



Half-Year Review 1.1.–30.6.2023

Fortaco Group Holdco Plc (3281147-3)



FORTACO

Half-Year Review, January-June 2023

Unaudited, IFRS

Growth and acquisitions continued

Figures in parentheses refer to the corresponding period of the previous year, unless otherwise stated.

Highlights: April-June 2023

- Net sales was EUR 95.9 million (comparable net sales growth 14.8 per cent).
- Recurring EBITDA was EUR 8.7 million (9.1 per cent of net sales, comparable growth in recurring EBITDA -2.2 per cent). EBITDA was EUR 7.4 million (7.7 per cent of net sales).
- Recurring EBITA was EUR 6.1 million (6.3 per cent of net sales, comparable growth in recurring EBITA -6.6 per cent). EBITA was EUR 4.8 million (5.0 per cent of net sales).
- Net debt was EUR 51.3 million and net debt to comparable recurring EBITDA 1.9x.
- Business activities remained high during the period, with clear comparable growth in net sales achieved. Profitability during the period was reasonably good, supported by good net sales, right pricing and efficiency.
- During the period, several structural business events took place:

On 23 May 2023, Fortaco announced that it has received an approval of the listing prospectus from the Finnish Financial Supervisory Authority concerning bonds issued 22 July 2022. Further it was announced that the application for the bonds to be admitted to trading on the corporate bonds list of Nasdaq Helsinki was submitted. The trading started 25 May 2023.

On 26 May 2023, Fortaco announced the signing of an agreement to acquire the entire share capital of Walter Mauser GmbH. The transaction has not closed at the time of publication of the half-year review, the transaction is expected to close during Q3 2023 and Fortaco will specify the impact of the acquisition to its financials guidance for 2023 after the closing of the acquisition. The transaction has not closed at the time of publication.

On 7 June 2023, Fortaco announced it was investigating the possibility to issue subsequent bonds under its existing bond framework. On 16 June 2023, it was announced that the bond issue was successful in the amount of EUR 27.5 million. The bond issue was closed and funds were received subsequent to the review period in July 2023 (see events after the reporting period).

On 7 June 2023, it was also announced that Fortaco signed a letter of intent to acquire the remaining 65 per cent share in Buisard S.A.S. The transaction has not closed at the time of publication of the half-year review.

On 21 June 2023, it was announced that Fortaco will invest in steel fabrication capacity in the Gliwice region of Poland. Construction is expected to start in H2 2023, with the start of operations during H2 2024.

Highlights: January-June 2023

- Net sales was EUR 192.1 million (comparable net sales growth 22.4 per cent).
- Recurring EBITDA was EUR 16.9 million (8.8 per cent of net sales, comparable growth in recurring EBITDA 19.4 per cent). EBITDA was EUR 14.8 million (7.7 per cent of net sales).
- Recurring EBITA was EUR 11.7 million (6.1 per cent of net sales, comparable growth in recurring EBITA 25.5 per cent). EBITA was EUR 9.6 million (5.0 per cent of net sales).

Key figures

Fortaco Group key financials

MEUR, IFRS	4-6/23	4-6/22	1-6/23	1-6/22	1-12/22**	Last 12 months
Reported						
Net sales	95.9	N/A	192.1	N/A	94.9	N/A
EBITDA	7.4	N/A	14.8	N/A	0.6	N/A
<i>% of net sales</i>	7.7 %	N/A	7.7 %	N/A	0.7 %	N/A
EBITA	4.8	N/A	9.6	N/A	-2.0	N/A
<i>% of net sales</i>	5.0 %	N/A	5.0 %	N/A	-2.1 %	N/A
Non-recurring items	1.3	N/A	2.1	N/A	4.5	N/A
Recurring EBITDA	8.7	N/A	16.9	N/A	5.1	N/A
<i>% of net sales</i>	9.1 %	N/A	8.8 %	N/A	5.4 %	N/A
Recurring EBITA	6.1	N/A	11.7	N/A	2.5	N/A
<i>% of net sales</i>	6.3 %	N/A	6.1 %	N/A	2.6 %	N/A
Comparable*						
Comparable net sales	95.9	83.6	192.1	156.9	332.4	367.6
Comparable EBITDA	7.4	8.4	14.8	13.4	22.8	24.3
<i>% of net sales</i>	7.7 %	10.1 %	7.7 %	8.5 %	6.9 %	6.6 %
Comparable EBITA	4.8	6.0	9.6	8.6	13.0	14.1
<i>% of net sales</i>	5.0 %	7.2 %	5.0 %	5.5 %	3.9 %	3.8 %
Comparable non-recurring items	1.3	0.4	2.1	0.8	1.8	3.1
Comparable recurring EBITDA	8.7	8.9	16.9	14.2	24.7	27.4
<i>% of net sales</i>	9.1 %	10.7 %	8.8 %	9.0 %	7.4 %	7.5 %
Comparable recurring EBITA	6.1	6.5	11.7	9.3	14.8	17.2
<i>% of net sales</i>	6.3 %	7.8 %	6.1 %	6.0 %	4.5 %	4.7 %
Balance sheet ratios						
Return on Capital Employed % (ROCE)	16.4 %	N/A	15.8 %	N/A	10.1 %	
Equity ratio, %	25.7 %	N/A	25.7 %	N/A	24.3 %	
Net debt	51.3	N/A	51.3	N/A	52.0	
Net gearing	88.1 %	N/A	88.1 %	N/A	93.0 %	
Net debt / comparable recurring EBITDA	1.9x	N/A	1.9x	N/A	2.1x	

*) Figures refer to the comparable financials of the Group, which are based on the full year 2022 financials of the acquired Fortaco Group.

***) Period 12.4.2022-31.12.2022 for reported figures

Guidance for 2023 (issued 23 May 2023 in prospectus)

For 2023, net sales are expected to exceed EUR 350 million (comparable net sales in 2022: EUR 332.4 million), with recurring EBITDA higher than comparable recurring EBITDA in 2022 (comparable recurring EBITDA in 2022: EUR 24.7 million).

Comments by Lars Hellberg, President & CEO

During the first half of year 2023, Fortaco's successful growth continued. The growth of net sales was 22 percent in H1-2023, compared to the corresponding period in the previous year, and totaled to EUR 192 (157) million. Recurring EBITDA grew 19 per cent in H1-2023, compared to the corresponding period in the previous year, and was EUR 16.9 (14.2) million. The balance sheet key indicator of net debt versus EBITDA was on a good level at 1.9. We have a good cash position, which enables sustainable business development.

We continued our acquisition path and made the strategic decision to acquire MauserCABS, an Austrian-based company, in May. In addition, Fortaco signed a letter of intent to acquire the rest of the shares in Buisard Cabins, of which we already own 35 per cent. Both transactions are expected to close in Q3-2023. In June, Fortaco successfully issued subsequent bonds in the amount of EUR 27.5 million to provide financial resources for ongoing acquisitions and strategic investments in accordance with our targets. I wish to thank our European bond investors – we are honored to have your trust.

We started several development and co-operation projects to strengthen our business and market position. The Poland Gliwice region capacity extension project is a greenfield investment that consists of a covered production area of 34,000 square meters and new equipment. With this investment, Fortaco expands its footprint for steel fabrication and vehicle cabin operations and gains additional efficiency based on a high degree of automation and strong operational excellence. Serial production is expected to start by the end of the third quarter of 2024. The earlier announced extension of the business site Holic in Slovakia, to build a high degree of automation and capacity, is progressing according to the investment plan. Fortaco Estonia OÜ and Systemair AS, the owner of the real estate housing Well Technology OÜ, signed an agreement where Fortaco Estonia expands its operations into the Well Technology building. Through this deal, Fortaco Estonia extends its capacity by 8,000 square meters of floor space. This strengthens Fortaco's position as one of the largest, strategic partners for steel fabricated component OEMs (Original Equipment Manufacturers) in Europe. Serial manufacturing is expected to start at the beginning of 2024. Also, there are several implementations ongoing across Fortaco business sites for automation and digitalization to make tomorrow safer and better.

Our order book remained healthy and was EUR 72.2 million. However, we foresee, depending on the market segment and customers, dealers and OEMs aligning their inventories to adjust to the normalized supply chain delivery situation. However, the market segment causing disturbance is the marine and energy market, which is negatively impacting the capacity utilization of two Fortaco business sites. We are closely monitoring global, local, and several other indexes, to be prepared for potential capacity adjustments.

We have won additional business in the defense market and foresee growth opportunities in the short- and medium term in this segment. Additionally, Fortaco is currently introducing several new global OEM customers to be part of our customer portfolio, and acquisitions are expected to bring us additional, complementary customers. I would like to highlight Fortaco's robustness, quality, and delivery performance, which make us an interesting strategic partner for our current and new customers.

We have seen an increased activity from our customers to start operations and localization in the United States. As previously announced, Fortaco's strategic plan contains actions to offer the same business portfolio in the US as in Europe. The Fortaco team has explored the market and we expect the company to be present in the US in the near future. Our joint venture with Tata AutoComp in India is proceeding.

The first cabin samples are manufactured for customer approval, and production is planned to start by the end of 2023. We are expecting the joint venture to accelerate the growth of the local Indian market and exports.

Steel market prices are currently declining, and the margin impact is expected to be neutral for us. In the coming period, we strive to execute further sourcing synergies based on the business growth and acquisitions together with our professional supply chain.

Operating environment and market overview

Despite increasing general economic uncertainties, including continuously increasing interest rates, the market situation for Fortaco remained healthy during the first half of the year. Several key customers for Fortaco have very high order books resulting in high deliveries for Fortaco. Also, the order intake for Fortaco remained generally good during the period under review. However, deep diving into individual industry segments shows continuous weak demand in the marine and energy market space, whereas demand in, for instance, the defense and mining segments has remained high.

The price of steel, the primary raw material for Fortaco, has declined significantly from peak levels in 2022, though the price level remains high in 2023, compared to the historical prices before 2021. Cost inflation development in other main cost categories has stabilized, but the overall cost level remains high. Fortaco has focused on defending its margins by negotiating fact-based prices, increased with its customers during the first half of the year.

Fortaco Group's financial performance 1.1.–30.6.2023

Fortaco Group's net sales in the review period was EUR 192.1 million, representing an increase of 22.4 per cent versus comparable net sales in the respective period in 2022. The increase in net sales was driven by both volume and price increases in several businesses and segments. Certain business sites in Fortaco, especially the marine and energy segments, continued to suffer from structurally low demand.

Fortaco Group's Recurring EBITDA was EUR 16.9 million (8.8 per cent of net sales), comparable growth being 19.4 per cent. Non-recurring items during the review period totaled EUR 2.1 million. The amount of non-recurring items is driven by the extensive business development and performance improvement agenda currently undertaken by Fortaco. EBITDA was EUR 14.8 million (7.7 per cent of net sales), EBITA EUR 9.6 million (5.0 per cent), and net income EUR 1.1 million during the review period. Earnings per share was EUR 1.1 during the review period.

The consolidated balance sheet amounted to EUR 226.6 million on June 30, 2023. Cash and cash equivalents amounted to EUR 22.0 million and, on top of this amount, the Group had EUR 11.0 million pledged cash, which can be used for acquisitions and other expansionary investments. Hence, total liquidity on June 30, 2023, was EUR 33.0 million, which is a very high amount. During the review period, Fortaco Group paid earn-out amounting to EUR 8.3 million to the previous shareholder of the company.

Fortaco Group's financial performance 1.4.–30.6.2023

Fortaco Group's net sales in the review period was EUR 95.9 million, representing an increase of 14.8 per cent versus comparable net sales in the respective period in 2022. The business volume was good during the review period. Fortaco Group's Recurring EBITDA was EUR 8.7 million (9.1 per cent of net sales), comparable growth being -2.2 per cent. The underlying business performance continued to improve with exception of few business sites, whereas the profitability during the review period in 2022 was boosted by swift adjustment of sales prices to reflect the rapidly increasing cost of steel, and related positive timing impact.

Non-recurring items during the review period totaled EUR 1.3 million. The amount of non-recurring items is driven by the extensive business development and performance improvement agenda currently undertaken by Fortaco. EBITDA was EUR 7.4 million (7.7 per cent of net sales), EBITA EUR 4.8 million (5.0 per cent), and net income EUR -0.3 million during the review period. Earnings per share was EUR -0.3 during the review period.

Personnel and management

The average number of personnel during the review period was 2,354. The number of personnel at the end of the review period was 2,353.

Group Leadership Team

On June 30, 2023, Fortaco Group's Leadership Team members were Lars Hellberg, President & CEO, Kimmo Raunio, Senior Executive Vice President & CFO, Agnieszka Koziara, Senior Vice President People & HR, Krzysztof Michel, Senior Vice President, Group Sourcing & IT, Mikael Persson, Customer & Business Development, and Rafal Sornek, Senior Vice President, Zero Emission Solutions.

Board of Directors

The Board of Directors is responsible for making decisions required by the provisions of the Finnish Companies Act. The Board of Directors will make all necessary resolutions according to the instructions given by Supervisory Board on the matters which belong within the competence of the Board of Directors according to the Finnish Companies Act, but which have been addressed to the Supervisory Board under the Rules of Procedure. On June 30, 2023, the Board of Directors include Chairman Lars Hellberg and deputy member Kimmo Raunio.

Supervisory board

The Supervisory Board directs Fortaco Group's business to generate the greatest possible added value on the capital invested. On June 30, 2023, the Supervisory Board includes Panu Routila, Chairman, and Members of the Board Markus Sjöholm, Johann-Melchior von Peter, Marc Lindhorst, Sebastian Schatton and Mona Henning.

Risks and uncertainties

Fortaco follows and categorizes its risks based on the following categories, under which each individual risk is evaluated based on probability and business impact:

- Strategic risks
- Financial risks
- Operational risks
- Cyber- and technological risks
- Regulatory risks

Fortaco seeks to protect itself against risk in these categories by utilizing the Fortaco Group Risk Management approach, which is based on the three lines of defense: Governing body, management and internal audit – combined with proper analysis and reporting tools. A broader description of the company's risk management practices is available on the company's website at: investors.fortacogroup.com/fi/risk-management/.

Direct impacts stemming from the crisis in Ukraine are and have been very limited for Fortaco. Fortaco does not have and has not had any net sales either in Russia or Ukraine. Also, customers' exposure to orders from Russia and Ukraine has been limited, with a few exceptions. However, the crisis has resulted in increasing geopolitical tensions and uncertainty about the development of the global economy, and has fueled overall inflation, resulting in increased risk related to overall market demand and costs of production. Also, the availability of key commodities, such as electricity, can still be negatively impacted.

Other key risks which might negatively impact Fortaco are, for example, the availability of employees, security of systems and devices, inflationary cost environment, risks related to the extensive business development agenda, and the overall economic uncertainties that currently exist.

A broader description of identified key risks is available in the Annual Report 2022 on the company's website at investors.fortacogroup.com/fi/reports/, as well as in the bond prospectus published in May 2023, which is also available on the company's website at investors.fortacogroup.com/fi/bond.

Shares and shareholders

Fortaco Group has issued a total of 1,000 ordinary shares and has a registered share capital of EUR 80,000 which is fully paid. The sole shareholder of the Company is OEP 81 B.V.

Annual general meeting and board authorizations

The Annual General Meeting was held on 14 June 2023. The General Meeting adopted the financial statements and the consolidated financial statements and discharged members of the Board of Directors and the CEO from liability for the financial year 2022. The General Meeting approved the remuneration policy for governing bodies.

Treatment of profit shown on the balance sheet

It was resolved to approve the proposal of the Board of Directors, and the recommendation of the Supervisory Board of Directors, that the result of the financial year is transferred to the profit and loss account for the previous years and that no dividend shall be distributed.

Number of members of the Supervisory Board of Directors, their election and remuneration

It was resolved that the number of ordinary members of the Supervisory Board of Directors shall be six. It was resolved to elect Panu Routila (chair), Johann-Melchior von Peter, Marc Lindhorst, Markus Sjöholm, Sebastian Schatton and Mona Henning to the Supervisory Board of Directors of the company.

It was resolved that the members of the Supervisory Board of Directors shall be remunerated as follows:

- Panu Routila shall be paid an annual fee of EUR 52,800 in monthly installments and
- Markus Sjöholm shall be paid an annual fee of EUR 40,000 in monthly installments.

Other members of the Supervisory Board of Directors shall not be remunerated.

Number of members of the Board of Directors, their election and remuneration

It was resolved that the number of members of the Board of Directors shall be one ordinary member and one deputy member. It was resolved to re-elect Lars Hellberg as ordinary member (chair) and Kimmo Raunio as deputy member of the Board of Directors.

It was resolved that the members of the Board of Directors shall not be remunerated.

Election of auditor

It was resolved to re-elect certified accountant corporation Ernst & Young Oy as the auditor of the company, responsible auditor being certified public accountant Anders Svénnas.

Resolution on the remuneration of the auditor

It was resolved that the auditor is paid reasonable remuneration in accordance with the invoice approved by the company.

Financial information

The company publishes the Interim Report for January-September 2023 on Monday, 30 November 2023.

Fortaco Group Holdco Plc
Board of Directors

Further information

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Fortaco Group

Fortaco is the leading strategic partner in Europe to the heavy off-highway equipment and marine industries, providing premium offerings, like zero-emission solutions and technology, vehicle cabins, steel fabrications, and assemblies. Fortaco Group has operations in multiple European and Asian business sites and technology hubs, which support our global customers www.fortacogroup.com.

Financial information

Part corresponding to IAS 34

Consolidated statement of comprehensive income

1,000 EUR	Note	1.4.–30.6.2023	1.1.–30.6.2023	12.4.–31.12.2022
NET SALES	2	95,923	192,065	94,901
Other operating income		538	734	1,103
Change in inventories of finished goods and work in progress		-8,946	-15,510	-19,571
Work performed for own purposes and capitalized		199	457	105
Materials and services		-50,520	-104,349	-45,571
Employee benefits expenses		-20,473	-40,117	-18,215
Other operating expenses		-9,296	-18,441	-12,132
Depreciation, amortization and impairments		-3,471	-6,860	-3,745
OPERATING PROFIT (LOSS)		3,953	7,978	-3,125
Finance income		805	1,076	357
Finance costs		-4,566	-7,553	-3,648
Share of net profit of associates accounted for using the equity method		318	439	385
PROFIT (LOSS) BEFORE INCOME TAX		510	1,940	-6,031
Income taxes		-827	-869	-791
PROFIT (LOSS) FOR THE PERIOD		-317	1,070	-6,822
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss				
Translation differences		1,138	1,300	671
Other comprehensive income for the period, net of tax		1,138	1,300	671
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		820	2,371	-6,151
Profit (loss) for the period attributable to				
Owners of the parent company		-318	1,059	-6,829
Non-controlling interests		1	12	7
Profit (loss) for the period		-317	1,070	-6,822
Total comprehensive income for the period attributable to				
Owners of the parent company		815	2,354	-6,160
Non-controlling interests		6	17	9
Total comprehensive income for the period		820	2,371	-6,151
Earnings per share for profit attributable to the ordinary equity holders of the parent company				
Basic and diluted, EUR	6	-0.3	1.1	-6.8

Consolidated statement of financial position

1,000 EUR	Note	30.6.2023	31.12.2022
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	4	36,348	37,345
Goodwill	4	304	304
Property, plant and equipment	3	64,743	62,863
Right-of-use assets	5	5,999	6,479
Investments accounted for using the equity method		8,335	7,896
Trade and other receivables	7	11,647	775
Deferred tax assets		4,407	5,058
TOTAL NON-CURRENT ASSETS		131,783	120,720
CURRENT ASSETS			
Inventories		47,873	43,881
Trade and other receivables	7	23,920	33,556
Contract assets		873	3,543
Income tax assets		143	127
Cash and cash equivalents	7	21,979	28,182
TOTAL CURRENT ASSETS		94,788	109,288
TOTAL ASSETS		226,571	230,008
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent company			
Share capital	6	80	80
Invested unrestricted equity capital	6	61,920	61,920
Translation differences		1,964	669
Retained earnings		-5,770	-6,829
Total equity attributable to owners of the parent company		58,194	55,840
Non-controlling interests		99	82
TOTAL EQUITY		58,293	55,922
NON-CURRENT LIABILITIES			
Deferred tax liabilities		8,479	8,842
Borrowings	7	74,215	73,091
Other liabilities	7	2,614	3,505
Lease liabilities	7	3,796	4,349
Provisions		616	481
TOTAL NON-CURRENT LIABILITIES		89,720	90,269
CURRENT LIABILITIES			
Borrowings	7	3,346	4,027
Trade and other payables	7	71,445	74,824
Lease liabilities	7	2,704	2,614
Provisions		425	623
Contract liabilities		594	1,472
Income tax liabilities		44	257
TOTAL CURRENT LIABILITIES		78,557	83,817
TOTAL LIABILITIES		168,278	174,086
TOTAL EQUITY AND LIABILITIES		226,571	230,008

Consolidated statement of cashflows

1,000 EUR	1.4.–30.6.2023	1.1.–30.6.2023	12.4.–31.12.2022
Cash flow from operating activities			
PROFIT (LOSS) FOR THE PERIOD	-317	1,070	-6,822
Depreciation, amortization and impairments	3,471	6,860	3,745
Gains and losses on sale of property, plant and equipment and other non-current assets	-3	-28	206
Share of profit accounted for using the equity method	-318	-439	-385
Financial income and expenses	3 762	6 477	2,516
Income taxes	827	869	791
Other adjustments	22	-436	2,816
Change in working capital			
Increase / decrease in inventories	-1,146	-2,838	9,081
Increase / decrease in trade and other receivables	3,330	-1,463	-2,261
Increase / decrease in interest free trade payables	-2,984	2,772	120
Change in provisions	-107	-85	18
Interest paid	-2,341	-4,477	-1,577
Interest received			35
Other financial items	-1,405	-2,458	-992
Income taxes paid	-516	-792	-259
Total cash flow from operating activities	2,274	5,033	7,032
Cash flow from investing activities			
Investments in property, plant and equipment and intangible assets	-1,372	-3,836	-6,546
Disposal of property, plant and equipment and intangible assets	21	99	315
Acquisition of subsidiaries reduced with the cash and cash equivalents at the acquisition moment	-8,349	-8,351	-45,094
Used collateral deposits	2,200	2,220	
Dividends received	731	731	
Total cash flow from investing activities	-6,769	-9,156	-51,325
Cash flow from financing activities			
Proceeds from issue of share capital			62,001
Repayments from current loans	-160	-587	-19,094
Proceeds from non-current loans	175	334	70,040
Repayments of non-current borrowings			-41,479
Proceeds from leasing liabilities			1,699
Repayments of leasing liabilities	-1,207	-2,260	-671
Total cash flow from financing activities	-1,191	-2 512	72,495
Change in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period	27,289	28,182	
Effects of exchange rate changes on cash and cash equivalents	375	432	-20
Cash and cash equivalent at the end of the period	21,979	21,979	28,182

Consolidated statement of changes in equity

Attributable to owners of the company 30.6.2023

MEUR	Share capital	Invested unrestricted equity reserve	Translation differences	Profit (loss) for period	Total	Non-controlling interests	Total equity
EQUITY 1.1.2023	80	61,920	669	-6,829	55,840	82	55,922
Comprehensive income							
Profit/loss for the period				1,059	1,059	12	1,070
Other comprehensive income for the year net of tax			1,296		1,296	5	1,300
TOTAL COMPREHENSIVE INCOME			1,296	1,059	2,355	17	2,371
Changes in equity total			1,296	1,059	2,354	17	2,371
TOTAL EQUITY 30.6.2023	80	61,920	1,964	-5,770	58,194	99	58,293

Attributable to owners of the company 31.12.2022

MEUR	Share capital	Invested unrestricted equity reserve	Translation differences	Profit (loss) for period	Total	Non-controlling interests	Total equity
EQUITY 12.4.2022							
Comprehensive income							
Profit/loss for the period				-6,829	-6,829	7	-6,822
Other comprehensive income for the year, net of tax			669		669	3	671
TOTAL COMPREHENSIVE INCOME			669	-6,829	-6,160	9	-6,151
Transactions with shareholders							
Investments	80	61,920			62,000	73	62,073
Changes in equity total	80	61,920	669	-6,829	55,840	82	55,922
TOTAL EQUITY 31.12.2022	80	61,920	669	-6,829	55,840	82	55,922

Notes to the consolidated financial statements

1. General information and basis of preparation

The group's interim financial information concerning Fortaco Group Holdco Plc and its subsidiaries (Fortaco, the Group) has been prepared in accordance with IAS 34 Interim Financial Reporting standard and the preparation principles presented in the Group's 2022 financial statements. The reforms and annual improvements to the IFRS standards that entered into force on 1 January 2023 do not have a significant impact on the figures presented.

The interim financial information does not include all the supplementary information presented in the consolidated financial statements for the period ended 31 December 2022, and the interim information must be read together with the consolidated financial statements. The preparation of interim information requires management to use estimates and exercise judgements, which have an impact on the application of the accounting policies and the amounts of assets, liabilities, income and expenses presented. The actual results may differ from these estimates. When preparing the interim data, the significant accounting estimates, and judgment-based decisions made by the management, are the same as those applied in the consolidated financial statements prepared for the financial year ended 31 December 2022.

Except for the above changes, the accounting principles applied in this half-year report are the same with those applied in the consolidated financial statements for the year ended 31 December 2022.

Fortaco Group Holdco Plc became the new parent company when it acquired 100 per cent of the shares of Fortaco Group on 30 September 2022. Due to the transaction the comparative figures in the interim income and cash flow statement include only the fourth quarter of 2022 and therefore do not reflect the full scope of business in 2022.

All amounts presented have been rounded, and therefore the sum of individual figures may deviate from the presented total figure.

The interim report is unaudited.

2. Revenue and segment information

Fortaco has only one reportable segment, and the figures for the reportable segment are consistent with those of the Group. Significant operational decisions are made by the Fortaco Leadership Team and Fortaco's chief operative decision maker (CODM). Due to the business model, nature of operations, and governance structure of Fortaco, the operating segments are aggregated as one reportable segment.

Net sales divided by geographical areas

1000 EUR	4-6/2023	1-6/2023	4-12/2022
Finland	28,744	55,076	27,387
Poland	30,299	65,234	30,521
Estonia	22,241	42,790	18,932
Slovakia	7,024	14,649	6,239
Hungary	6,835	12,996	5,761
Serbia	779	1,320	6,061
Total	95,923	192,065	94,901

3. Property, plant, and equipment

1,000 EUR	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Cost 1.1.	1,229	31,021	31,490	12	2,216	65,967
Translation differences	25	490	1,366		108	1,990
Additions		17	372		4,197	4,586
Disposals		-10	-993			-1,003
Reclassifications		30	4,353		-4,368	15
Cost 30.6.2023	1,254	31,548	36,589	12	2,153	71,555
Cumulative amortization and impairment 1.1.	-3	-828	-2,274			-3,105
Translation differences	-3	-109	-582			-694
Cumulative depreciation on disposals		9	779			788
Amortization		-1,115	-2,689			-3,804
Impairment			2			2
Cumulative amortization and impairment 30.6.2023	-6	-2,043	-4,763			-6,813
Carrying amount 1.1.2023	1,226	30,193	29,216	12	2,216	62,863
Carrying amount 30.6.2023	1,247	29,505	31,826	12	2,153	64,743

1,000 EUR	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Business combinations 30.9.2022	1,212	30,793	27,078	12	3,252	62,347
Translation differences	17	498	1,667		85	2,267
Additions		98	2,292		1,933	4,322
Disposals		-70	-668			-738
Reclassifications		-298	1,121		-3,053	-2,230
Cost 31.12.2022	1,229	31,021	31,490	12	2,216	65,967
Translation differences	-3	-247	-1,198			-1,448
Cumulative amortization on disposals and reclassifications		1	278			279
Amortization		-582	-1,245			-1,827
Impairment			-109			-109
Cumulative amortization and impairment 31.12.2022	-3	-828	-2,274			-3,105
Carrying amount 30.9.2022	1,212	30,793	27,078	12	3,252	62,347
Carrying amount 31.12.2022	1 226	30,193	29,216	12	2,216	62,863

4. Intangible assets

1,000 EUR	Development costs	Immaterial rights	Immaterial rights, IT	Other intangible assets	Advance payments for intangible assets	Goodwill	Total
Cost 1.1.	833	36,401	596	490	190	304	38,813
Translation differences	18	1	28		1		48
Additions			577		60		636
Reclassifications			19		-19		
Cost 30.6.2023	852	36,402	1,219	490	232	304	39,498
Cumulative amortization and impairment 1.1.	-33	-1,019	-81	-31			-1,165
Translation differences	-3		-16	-1			-20
Amortization	-66	-1,413	-114	-67			-1,661
Cumulative amortization and impairment 30.6.2023	-102	-2,433	-211	-99			-2,845
Carrying amount 1.1.2023	800	35,381	515	459	190	304	37,649
Carrying amount 30.6.2023	749	33,969	1,008	390	232	304	36,652

1,000 EUR	Development costs	Immaterial rights	Immaterial rights, IT	Other intangible assets	Advance payments for intangible assets	Goodwill	Total
Business combinations 30.9.	822	36,400	407	422	295		38 345
Translation differences	11	1	40		1		53
Additions			148	99	57	304	608
Disposals			-8				-8
Reclassifications			8	-31	-163		-186
Cost 31.12.2022	833	36,401	596	490	190	304	38,813
Translation differences			-31	-1			-32
Cumulative amortization on disposals and reclassifications			8				8
Amortization	-33	-1,019	-58	-30			-1 140
Cumulative amortization and impairment 31.12.2022	-33	-1,019	-81	-31			-1 165
Carrying amount 30.9.2022	822	36,400	407	422	295		38,345
Carrying amount 31.12.2022	800	35,381	515	459	190	304	37,649

5. Leases

1,000 EUR	Buildings and structures	Machinery and equipment	Total
Business combinations 1.1.	5,669	1,664	7,333
Translation differences	288	98	386
Additions	685	149	834
Disposals	-3	-49	-52
Cost 30.6.2023	6,639	1,861	8,501
Cumulative amortization and impairment 1.1.	-637	-218	-855
Translation differences	-192	-59	-251
Amortization	-1,078	-319	-1,397
Cumulative amortization and impairment 30.6.2023	-1,907	-595	-2,502
Carrying amount 1.1.	5,033	1,446	6,479
Carrying amount 30.6.2023	4,733	1,266	5,999

1,000 EUR	Buildings and structures	Machinery and equipment	Total
Business combinations 30.9.2022	3,999	1,380	5,379
Translation differences	181	79	260
Additions	1,490	216	1,705
Disposals		-11	-11
Cost 31.12.2022	5,669	1,664	7,333
Translation differences	-135	-50	-185
Amortization	-502	-168	-670
Cumulative amortization and impairment 31.12.2022	-637	-218	-855
Carrying amount 30.9.2022	3,999	1,380	5,379
Carrying amount 31.12.2022	5,033	1,446	6,479

6. Equity and earnings per share

Fortaco Group has issued a total of 1,000 ordinary shares and has a registered share capital of EUR 80,000 which is fully paid. The sole shareholder of the Company is OEP 81 B.V.

During the disclosed period, Fortaco did not have instruments with a diluting impact on earnings per share.

Earnings per share, basic and diluted

1,000 EUR	1–6/2023	4–12/2022
Profit/-loss attributable to shareholders of the company	1,059	-6,829
The number of shares issued	1,000	1,000
Earnings per share, basic and diluted, EUR	1.1	-6.8

7. Financial assets and liabilities

1,000 EUR	Level	30.6.2023 Carrying amount	31.12.2022 Carrying amount
Financial assets measured at amortized cost			
Trade receivables	-	19,366	13,940
Security deposits	-	10,993	13,118
Cash & cash equivalents	-	21,979	28,182
Financial asset measured at amortized cost total		52,338	55,239
Fair value through other comprehensive income			
Other investments	2	9	9
Fair value through other comprehensive income total		9	9
Financial liabilities measured at amortized cost			
Senior bond	1	64,703	64,369
Floating rate borrowings	1	5,616	6,470
Fixed rate borrowings	2	3,074	3,074
Lease liabilities	-	3,796	6,964
Trade payables	-	56,849	51,378
Other interest-bearing liabilities	-	4,167	3,205
Financial liabilities measured at amortized cost total		138,788	136,549
Fair value through profit and loss			
Contingent consideration	3		7,603
Fair value through profit and loss total			7,603

The fair value of the senior bond on 30 June 2023 was EUR 65.3 million (31.12.2022: EUR 65.5 million). The senior bond fair value is estimated based on the market price on the valuation date.

The collateral deposits have been transferred to long term receivables during 2023. During the review period, Fortaco Group paid earn-out amounting to EUR 8.3 million to the previous shareholder of the company. The difference of EUR 0.7 million arising from the time value of money has been recognised in the income statement under financial expenses.

Fair value Hierarchy

Fortaco Group uses valuation methods, which are appropriate for the circumstances and for which there is enough information available to designate fair value, so that significant observable data about inputs is maximized and other inputs minimized. All financial assets and liabilities measured at fair value, or for which the fair value is presented in the notes, will be designated to fair value hierarchy levels specified below based on the inputs from the lowest level, which are relevant for the whole valuation situations.

Level 1

Inputs for identical assets and liabilities are quoted prices (without adjustments) in active markets. Quoted prices are directly available from identical publicly listed markets, instrument brokers, or financial supervisory authority.

Level 2

Concerning fair valuation methods, where inputs are observable for the asset or liability, either directly or indirectly: inputs are easily observable from publicly listed markets, instrument brokers, or financial supervisory authority. Instruments shown are recognized at balance sheet value.

Level 3

Concerning fair valuation methods where the most significant valuation inputs are unobservable: when the fair valuation of a financial instrument cannot be determined for identical assets or liabilities from observable inputs in active markets, the fair value is designated by valuation methods (for example using a valuation based on cash flow discounting method). Assumptions are reflected in the inputs, such as liquidity risk, credit risk, and volatility. Changes to these assumptions may have an effect on the fair valuation of the financial instrument.

For recurring assets and liabilities Fortaco specifies the changes between hierarchy levels by reevaluate the categorization (based on the Level 3 input data, which is significant for entire valuation purposes) at the end of each reporting period.

Interest-bearing liabilities

1,000 EUR	Effective interest rate, %	Maturity	30.6.2023	31.12.2022
Current interest-bearing loans and borrowings				
Secured bank loan	6.66%	2024	704	1,408
Secured bank loan	7.51%	2026	150	300
Other interest-bearing loans	2.25% - 9.20%	2025–2027	2,492	2,319
Total current interest-bearing loans and borrowings			3,346	4,027
Non-current interest-bearing loans and borrowings				
Senior bond	10.21%	2027	64,703	64,369
Secured bank loan	6.66%	2024	4,012	4,012
Secured bank loan	7.51%	2026	750	750
Other interest-bearing loans	2.25% - 9.20%	2023–2025	4,750	3,960
Total non-current interest-bearing loans and borrowings			74,215	73,091
Total interest-bearing loans and borrowings			77,561	77,119
Other current financial liabilities				
Lease liabilities	3.84% - 14.12%		2,704	2,614
Total current financial liabilities			2,704	2,614
Other non-current financial liabilities				
Lease liabilities	3.84% - 14.12%		3,796	4,349
Total non-current financial liabilities			3,796	4,349
Total interest-bearing liabilities			6,500	6,964

Maturity of financial liabilities 30.6.2023

1,000 EUR	On demand	Less than 3 months	3 to 12 months	1 to 3 years	4 to 5 years	> 5 years	Total contractual cash flows	Book value
Senior bond					68,904		68,904	64,703
Other loans		726	6,924	4,378	830		12,857	12,857
Leasing liability		844	2,292	3,266	1,146		7,549	6,500
Interest liabilities		61	8,521	22,345	11,118		42,045	1,484
Trade payables	16,404	40,115	329				56,849	56,849
Other liabilities			452	1,812		506	2,770	2,770
Total	16,404	41,747	18,518	31,801	81,998	506	190,974	145,163

Maturity of financial liabilities 31.12.2022

1,000 EUR	On demand	Less than 3 months	3 to 12 months	1 to 3 years	4 to 5 years	> 5 years	Total contractual cash flows	Book value
Senior bond					68,904		68,904	64,369
Other loans	49	550	3,428	8,327	396		12,749	12,749
Leasing liability		816	2,437	3,935	1,593		8,781	6,964
Interest liabilities		1,700	5,643	21,594	3,562		32,498	1,228
Trade payables	13,525	37,832	21				51,378	51,378
Other liabilities	82	1,000	8,494	1,883		382	11,842	11,842
Total	13,656	41,898	20,023	35,738	74,455	382	186,152	148,530

Senior bond and other loans above are presented in the Group consolidated balance sheet in the item "Loans". Fortaco has adjusted the way of presenting the maturity of financial liabilities on 30 June 2023. The 2022 figures have been adjusted accordingly.

Fortaco Group's affiliate received a waiver from its local debt financing provider in June 2023, when it comes to the envisaged technical covenant breach of the debt service coverage ratio in Q2 2023 and Q3 2023. According to the waiver, the envisaged covenant breach is not considered to constitute a breach of the respective loan agreement.

8. Contingent liabilities and liability commitments

Operating lease commitments, Fortaco Group as lessor

1,000 EUR	30.6.2023	31.12.2022
Within one year	166	333
After one year but no more than five years	1,081	1,081

Commitments, collaterals, and mortgages

1,000 EUR	30.6.2023	31.12.2022
Other receivables given as collateral deposit	10,993	13,118

Guarantees

Other financial commitments and guarantees

1,000 EUR	30.6.2023	31.12.2022
Guarantees given to the Group companies	5,222	5,475
Total	5,222	5,475

Interest-bearing loans and given collaterals

1,000 EUR	30.6.2023	31.12.2022
Senior bond	64,703	64,369
Interest bearing loans and borrowings	4,716	5,420
Total	69,419	69,789
Business & real estate mortgages	226,213	226,213
Pledged IC loan receivables	87,235	87,235
Total	313,448	313,448

9. Related party transactions

1,000 EUR	4-6/2023	1-6/2023	4-12/2022
Key management personnel of the group			
Purchases from related parties	42	72	4,309
Entity with influence over the Group			
Purchases from related parties	27	59	7
1,000 EUR		30.6.2023	31.12.2022
Entity with influence over the Group			
Fund for invested non-restricted equity		61,920	61,920

10. Significant events after the reporting period

The bond issue, communicated on 7 June and 16 June 2023, was successfully closed in July 2023. Financing included, in total, EUR 27.5 million (gross amount) of additional bond financing. The Finnish Financial Supervisory Authority has on 23 August 2023 approved the Listing Prospectus of the Bonds and trading on the Bonds has commenced on 25 August 2023. After the tap issue, the total bond principal outstanding amounts to EUR 102.5 million, of which EUR 3.6 million is held by Fortaco Group itself.

On 18 August 2023, it was announced that Fortaco Group is expanding its operations in Narva, Estonia. The expansion includes extending capacity by adding 8,000 square meters of floor space and relevant production equipment worth approximately EUR 7 million. The new strategic extension offers jobs for approximately 40-50 employees in the very beginning.

11. Structure of the Group

On 26 May 2023 Fortaco announced the signing of an agreement to acquire the entire share capital of Walter Mauser GmbH. The transaction is expected to close during Q3 2023 and Fortaco will specify the impact of the acquisition to its financials guidance for 2023 after the closing of the acquisition.

Formulas of alternative performance measures

EBITDA	Operating profit + depreciation + amortization + impairments
EBITA	Operating profit + amortization + impairments
Recurring EBITDA	Operating profit + depreciation + amortization + impairments +/- non-recurring items
Recurring EBITA	Operating profit + amortization + impairments +/- non-recurring items
Non-recurring items	Certain costs or income not related to the ordinary course of business, including restructuring costs, strategic development projects and transaction costs
Return of Capital Employed % (ROCE)	Recurring EBITA / (total assets – current liabilities)
Equity ratio	Equity / total assets
Net debt	Current and non-current interest bearing liabilities + M&A liabilities - total liquidity
Net gearing	Net debt / total equity

Reconciliation of Alternative Performance Measures

The following table sets forth a reconciliation of the Alternative Performance Measures as of the dates and for the periods indicated.

Reconciliation of Recurring EBITDA and Recurring EBITA

MEUR, IFRS	4-6/23	4-6/22	1-6/23	1-6/22	1-12/22**	Last 12 months
Reported						
EBIT	4.0	N/A	8.0	N/A	-3.1	N/A
Amortization and impairments	0.8	N/A	1.7	N/A	1.1	N/A
EBITA	4.8	N/A	9.6	N/A	-2.0	N/A
Depreciation	2.6	N/A	5.2	N/A	2.6	N/A
EBITDA	7.4	N/A	14.8	N/A	0.6	N/A
Non-recurring items						
Transaction costs	0.0	N/A	0.1	N/A	3.9	N/A
Other non-recurring items	1.2	N/A	2.0	N/A	0.6	N/A
Non-recurring items, total	1.3	N/A	2.1	N/A	4.5	N/A
Recurring EBITDA	8.7	N/A	16.9	N/A	5.1	N/A
Recurring EBITA	6.1	N/A	11.7	N/A	2.5	N/A
Comparable*						
EBIT	4.0	5.9	8.0	8.3	12.5	12.2
Amortization and impairments	0.8	0.1	1.7	0.3	0.5	1.8
Comparable EBITA	4.8	6.0	9.6	8.6	13.0	14.1
Depreciation	2.6	2.4	5.2	4.8	9.9	10.2
Comparable EBITDA	7.4	8.4	14.8	13.4	22.8	24.3
Non-recurring items						
Transaction costs	0.0	0.1	0.1	0.3	0.6	0.4
Other non-recurring items	1.2	0.4	2.0	0.5	1.3	2.7
Non-recurring items, total	1.3	0.4	2.1	0.8	1.8	3.1
Comparable Recurring EBITDA	8.7	8.9	16.9	14.2	24.7	27.4
Comparable Recurring EBITA	6.1	6.5	11.7	9.3	14.8	17.2

*) Figures refer to the comparable financials of the Group, which are based on the full year 2022 financials of the acquired Fortaco Group.

***) Period 12.4.2022-31.12.2022 for reported figures