materially from their carrying amount as loans bear a floating interest rate that fluctuates according to the fluctuation of market interest rates and the risk margin of the loans is dependent on the total debt and EBITDA ratio and therefore the performance of the Company's operations is also reflected in the risk margin (level 3).

Consequently, the Management Board estimates that the fair value of long-term liabilities does not differ materially from their carrying amount.

Note 3 Receivables and prepayments

(in thousands of euros)

	31.12.2022	Divided by remaining maturity		Note
		12 months	1 - 5 years	
Trade receivables	12,253	12,253	0	2,4
Receivables from customers	12,412	12,412	0	4
Allowance for doubtful receivables	-159	-159	0	4
Tax prepayments and recoveries	700	700	0	5
Other receivables	58	47	11	2
Prepayments	256	256	0	
Total receivables and prepayments	13,267	13,256	11	

	31.12.2021	Divided by remaining maturity		Note
		12 months	1 - 5 years	
Trade receivables	10,713	10,713	0	2,4
Receivables from customers	10,855	10,855	0	4
Allowance for doubtful receivables	-142	-142	0	4
Tax prepayments and recoveries	379	379	0	5
Other receivables	115	115	0	2
Prepayments	278	278	0	
Total receivables and prepayments	11,485	11,485	0	

Note 4 Trade receivables

(in thousands of euros)

	31.12.2022	31.12.2021	Note
Receivables from customers	1,412	10,855	3
Allowance for doubtful receivables	-159	-142	3
Total trade receivables	12,253	10,713	2
Allowance for doubtful receivables			
Allowance for doubtful receivables at the beginning of period	-142	-106	
Receivables classified as doubtful	-21	-77	
Doubtful receivables collected	3	15	
Receivables classified as irrecoverable	1	26	
Allowance for doubtful receivables at the end of period	-159	-142	

Note 5 Tax prepayments and liabilities

(in thousands of euros)

	31.12.2022		31.12.2021	
	Prepayment	Liability	Prepayment	Liability
Value added tax	28	1,621	89	1,516
Individual income tax	0	264	0	236
Income tax on fringe benefits	0	12	0	8
Social security tax	0	456	0	362
Mandatory pension fund	0	7	0	7
Unemployment insurance premiums	0	18	0	15
Corporate income tax	649	0	279	0
Prepayment account balance	23	0	11	0
Total liabilities and prepayments	700	2,378	379	2,144

Balances on tax prepayments and liabilities are also disclosed in Notes 3 and 13.

Contingent liabilities that may arise from a tax revision.

The tax authorities may at any time inspect the books and records of the Company within 5 years

subsequent to the reported tax year, and may as a result of their inspection impose additional tax assessments and penalties. The management of the Company is not aware of any circumstances, which may give rise to a potential material liability for the Company in this respect.

Note 6 Inventories

(in thousands of euros)

	31.12.2022	31.12.2021
Raw materials	6,227	6,138
Work in progress	427	433
Finished goods	3,169	2,037
Goods for resale	3,523	3,434
Total inventories	13,346	12,042

In 2022, inventory write-downs have been made in the amount of EUR 42 thousand (2021: EUR 169 thousand).

Additional information on inventory write-downs is provided in Note 16.

Note 7 Investment properties

(in thousands of euros)

Fair value method	
31.12.2020	2,726
Reclassification as investment properties	-86
31.12.2021	2,640
Profit (loss) from changes in fair value (Note 19)	230
31.12.2022	2,870

	2022	2021
Rental income from investment properties	217	256

The fair value of investment properties as at 31 December 2022 has been determined using the discounted cash flow method. The discount rate used is 9.6% and the amount of cash flows generated is EUR 2,870 thousand (2021: discount

rate 9.5% and generated cash flow EUR 2,642 thousand). If the discount rate were 9%, the cash flows generated would be EUR 2,940 thousand (2021: EUR 2,695 thousand) and if 10%, EUR 2,820 thousand (2021: EUR 2,590 thousand).

Note 8 Property, plant and equipment

(in thousands of euros)

	Buildings	Machinery and equipment	Other property, plant and equipment	Unfinished projects and prepayments	Total
31.12.2020					
Cost	562	7,310	679	66	8,617
Accumulated depreciation	-364	-4,155	-465	0	-4,984
Carrying amount	198	3,155	214	66	3,633
Acquisitions and improvements	68	109	72	1,176	1,425
Additions from business combinations	0	140	0	0	140
Depreciation (Note 16,17,18)	-80	-573	-85	0	-738
Sales	0	-120	0	0	-120
Reclassification	79	40	9	-132	-4
Reclassification from right-of-use assets (Note 10)	0	435	0	0	435
31.12.2021					
Cost	631	7,617	713	1,110	10,071
Accumulated depreciation	-366	-4,699	-504	0	-5,569
Carrying amount	265	2,918	209	1,110	4,502
Acquisitions and improvements	84	557	84	850	1,575
Additions from business combinations	0	283	0	0	283
Depreciation (Note 16,17,18)	-97	-764	-84	0	-945
Sales	0	-32	0	0	-32
Reclassification	134	387	38	-559	0
Reclassification from right-of-use assets (Note 10)	0	2,602	0	-833	1,769
31.12.2022					
Cost	849	11,137	793	568	13,347
Accumulated depreciation	-463	-6,202	-542	0	-7,207
Carrying amount	386	8,615	251	568	6,140

Disposed property, plant and equipment at selling price

	2022	2021
Machinery and equipment	35	63
Transportation	45	43
Total	80	57

Note 8 (continuing)

In 2022, the Company acquired machinery and equipment under finance leases in the amount of EUR 586 thousand (2021: EUR 1,226 thousand). See Note 12 for further information.

In 2022, gain of EUR 48 thousand was incurred from the sale of fixed assets (2021: loss of EUR 14 thousand), these amounts have been subtracted by any expenses related to the disposal of fixed assets, which the Company did not have in 2022 (2021: none). See Note 19 for further information.

Note 9 Intangible assets

(in thousands of euros)

	Other intangible assets	Trademarks	Prepayments	Total
31.12.2020				
Cost	1,112	1,687	519	3,318
Accumulated amortisation	-499	-247	0	-746
Carrying amount	613	1,440	519	2,572
Acquisitions and improvements	391	0	213	604
Additions from business combinations	0	651	0	651
Amortisation (Note 16,17,18)	-212	-161	0	-373
Reclassification	519	0	-519	0
31.12.2021				
Cost	1,990	2,338	213	4,541
Accumulated amortisation	-713	-408	0	-1,121
Carrying amount	1,277	1,930	213	3,420
Acquisitions and improvements	163	0	355	518
Additions from business combinations	0	732	0	732
Depreciation expense (Note 16,17,18)	-299	-182	0	-481
Reclassification	232	0	-232	0
31.12.2022				
Cost	2,401	3,019	336	5,756
Accumulated amortisation	-1,012	-590	0	-1,602
Carrying amount	1,389	2,429	336	4,154

Note 10 Right-of-use assets

(in thousands of euros)

	Buildings	Machinery and equipment	Total
31.12.2020			
Cost	9,433	5,842	15,275
Accumulated depreciation	-4,094	-1,438	-5,532
Carrying amount	5,339	4,404	9,743
Acquisition (Note 12)	2,635	924	3,559
Depreciation expense (Note 16,17,18)	-2,033	-480	-2,513
Reclassification to property plant and equipment under finance leases (Note 8)	0	-435	-435
Effects on movements in foreign exchange rates	9	-3	6
31.12.2021			
Cost	10,024	6,328	16,352
Accumulated depreciation	-4,085	-1,670	-5,755
Carrying amount	5,939	4,658	10,597
Acquisition	4,157	205	4,362
Depreciation expense (Note 16,17,18)	-1,938	-383	-2,321
Reclassification to property, plant and equipment under finance leases and reclassification of prepayments (Note 8)	0	-1,769	-1,769
Effects on movements in foreign exchange rates	-132	-2	-134
31.12.2022			
Cost	11,793	4,762	16,555
Accumulated depreciation	-3,767	-1,082	-4,849
Carrying amount	8,026	3,680	11,706

Note 11 Operating lease

(in thousands of euros)

The Company as a lessor

	2022	2021
Operating lease income	217	265

In 2022, the Company leased out under operating lease terms investment property included in the balance sheet and in 2021 also production machinery.

The Company as a lessee

	2022	2021
Operating lease expenses	360	321
Future operating lease expenses		
12 months	45	41
1-5 years	32	39

In 2022 and 2021, the Company leases premises, motor vehicles and office equipment on operating lease terms.

Note 12 Borrowings

(in thousands of euros)

31.12.2022	Divided by remaining maturity		Interest rate	Currency	Final maturity date
	12 months	1 - 5 years			
Credit cards	14	0		EUR	31.12.2023
Factoring	5,254	0	*	EUR	Termless
Overdraft	2,253	0	**	EUR	17.07.2023
Bank loans	5,583	4,283	***	EUR	31.08.2027
Financial lease liabilities	2,178	1,364	****	EUR	22.11.2027
Lease liabilities	8,311	6,205	*****	EUR	31.05.2028
Total borrowings	23,593	11,852			

31.12.2021	Divided by remaining maturity		Interest rate	Currency	Final maturity date
	12 months	1 - 5 years			
Credit cards	13	0		EUR	31.12.2022
Factoring	4,870	0	*	EUR	Termless
Overdraft	2,570	0	**	EUR	15.07.2022
Bank loans	763	333	***	EUR	23.04.2026
Financial lease liabilities	2,763	1,619	****	EUR	31.12.2026
Lease liabilities	6,180	4,622	*****	EUR	31.12.2027
Total borrowings	17,159	6,574			

* interest rate = 1 month Euribor +1% (2020: 1 month Euribor + 1%)

** interest rate = 3 month Euribor +1.35% (2021: 3 month Euribor +1.2%)

*** interest rate = 6 month Euribor until + 1.75% (2021: 6 month Euribor + 1.5%)

**** interest rate = 6 month Euribor until + 1.69% (2021: 6 month Euribor until + 1.69%)

***** interest rate = 4%.

Note 12 (continuing)

	31.12.2022	change	31.12.2021	change	31.12.2020
-					
Credit cards	14	1	13	9	4
Factoring	5,254	384	4,870	1,867	3,003
Bank loans	5,583	4,820	763	-134	897
New loan contracts	-	6,000	-	499	-
Bank loan repayments	-	-1,180	-	-633	-
Overdraft	2,253	-317	2,570	-27	2,597
Finance lease	2,178	-585	2,763	167	2,596
New finance lease contracts (Note 8)	-	586	-	1,226	-
Finance lease repayments	-	-1,171	-	-1,059	-
Lease liabilities	8,311	2,131	6,180	570	5,610
Other changes in the lease liability	-	-133	-	-3	-
New lease liabilities (Note 10)	-	4,157	-	2,635	-
Lease repayments	-	-1,893	-	-2,062	-
Accrued interest	-	277	-	288	-
Paid interest	-	-277	-	-288	-
Total borrowings	23,593		17,159		14,707

Additional information in Note 2.

The carrying amount of assets in Estonia pledged as collateral

	31.12.2022	31.12.2021
Buildings	3,176	2,804
Machinery and equipment	3,708	2,167
Other property, plant and equipment	190	210
Inventories	9,042	8,656
Total	16,116	13,837

The overdraft and investment loan taken from OP Corporate Bank plc's Estonian branch is secured by a commercial pledge of 1 order, set on movable property located in Estonia in the amount of EUR 3 million as at 31 December 2022 (in the amount of EUR 3 million as at 31 December 2021).

As at 31 December 2022, a mortgage in the amount of EUR 2.5 million (as at 31 December 2021 in the amount of EUR 2.5 million) has been set on the registered immovable in favour of the Estonian branch of OP Corporate Bank plc.).

Note 13 Payables and prepayments

(in thousands of euros)

	31.12.2022	Divided by remaining maturity		Note
		12 months	1 - 5 years	
Trade payables	4,961	4,961	0	
Payables to employees	2,734	2,734	0	
Tax liabilities	2,378	2,378	0	5
Other payables	2,760	2,689	71	
Provisions	27	0	27	
Prepayments received	258	258	0	
Total payables and prepayments	13,118	13,020	98	

	31.12.2021	Divided by remaining maturity		Note
		12 months	1 - 5 years	
Trade payables	6,701	6,701	0	
Payables to employees	2,394	2,394	0	
Tax liabilities	2,144	2,144	0	5
Other payables	2,511	2,440	71	
Provisions	27	0	27	
Prepayments received	33	33	0	
Total payables and prepayments	13,810	13,712	98	

Additional information in Note 2. As at 31 December 2022, other payables consist of interest payable in the amount of EUR 23 thousand (31 December 2021: EUR 8 thousand), liabilities arising from customer agreements in the amount of EUR 2,598 thousand (31 December 2021: EUR 1,996 thousand),

dividends payable in the amount of EUR 0 thousand (31 December 2021: EUR 365) and other accrued liabilities in the amount of EUR 139 thousand (31 December 2021: EUR 142 thousand).

Note 14 Share capital

(in thousands of euros)

	31.12.2022	31.12.2021
Share capital	103	103
Number of shares (pcs)	172,000	172,000
Nominal value of shares	0.60	0.60

In 2022, dividends in amount of EUR 1,900 thousand (2021: EUR 1,230 thousand) were declared, of which dividend income tax of EUR 0 thousand (2021: EUR 0 thousand) was recognised. In 2022, dividends were paid in amount of EUR 2,265 thousand (2021: EUR 865 thousand). The Company's income tax expense in 2022, in the amount of EUR 645 thousand (2021: EUR 387 thousand) relates to the income tax expense on the profits of the branches.

The Company's retained earnings as at 31 December 2022 are EUR 15,562 thousand (31 December 2021 is EUR 13,359 thousand). As at the balance sheet date, it is possible to pay out EUR

13,143 thousand (31 December 2021: EUR 11,155 thousand) as dividends to the owners, of which EUR 3,018 thousand (31 December 2021: EUR 2,056 thousand) are tax-free. The payment of dividends would result in income tax on dividends of 20/80 (31 December 2021: 20/80) of the amount paid out as net dividends of EUR 2,208 thousand (31 December 2021: EUR 2,072 thousand) and 14/86 of the amount paid out as net dividends of EUR 211 thousand (31 December 2021: EUR 132 thousand).

In 2022, ETS NORD AS acquired own shares in the amount of 647 thousand euros, of which 403 thousand euros were disposed.

Note 15 Revenue

(in thousands of euros)

	2022	2021
Revenue by geographical location		
Revenue from European Union countries		
Finland	46,100	40,387
Estonia	13,925	10,754
Sweden	9,321	5,897
Latvia	148	229
Germany	139	92
Denmark	75	1,501
Poland	21	121
Revenue from other European Union countries	0	1
Total revenue from European Union countries	69,729	58,982
Revenue from outside of European Union countries		
United Arab Emirates	468	0
Norway	197	163
Russia	29	0
Iceland	0	3
Liechtenstein	5	4
Total revenue from outside of European Union	699	170
Total revenue	70,428	59,152
Revenue by operating activities		
Sale of self-manufactured ventilation equipment	57,959	47,609
Sale of purchased ventilation equipment	9,890	9,451
Income from leases and utility services	218	272
Waste management	700	629
Services	1,661	1,191
Total revenue	70,428	59,152

One of the important components of the increase in sales revenue in 2022 was the increase in sales prices.

Note 16 Cost of goods sold

(in thousands of euros)

	2022	2021	Note
Raw materials	-26,337	-20,972	
Personnel expenses	-7,668	-6,405	20
Goods purchased for resale	-6,558	-6,241	
Depreciation	-2,113	-2,107	8,9,10
Packaging material	-573	-527	
Services purchased for production	-502	-160	
Energy	-399	-189	
Utility expenses	-360	-245	
Miscellaneous office expenses	-295	-205	
Equipment repair and maintenance	-290	-300	
Transportation expenses	-94	-74	
Lease and rent	-54	-2	
Discount and write-off of inventories	-42	-169	6
Services purchased for resale	-1	-12	
Expense from impairment of assets	0	-1	8,9,10
Other	-720	-554	
Total cost of goods sold	-46,006	-38,163	

The main reason for the increase in raw materials and materials in 2022 was the increase in material prices.

Note 17 Marketing and distribution expenses

(in thousands of euros)

	2022	2021	Note
Personnel expenses	-3,732	-3,458	20
Transportation expenses	-2,791	-2,644	
Depreciation and amortisation	-526	-441	8,9,10
Advertising	-357	-225	
Miscellaneous office expenses	-336	-243	
Travelling expenses	-213	-95	
Lease and rent	-30	-29	
Expense from impairment of assets	0	-1	8,9,10
Other	-1,246	-684	
Total marketing and distribution expenses	-9,231	-7,820	

Note 18 General and administrative expenses

(in thousands of euros)

	2022	2021	Note
Personnel expenses	-5,729	-5,136	20
Depreciation and amortisation	-1,108	-1,158	8,9,10
Miscellaneous office expenses	-603	-483	
Research and development expenses	-342	-250	
Services purchased	-341	-337	
Packaging material	-315	-255	
Utility expenses	-184	-164	
Energy	-182	-98	
Transportation expenses	-174	-144	
Travelling expenses	-174	-93	
Lease and rent	-115	-81	
Equipment repair and maintenance	-89	-57	
Doubtful receivables expense	-12	-60	
Expense from impairment of assets	0	-2	8,9,10
Other	-756	-586	
Total general and administrative expenses	-10,124	-8,904	

Note 19 Other operating income

(in thousands of euros)

	2022	2021	Note
Gain on revaluation of investment property	230	0	7
Gain from exchange rate differences	125	8	
Income from government grants	93	15	
Profit from sale of fixed assets	48	0	8
Other operating income	1	0	
Negative goodwill	0	3	
Received penalties	0	18	
Total other operating income	497	44	

Note 20 Personnel expenses

(in thousands of euros)

	2022	2021	Note
Wages and salaries	-13,276	-11,779	
Social security taxes	-2,820	-2,276	
Pension expense	-1,033	-944	
Total personnel expenses	-17,129	-14,999	16,17,18
Average number of employees in full time equivalent units	432	392	

Note 21 Related parties

(in thousands of euros)

Balances with related parties by group

	31.12.2022		31.12.2021	
	Receivables	Liabilities	Receivables	Liabilities
Associates	67	0	51	0
Management and executive board members and substantial private owners and companies under their control or significant influence	117	8	63	26

Purchases and sales

	2022		2021	
	Purchases	Sales	Purchases	Sales
Associates	1	838	46	686
Management and executive board members and substantial private owners and companies under their control or significant influence	145	872	145	716

Loans issued

	31.12.2021	Cancellation of discount	Period interest	Received interests	Repayments of given loans	31.12.2022
Associates	0	124	7	-10	-121	0

Remuneration and other material benefits expense relating to key management personnel

	2022	2021
Calculated remuneration	603	523

Related party sales are made up from sale of own production and sale of purchased goods, purchases to related parties compile of purchase of services.

In 2022, the previously discounted loan and loan interest in the amount of 124 thousand euros were

cancelled. In 2021, the loan and loan interest were written down in the amount of 163 thousand euros.

Upon termination of the contract, the members of the Management Board are paid compensation in the amount of up to three months' remuneration.

Signatures to the report

The accuracy of the information of the annual report of ETS NORD AS (Commercial Registry No: 10462380) for the period of 1 January 2022 – 31 December 2022 has been confirmed by:

Signer's name	Signer's position	Date and signature
Ene Saluste	Member of the Management board	/signed/ 13.03.2023
Urmas Hiie	Member of the Management board	/signed/ 13.03.2023
Markku Olavi Mattila	Member of the Management board	/signed/ 13.03.2023



Independent Auditor's Report

To the Shareholders of ETS NORD AS

Our opinion

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of ETS NORD AS (the "Company") as at 31 December 2022, and the Company's separate financial performance and separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Company's separate financial statements comprise:

- the separate balance sheet as at 31 December 2022;
- the separate income statement and statement of comprehensive income for the year then ended;
- the separate statement of cash flows for the year then ended;
- the separate statement of changes in equity for the year then ended; and
- the notes to the separate financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the separate financial statements section of our report.

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Reporting on other information including the Management report

The Management Board is responsible for the other information. The other information comprises the Management report (but does not include the separate financial statements and our auditor's report thereon).

Our opinion on the separate financial statements does not cover the other information, including the Management report.

AS PricewaterhouseCoopers
Tatari 1, 10116 Tallinn, Estonia; License No. 6; Registry code: 10142876
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Translation note:

This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.



In connection with our audit of the separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Management report, we also performed the procedures required by the Auditors Activities Act. Those procedures include considering whether the Management report is consistent, in all material respects, with the separate financial statements and is prepared in accordance with the requirements of the Accounting Act.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management report for the financial year for which the separate financial statements are prepared is consistent, in all material respects, with the separate financial statements; and
- the Management report has been prepared in accordance with the requirements of the Accounting Act.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management report that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of the Management Board and those charged with governance for the separate financial statements

The Management Board is responsible for the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Management Board determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board'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 Company'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 separate 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 separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

AS PricewaterhouseCoopers

/signed/

Jüri Koltsov
Auditor's certificate no. 623

13 March 2023
Tallinn, Estonia

/signed/

Toomas-Hendrik Parts
Auditor's certificate no. 689

Translation note:

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