ANNUAL REPORT 2023

FORTACO GROUP HOLDCO PLC

TRUST IN TOMORROW

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This pdf report is a voluntary publication of Fortaco's 2023 Financial Statements. The document does not meet the requirements of Chapter 7, Section 5 of the Securities Markets Act. Fortaco's official xHTML document in compliance with the European Single Electronic Format (ESEF) Regulation is published on the company's website.

FORTACO STORY

Fortaco is the leading brand independent, strategic partner to the heavy off-highway equipment and marine industries offering 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.

We are a true Tier 0.5 partner. We combine our specialized technology competences and profound industrial understanding to meet our customers' needs. We offer attractive manufacturing capabilities. We have a wide range of products to be a preferred Tier 0.5 partner.

We have the mindset of continuous improvement and we are dedicated to operational excellence.

Professional people are our asset. We develop our people and leaders based on core values – Respect, Simplicity, and Speed.

Profitable growth - Our target is to deliver >7 per cent EBITA over the cycle.

We develop our customers' businesses as if they were our own.

Fortaco Values

Respect • Simplicity • Speed

Our reputation is the foundation for our success and it stems from our values: Respect, Simplicity, and Speed.

The Fortaco Values are the basis for our Code of Conduct. Our ambition is to be the most desired partner in our industry. The Fortaco Values guide our mindset and attitudes and provide a common framework for the behaviours we expect from all our people.

OUR FOOTPRINT

Business Sites

Breitenau, Austria *)
Cabins

Gliwice
Steel Fabrications

Gruža, Serbia
Assemblies

Holič, Slovakia
Cabins

Janów Lubelski, Poland
Steel Fabrications

Jázberény, Hungary
Steel Fabrications

Kalajoki & Sepänkylä, Finland
Steel Fabrications

Kurikka, Finland
Assemblies, Cabins

Narva, Estonia
Steel Fabrications

Pune, India
Cabins
In partnership with Tata Autocomp

Sablé, France **)
Cabins

Sastamala, Finland
Assemblies

Wrocław, Poland
Assemblies, Steel Fabrications

Technology Hubs

Breitenau, Austria

Gruža, Serbia

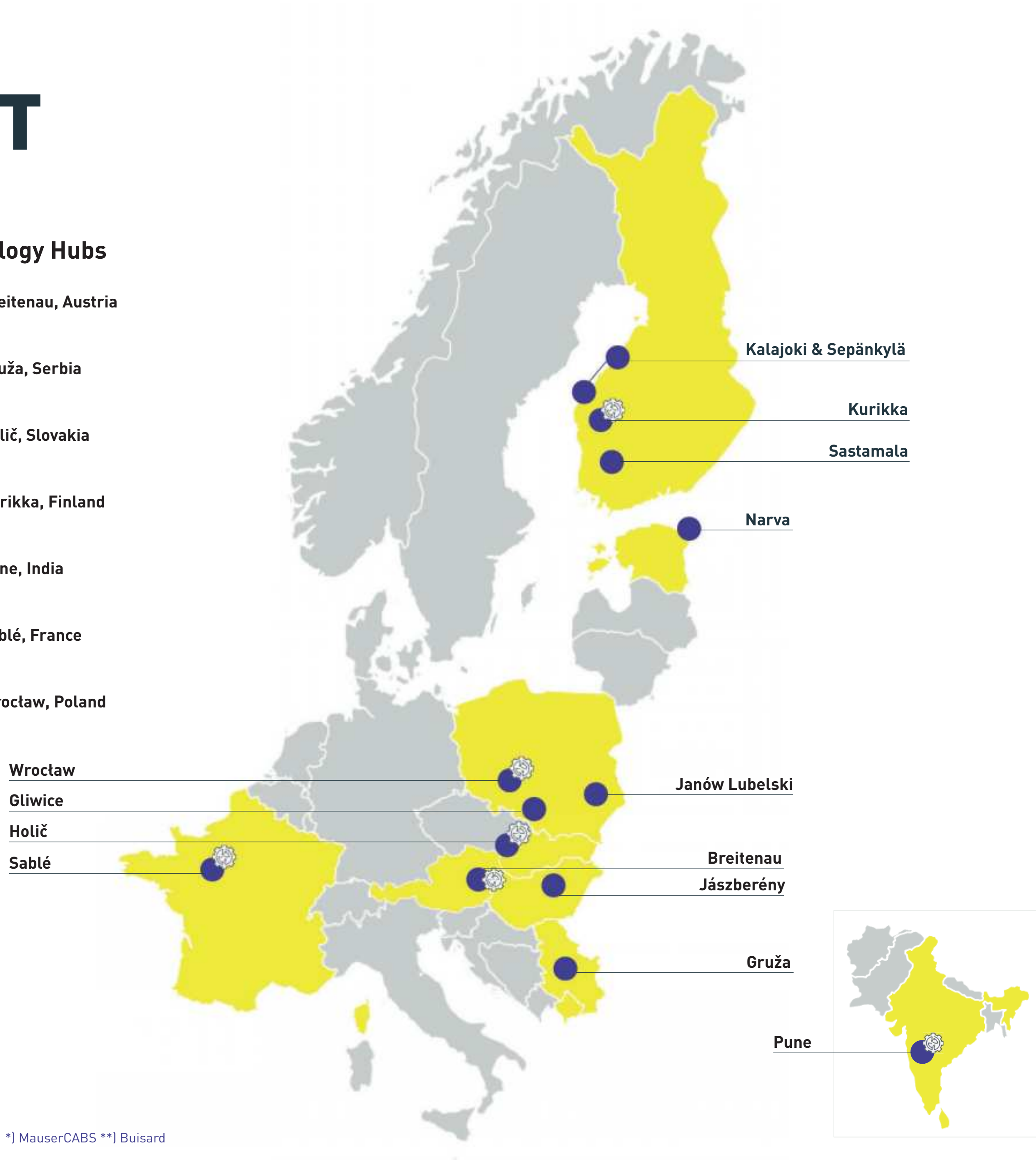
Holič, Slovakia

Kurikka, Finland

Pune, India

Sablé, France

Wrocław, Poland



*) MauserCABS **) Buisard

Expanded cabin business footprint 2023

Through the acquisitions of Buisard and MauserCABS, Fortaco has further expanded its geographical footprint. Together with Buisard, MauserCABS and Tata AutoComp, Fortaco is one of the leading cabin technology and manufacturing business partners to the off-highway equipment OEMs in Europe, the US, and Asia.

Today, Fortaco's vehicle cabin business sites are located in Austria, Finland, France, India, and Slovakia.

2023 IN NUMBERS

374
Net Sales
MEUR

6.5
EBITDA
% 1)

420
Net Sales Proforma
MEUR

8.9
EBITDA
% 2)

2 534
Number of
Empoyees

50+
Net Promoter
Score (NPS)

4,9
Lost Time
Injury Frequency 3)

-7
CO2e
% 4)

80 000+
Tonnes of
Steel

1) Excluding non-recurring items

2) Including the full year impact of MauserCABS and Buisard and excluding the impact of marine, energy, and heavy project business; EBITDA excluding non-recurring items

3) Number of injuries per million working hours, excluding Buisard and MauserCABS

4) Carbon dioxide emissions of energy consumption in own operations

FROM THE CEO

Fortaco celebrated its 10th anniversary at the beginning of 2023. I am very proud of having been a team member all these years. Together we have experienced a lot in building Fortaco. Since its establishment, the company is three times bigger now and one of the European leaders in the cabin industry and steel fabricated components.

2023 was another year with a lot of deliveries. Our organic growth continued, and we accelerated the acquisition of Buisard cabins in Sablé, France, from 35 per cent ownership to 100 per cent. We acquired MauserCABS in Breitenau, Austria. In addition, a cornerstone ceremony took place in Gliwice, Poland, where we are constructing a new, highly-efficient steel fabrication operation.

Fortaco continued with over 98 per cent delivery accuracy on a continuous basis. The people engagement score at Fortaco has improved to a level being equal to the average score in Europe. We report our financial performance like a listed company, every quarter, since our bond is listed on the Helsinki Nasdaq.

Together with Tata AutoComp and key customers, we inaugurated a cabin manufacturing factory in Pune, India. We are increasing the level of robotization and expanding capacity in Holic, Slovakia by 100 per cent through a factory extension. We are also increasing robotization and expanding capacity in Narva, Estonia by 30 per cent through an acquisition of a new factory hall close to existing operations.

We have introduced Fortaco's Sustainability Program and appointed a Sustainability Director who will lead Fortaco to be a recognized circular economy enabler. We will implement a climate program, and our Zero Emission Solutions function will deliver customers new business, like electrification-related solutions. We will use an increased amount of renewable and recyclable raw materials.

We have won new, global customers to broaden our capabilities and offerings.

Yes, we have achieved a lot, thanks to our customers, business partners, the Fortaco family team, and Fortaco Supervisory Board.

The year 2023 started positively with a high order intake, and we could foresee strong performance. Together with our customers, we negotiated to transfer the abnormal inflation and fluctuation in steel prices to customers. However, the market indicated softening after the summer due to several reasons. First, the abnormally high volume and capacity increases during recent years caused delivery constraints in the supply chain. Second, most customers had built abnormal inventories in-house and through dealers to maximize short-term deliveries, and, during the autumn, we experienced an alignment back to normal.

The softening and decline in the market became visible due to global situations like Ukraine, Israel, and the high inflation rate, etc.

Net sales continued to grow and was 374 million euros. Growth originated from the volume growth during the first half of the year and from the acquisitions. Recurring EBITDA was 24.4 million euros. Pro forma net sales and recurring EBITDA were 420 million euros and 37.3 million euros respectively. Pro forma financials include the full-year impact of acquisitions and exclude the financials of the marine, energy, and heavy project business, which is under strategic review.

Fortaco has started a strategic evaluation of its marine, energy, and heavy project business as these are not considered to have strategic importance for Fortaco. The business sites operating in these segments are located in Finland, Hungary, and Serbia.

The profitability of this business continued to be negatively impacted due to low order intake and the current customers' strategic restructuring. The cumulative net sales and EBITDA of the segment for the full year 2023 amounted to EUR 40 million and -6 million respectively.

The strategic evaluation is expected to be completed during H1 2024.

Fortaco has established a new business, Zero Emission Solutions. Its offerings include fossil-free steel, smart steel of lower weight and material usage, Smart Weld to research future welding technologies, integrated thermal management for electrification, and battery charging, battery cages and assembly, and off-grid charging capabilities, etc. This is our critical cornerstone to support the climate program in collaboration with our customers and business partners.

Fortaco's plan for 2024 and beyond is to enter the US market and thereby become an international strategic Tier 0.5 partner to our current and future customers.

I would like to thank our customers and business partners for their trust. Also, I thank our employees for their dedication to the path toward achieving our common goals.

Trust in Tomorrow.

Lars Hellberg
President & CEO

HIGHLIGHTS 2023

Bonds listed at Nasdaq Helsinki

In accordance with the terms and conditions of the bonds, issued in July 2022, Fortaco listed the debt instrument at Nasdaq Helsinki in May 2023.

Investment in steel fabrication capacity in Gliwice, Poland

Fortaco started a significant capacity extension project in the Gliwice region in Poland. The greenfield investment consists of a covered production area of 34,000 m2 and new equipment. Construction work started in 2023 and operations will start at the end of 2024. Business Site Gliwice is located in Knurow and it is strategically important to further support our customers by offering additional capacity and efficiency based on a high degree of automation and strong operational excellence. With the state-of-the-art technologies for steel plate processing, product specialization, and process know-how, we meet the current and future customers' requirements.

Fortaco Estonia expands its operations in Narva

Fortaco Estonia and Systemair, the owner of the real estate housing Well Technology, expands its operations into the Well Technology building. The building is located in Narva Kadastiku Industry Park. By this deal, Fortaco Estonia extends its capacity by 8,000 m2 floor space, in addition to the current 35,000 m2 located in Narva city center with the total land area of approximately 100,000 m2. Fortaco Estonia is the largest privately owned company in Narva. The successful development of Fortaco business has been recognized as the best company in the Narva and Ida-Virumaa region.

Fortaco and Tata AutoComp unveils cutting-edge cabin facility

Fortaco announced the inauguration of Tata AutoComp manufacturing facility for the state-of-the-art vehicle cabins in Pune, India. The inauguration ceremony took place on 7 November 2023. Fortaco and Tata AutoComp will provide safe and ergonomic vehicle cabins to the Indian and Asian markets. Safety cabin manufacturing is made by Tata AutoComp and it is based on Fortaco's cabin design and manufacturing technology. The product offering will include low to high-volume operator cabins for Indian agriculture, construction equipment, and other off-highway applications and also for exports. The collaboration with Tata AutoComp has allowed us to leverage our technical capabilities to create a cabin facility that sets new standards in the industry.

Fortaco at Agritechnica introducing cabin capabilities

Fortaco took part in the Agritechnica exhibition with the MauserCABS team on November 12-18, 2023 showcasing our vehicle cabin capabilities. Agritechnica is the world's leading trade fair for agricultural machinery where global players and innovators meet each other. Over 2,800 exhibitors came from 52 countries and the expo attracted more than 470,000 visitors.

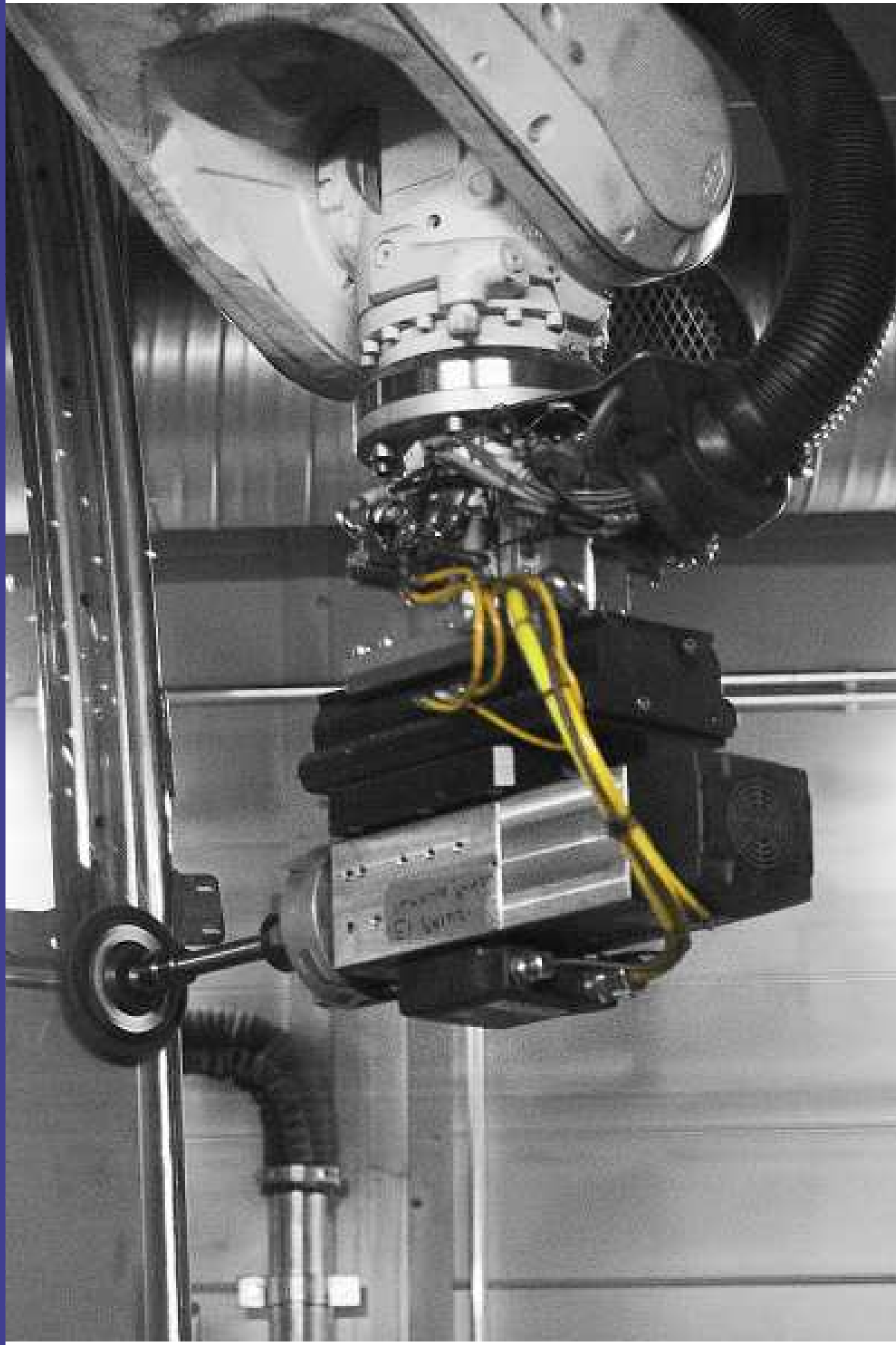
M&A HIGHLIGHTS

Cabin acquisitions in France and Austria

Buisard Cabins
Fortaco established a strategic alliance by acquiring a minority share in Buisard in January 2022. In October 2023, Fortaco acquired the remaining part of the shares and reached 100 per cent ownership. The manufacturing facility locates in Sablé-sur-Sarthe, France. Fortaco and Buisard have respected and complimentary customer portfolios, and the combined cabin offering includes low, medium, and high-volume glazed cabins with assembly content as well as full plug-and-play vehicle cabins. Collaboration has developed very positively, we have already received new business from our joint customer portfolio.

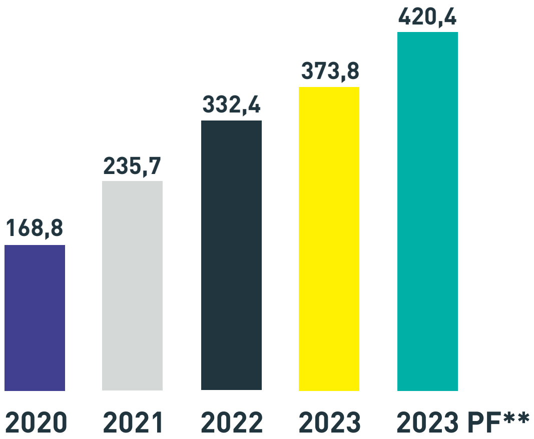
MauserCABS
Fortaco and MauserCABS joined forces in September 2023. Fortaco Group acquired the entire capital of Walter Mauser GmbH, a high-precision manufacturer of safety cabins. MauserCABS is an internationally established niche player for innovative vehicle super structures made for versatile applications. The company has many years of expertise in design, construction, assembly, and services. It is active in Europe and in the US. MauserCABS serves the larger value chain in-house with more than 300 people at a modern factory in Breitenau, Austria. The family-owned company has more than 60 years of experience in safety cabins.

Together with our premium brands, Buisard – Fortaco – MauserCABS -Tata AutoComp, we offer high-quality vehicle cabins and technology development to the off-highway equipment OEMs (Original Equipment Manufacturer) worldwide. Fortaco's vehicle cabin business sites are located in Austria, Finland, France, India, and Slovakia.

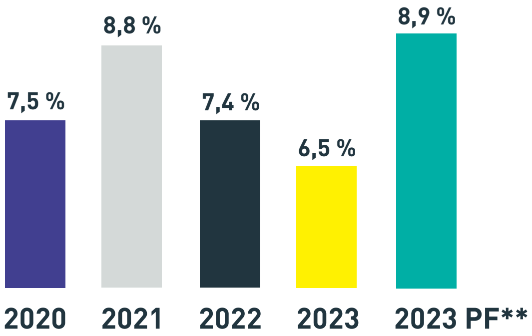


FINANCIAL HIGHLIGHTS

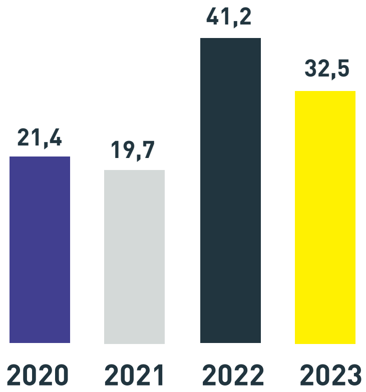
Net sales 2020-2023 MEUR



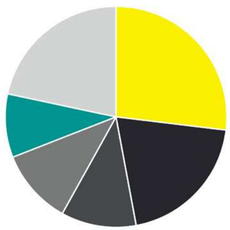
EBITDA* 2020-2023 %



Available liquidity 2020-2023 MEUR



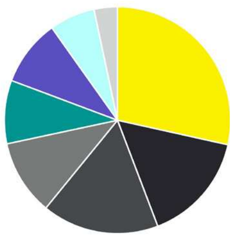
Net sales per industry segment %



2023

27 %	Material handling
20 %	Mining
11 %	Container handling
11 %	Construction
9 %	Forestry
22%	Other industries

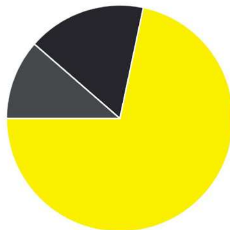
Personnel per country %



2023

28 %	Poland
16 %	Estonia
17 %	Finland
11 %	France
9 %	Hungary
9 %	Austria
6 %	Slovakia
3 %	Serbia

Personnel %



2023

72 %	Blue-collar total
17 %	White-collar total
11 %	External

*) EBITDA excluding non-recurring items

**) Pro forma net sales and EBITDA, including the full-year impact of acquired businesses (MauserCABS and Buisard), and excluding the impact of marine, energy, and heavy project business. EBITDA excluding non-recurring items.

FORTACO STRATEGY

Fortaco's strategy was approved in 2014, and has remained largely the same since then:

Fortaco is the leading brand independent strategic partner, having integrated offerings to customers in the heavy off-highway equipment and marine industries.

During 2023 Fortaco deployed its strategy by completing two important acquisitions within vehicle cabin business space. Zero Emission Solutions business was established at the beginning of the year focusing on expanding Fortaco's technology offering related to e.g. cabin business. Also new modern ERP platform investment SAP S/4 Hana is currently on-going.

INITIATIVES

Business growth. Both organic growth and M&A in the toolbox	Brand building. The most respected brand within the industry
Integrated offerings and expanded Technology services and concepts	World class sourcing
New business concepts and digital platform	Leading Operational Excellence and Master of Flexibility

GOAL

We provide integrated offering, covering the core modules.

We maximize Group synergies in net sales and profitability.

We drive on-going industry transformation.

We deliver more than 7 per cent EBITA over the cycle to afford continuous development of people, equipment and technologies.

MISSION

We provide complete value chain solutions to global customers in the heavy off-highway equipment and marine industries.

VISION

Fortaco is the leading brand-independent Tier 0.5 partner offering complete value chain solutions from design and manufacturing to spare parts deliveries.

VALUES

Respect
Fair and equal play, trust, teamwork, transparency, diversity

Simplicity
Straightforward, proactive, solution seeking, value adding, eliminating waste

Speed
Customer mindset, fast & intelligent solutions, highest quality, learning mentality

FOUNDATION

Customers

People & Leadership

Operational Excellence

Technology Leadership

Profitable Growth

INDUSTRIES SERVED

Fortaco operates in the heavy off-highway equipment and marine industries. Our global customers are the leading OEMs in their own industry sectors. We serve world-class OEMs in the following industries:

Agriculture – A variety of applications like sprayers, tractors, balers, agricultural wheel loaders and telehandlers, combine and harvester machines. Applications used widely in the agricultural sector.

Construction Equipment – A wide range of applications for off-highway equipment and for the infrastructure and construction market. Applications include various types of equipment, like excavators, bulldozers, graders, wheel loaders, dump trucks, pavers, compactors, telehandlers, and various piling applications, as well as crushing and screening equipment for material management.

Container Handling – A wide range of container handling applications for seaports and terminals and for intermodal terminals. A variety of ship-to-shore and gantry cranes are included in the applications, as well as straddle and shuttle carriers, reach stackers, empty container handlers, terminal tractors, and automated guided vehicles.

Defence – A variety of applications for defense products, for example lifting equipment, cranes and transportation vehicles.

Forestry – Applications for mechanized wood harvesting, handling, and processing. These applications include cut-to-length forest harvesters and forwarders, on-road forestry cranes, terminal and mobile cranes, and related equipment.

Marine and Energy – Applications for marine engines, power generation, and modular induction motors. Applications include marine and power plant engines, propulsion systems, motors and generators.

Material Handling – A wide range of material handling applications for retail, food and beverage, logistics and industrial sectors. Applications include various types of equipment for cargo and material movement. As an example, industrial and mobile cranes, light-, medium- and heavy forklifts, and on-road load handling equipment such as loader cranes, forestry cranes, and truck mounted forklifts.

Mining – A wide range of equipment for exploration, tunneling, surface and underground mining and rock excavation applications. The range of applications extends over exploration drill rigs, mechanical cutting equipment, mobile crushers and screens, surface drilling rigs, underground drill rigs, loaders, and dump trucks.

Recycling – A wide range of industrial recycling applications for transportation companies, collection points, waste transfer stations, and processing centres. Applications include screens and crushers, on-road and mobile recycling cranes, hooklifts, skip loaders, tail lifts and truck mounted forklifts.

Other industries - Mobile and stationary equipment for various industries, like food processing, airport-, and municipal equipment.

FORTACO OFFERING

ZERO EMISSION SOLUTIONS

Developing business and technology to profit from the net-zero emission transition.

- Applications of green steel and other eco-materials in mass production.
- Development of highly productive and environmentally friendly manufacturing processes.
- Research and development of lightweight and extended lifetime components.
- Expanding of Fortaco's offering related to electrification: integrated thermal management, battery pack weldments and assemblies.

ASSEMBLIES

- Complete vehicle assemblies and module assemblies.
- Tailor-made supply chain solutions, and alternative sourcing and outsourcing solutions for assembly operations.
- Lifetime service and after-sales service for spare parts.

STEEL FABRICATIONS

- Manufacturing of steel components, complete frames or other types of structures.
- In-house pre-fabrication, welding, machining, surface treatment, pre-assembly, project management, quality and testing.
- Surface preparation and corrosion protection by various technologies: E-coating, wet painting, powder painting, thermal spray processing.

VEHICLE CABINS

- Completely assembled plug & play cabins and high-volume operator cabins.
- Serial manufacturing with flexible cabin content.
- Cabin Technology, including complete project handling. Product development and new product implementation services with design concepts, engineered solutions, industrialization, and customized manufacturing services.
- Aftermarket services for spare parts during the lifecycle of a cabin and at least 10 years after the end of production. Doors for forklifts, and injection molded parts manufactured in-house.

FORTACO PEOPLE

Changes and flexibility

The year 2023 was marked by dynamic changes, changes from economic-, geopolitical-, and technological perspectives. For Fortaco and our entire crew, changes in the surrounding world require constant work on our flexibility and ability to adapt. Every day we strive to enhance our competitiveness, foster equality, and practice mutual respect.

Engagement

To coordinate and build engagement on an ongoing basis, as in every year, we conducted our internal survey, Pulse 2023. The comments and opinions collected during the study serve as a valuable source for changes. This year, 65 per cent of staff took part in the survey and we achieved a result of 43 per cent involvement, an improvement of three percentage points over last year.

We are active in social media. We have created communities on Facebook and Instagram.

Competencies

Bearing in mind the dynamic technological development and new investments, in 2023 we launched a project to adapt and verify the skill matrix. It's primary goal is to ensure competence flexibility, and secondarily, it prepares employees to work with modern equipment.

We continued to provide training on the Master of Flexibility (MoF) program. In 2023, employees at several locations had an opportunity to learn more about this topic. Also in 2024, we are planning another training package in this topic area. The training in flexibility and modern working tools will also help us to improve productivity and efficiency.

We are aware that training is not only about technical knowledge. Therefore, this year we started a series of training courses related to decision making. We wanted to understand what influences our reactions, how we can control them, and how to make decisions rationally.

Digitalization

We are always looking for ways to improve our IT solutions and optimize our processes. We are partnering with our IT and Operations Development teams to develop applications for succession planning. These applications will help us identify and prepare the next generation of leaders and experts in our organization.

Mental health

We understand that the world is changing fast and that we face many challenges and demands in our work. This can sometimes negatively affect our moods and well-being and can cause us to feel stressed or overwhelmed. That's why we have launched a Mental Health Program with our external partner, EQ Europe. The aim of the program is to raise awareness or, as we put it, that "It's okay not to be okay," as we all have bad days sometimes. In addition, employees should know that we have the right to seek and ask for help. Fortaco will continue to offer support for this topic and help the team build a culture of caring for our mental health.

Diversity and inclusion

We value diversity and we want to celebrate our employees' achievements and passions. This year, we started several campaigns to showcase our colleagues' stories and experiences at Fortaco. Our employer branding campaigns have become part of our daily life. We are welcoming new locations, new cultures, and new perspectives to Fortaco. We are working together to define Fortaco DNA and a common set of behaviors.

Safety

Safety at work is the foundation for everything we do. This year we are working not only on safety from the perspective of eliminating accidents and dangerous events, but also on building and educating safety in an online environment. We have conducted several simulations and trainings to build awareness of threats posed by hackers and we will continue these activities in the future.

We are looking forward to next year with hope and excitement. These things are certain, it will be interesting, demanding and full of changes. The Fortaco People & HR team, as always, is ready to take on interesting challenges.

FORTACO & SUSTAINABILITY

In 2023, Fortaco took a leap forward in its sustainability journey. The main highlights were two: (1) the creation of an ambitious sustainability agenda to envision and plan our sustainability-related activities for the coming years, and (2) the establishment of a Zero Emissions Solutions function to support our customers in their green transition.

We recognize there are multiple advantages of driving a strong and ambitious sustainability development program. The advantages include market leadership, attracting the right people, stakeholder trust, resilience in the business and supply chains, regulatory compliance, risk mitigation, cost savings, and financial efficiency.

Fortaco's sustainability agenda functions as a structured backbone for our sustainability work, where initiatives related to our focus areas are implemented and KPIs are monitored. In 2022, a sustainability materiality analysis was conducted, identifying focus areas which are in line with the main sustainability challenges in the heavy off-highway equipment and marine industries where Fortaco operates:

- Environmental impact
- Social issues in the supply chain
- Regulatory pressures
- Changing customer preferences

In the scope of the agenda, Fortaco targets ' ambitious sustainability targets in its own operations and in the value chain. We have identified and prioritized actions for the coming years in three focus areas: the environment, social sustainability, and sustainability governance.

Environmental sustainability

Environmental concerns are fundamental to Fortaco operations and to our everyday work. Our environmental sustainability focuses on climate change mitigation, product design, and life-cycle management.

In 2023, we began to prepare a group-wide climate program, including identification of our baseline and target setting in line with the Paris Climate Agreement's 1.5-degree pathway. This work will continue in 2022 and prioritized climate mitigation actions will be investigated and implemented.

Main environmental impacts were evaluated at each Fortaco business site in 2022. Each business site reported energy-saving activities, and most sites invested in energy-saving LED lights. Most also improved industry automatization to enable better planning of uptime in the most energy-sensitive operations, including heating and ventilation.

In 2023, we established the Zero Emissions Solutions function, which focuses on developing our environmental offerings and working with customers to support their green transitions. We collaborate closely with our customers to reduce emissions mainly in terms of

- lifecycle emissions reduction of vehicles through weight-decreasing innovations such as new materials and technology

- steel manufacturing improvements through readjustment of sourcing priorities that extend the lifetime of steel components and involve fossil-free steel implementations for selected applications and customers.

As our impact also reaches upstream in the value chain, we strive to strengthen collaboration with our suppliers, ensuring they share our commitment to sustainability. In 2023, we started work to develop our targets and processes for monitoring and improving good sustainability practices in the supply chain, in line with our sustainability agenda.

Social sustainability

We take social responsibility seriously and acknowledge our impact, not only on our people, but also on external workers, the supply chain, local communities, and the end-users of our products.

In our operations, we strive for a safe, injury-free work environment where everyone is committed to and active in driving risk reduction and zero accidents. Simultaneously, we want to ensure the well-being of our people by offering career development, equal treatment, and a diverse workplace without discrimination of any kind.

In 2023, we executed multiple local campaigns related to social issues, renewed workwear and safety equipment, updated our Code of Conduct training, and started to investigate how to improve human rights in the value chain.

Sustainability governance

Launching our sustainability agenda was an important milestone for Fortaco in 2023. With several new legislative and regulatory requirements to comply with, increasing stakeholder demands, and increasing challenges related to climate change and social issues in the supply chain, a clear structure for sustainability work is necessary.

We aim to maintain the highest legal and ethical standards and improve business practices related to the environment and social aspects. Going forward, we continue to develop our sustainability data management systems, automate reporting processes, and implement sustainability into key processes.

The Corporate Sustainability Reporting Directive (CSRD) sets criteria for reporting and, simultaneously, expectations for sustainability processes such as risk management and due diligence. In 2023, preparations for meeting the CSRD criteria were begun and the work continues in 2024. We also closely follow the development of legislation, such as the EU Taxonomy, Carbon Border Adjustment Mechanism, and the Human Rights Due Diligence Directive, in order to maintain compliance.

Read more about sustainability in the section for non-financial information of the Board of Director's Report.

CORPORATE GOVERNANCE

Corporate Governance Statement 2023

Introduction

This statement describes Fortaco Group Holdco Plc's ("Fortaco," "Company") key corporate governance principles. The statement has been approved by the Supervisory Board and the Board of Directors.

Fortaco Group Holdco Plc is a public limited liability company registered in Finland whose bond issue is subject to public trading on Nasdaq Helsinki Ltd.

The governance of Fortaco Group Holdco Plc is based on the company's Articles of Association, the Finnish Companies Act, as well as the rules and guidelines of Nasdaq Helsinki Ltd. As the bond issuer, Fortaco is not obliged to comply with the Finnish Corprate Governance Code for listed companies maintained by Finnish Securities Market Association. However, the company publishes annually a report on its corporate governance system.

The most important guidelines and principles guiding Fortaco's operation are:

- Rules of Procedures
- Code of Conduct
- Insider Policy
- Disclosure Policy
- Risk Management Policy
- Fortaco Decision Making Policy

Group Structure

Fortaco Group Holdco Plc is the management company of Fortaco Group Oy and its subsidiaries, headquartered in Helsinki. The registered address of the Company's head office is Äyritie 24, Vantaa. Fortaco Group Holdco Plc was established on 30 September 2022, when the parent company, Fortaco Group Holdco Plc, acquired 100 per cent of the shares in Fortaco Group Oy.

Ownership Structure

The parent company of Fortaco, Fortaco Group Holdco Plc, has one type of share with one vote per share. The company has, in total, 1,000 shares, and all shares carry an equal right to dividends and company assets. On 31 December 2023, 100 per cent of the shares in Fortaco Group Holdco Plc were owned by OEP 81 B.V., which is a fund managed by One Equity Partners.

Governing Bodies

The highest decision-making authority of Fortaco Group Holdco Plc rests with the Annual General Meeting of the Company's shareholders. The shareholders elect the members of the Supervisory Board, the Board of Directors, and the Auditor of the Company at the Annual General Meeting.

Fortaco Group Holdco Plc is managed by the Supervisory Board, the Board of Directors, and the CEO.

Group structure 31 December 2023

Company name	Country of incorporation	Ownership, %
Fortaco Group Holdco Oyj	Finland	100 %
Fortaco Group Oy	Finland	100 %
Fortaco Oy	Finland	100 %
Fortaco Ostrobothnia Oy	Finland	100 %
Fortaco Finance Oy	Finland	100 %
Fortaco s.r.o.	Slovakia	100 %
Fortaco Zrt	Hungary	99.9 %
Fortaco Polska Sp z.o.o.	Poland	100 %
Fortaco Sp z.o.o.	Poland	100 %
Fortaco JL Sp z.o.o.	Poland	99.4 %
Fortaco Estonia OÜ	Estonia	100 %
Linda Properties OÜ	Estonia	100 %
Fortaco GmbH	Germany	100 %
Fortaco Ab	Sweden	100 %
Fortaco d.o.o. Gruza	Serbia	100 %
Fortaco Austria Holding GmbH	Austria	100 %
Walter Mauser GmbH	Austria	100 %
Fortaco France Holding S.A.S.	France	100 %
Buisard S.A.S	France	100 %

General Meeting of Shareholders

The highest decision-making body of the Company is the Annual General Meeting of Shareholders. The shareholders participate in the control and management of the Company through resolutions passed at General Meetings of Shareholders.

According to the Finnish Companies Act and the Company's Articles of Association, the Annual General Meeting of Sharehol-ders shall be held annually within six (6) months of the expiration of each financial period.

The Finnish Companies Act and the Articles of Association of the Company define matters to be dealt with at the Annual General Meeting (AGM) of Shareholders. Such matters include:

a) adoption of the financial statements

b) decisions on actions necessitated by the profit or loss in the approved balance sheet

c) decisions on releasing the members of the Supervisory Board, the Management Board, and the CEO from personal liability

d) decisions on the remuneration of the members of the Supervisory Board, Management Board (if any), and auditors

e) decisions on the number of members on the Supervisory Board and Management Board, as directed by the Articles of Association

f) election and discharge of members of the Supervisory Board and Management Board

g) election of the Company's auditors and deputy auditors

h) any other business required by the Articles of Association or legislation.

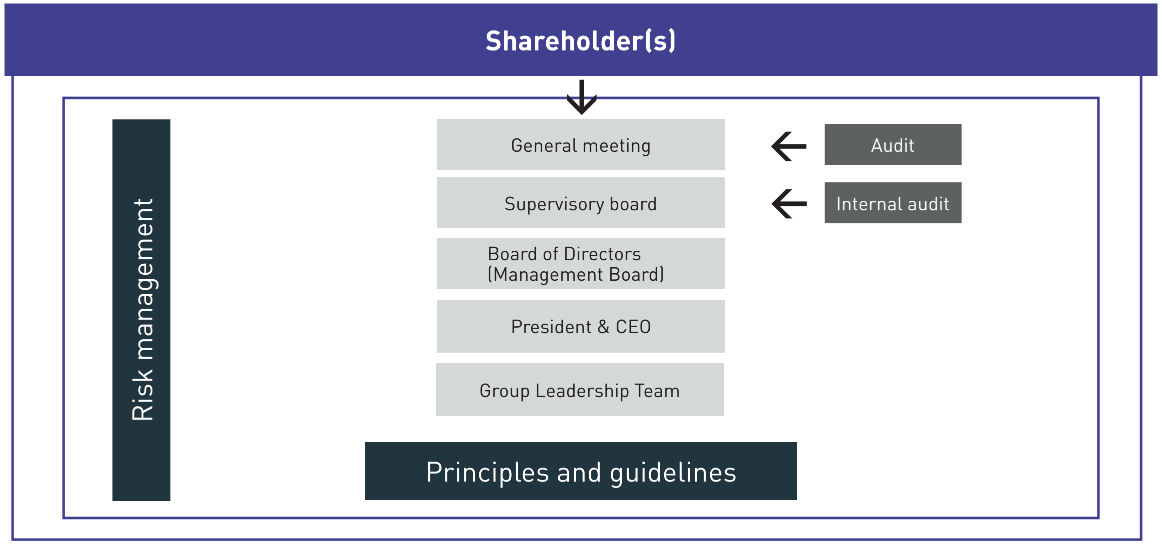
The resolutions of the AGM are published as a stock exchange release without delay after the meeting.

General Meetings of Shareholders are generally convened whenever required for decision making. In addition, General Meetings of Shareholders are held when requested in writing by an auditor of the Company or by shareholders representing at least one-tenth of all the outstanding shares in the Company.

Annual General Meeting 2023

The Company's sole shareholder made a unanimous written decision on 14 June 2023 (without convening a General Meeting in accordance with chapter 5, section 1 of the Finnish Companies Act (624/2006, as amended)) in the matters falling under the competence of the General Meeting. The resolutions are available on Fortaco's website.

Governing bodies



Supervisory Board

Fortaco has a Supervisory Board, whose role is to oversee the management of the Company, which is the responsibility of the Board of Directors and the Managing Director. The Supervisory Board consists of three to six (3-6) members elected by the General Meeting. The term of office of the members of the Supervisory Board shall continue until further notice.

The general duty of the Supervisory Board is to direct Fortaco's business in such a way that, in the long term, it generates the greatest possible added value for the capital invested in it, at the same time taking the various stakeholders into account.

Should any matter, which has been addressed to the competence of the Supervisory Board under Fortaco's Rules of Procedures belong to the sole competence of either the General Meeting of the Shareholders or the Board of Directors according to the Finnish Companies Act, the Supervisory Board is entitled to make relevant resolutions which are then formally recorded into the resolutions of either the General Meeting of the shareholders or the Board of Directors.

According to the Rules of Procedure, the Supervisory Board decides on, inter alia, all material business issues (including without limitation the purchase and sale of any real estate, business, shares or other securities), any significant organizational changes, material investments or series of investments or leases, and the appointment and dismissal of the CEO.

The Supervisory Board's task is also to monitor and evaluate the effectiveness of the Company's internal control, internal audit and risk management systems.

The agenda for meetings of the Supervisory Board is prepared and presented by the CEO. The Supervisory Board must evaluate its performance and working methods once a year.

When selecting members of the Supervisory Board, it is ensured that the competence profile supports Fortaco's current and future business operations. In terms of diversity, essential factors are the members' complementary education, know-how, experience in different industrial sectors and operating environments, as well as personal characteristics, such as age and gender.

Supervisory Board Members 2023

The Company's sole shareholder made a unanimous written decision on 14 June 2023 without convening a General Meeting and resolved that the number of ordinary members of the Supervisory Board of Directors shall be six (6).

It also resolved to elect Panu Routila (chair), Johann-Melchior Ritter und Edler von Peter (member until 19 September 2023), Marc Lindhorst, Markus Sjöholm, Sebastian Schatton, and Mona Henning to the Supervisory Board of Directors of the company.

Remuneration of Supervisory Board Members

Panu Routila, (chair) shall be paid an annual fee of EUR 52,800 in monthly installments and Markus Sjöholm (member) shall be paid an annual fee of EUR 40,000 in monthly installments. Other members of the Supervisory Board shall not be remunerated.

Members of the Supervisory Board

Panu Routila
Born 1964, Finnish citizen
Supervisory Board Chairman since 2022
Board Chairman 2020–2022
DBA, Aalto University
M. Sc. in Finance & Accounting

Patria Oyj, Chairman of the Board since 2020
Neova Oyj, Chairman of the Board since 2022
Ensto Oy, Board Member since 2020
Konecranes, President and CEO 2015–2019
Ahlström Capital, Presdent and CEO 2008–2015

Markus Sjöholm
Born 1971, Finnish citizen
Supervisory Board Member since 2022
Board Member 2016–2017, 2019–2022
M. Sc. in Economics and Business Administration
LL.M.

Actone Oy, Founder & CEO since 2018
Lahti Precision Oy, Board Chairman 2020–2023,
Board Member 2018–2020
Irepse Oy (Esperi Care), Board Chairman 2020–2022
Solera Beverage Group, Board Chairman 2020–2021
Sdiptech AB, Board Member 2018–2020
CapMan Buyout, Managing Partner, Partner 1996–2018

Marc Lindhorst
Born 1986, German citizen
Supervisory Board Member since 2022
M. Sc. in Finance
B. Sc. in General Management & Business Law

One Equity Partners, Principal 2015 - 2023,
One Equity Partners, Partner since 2024

Sebastian Schatton
Born 1990, German citizen
Supervisory Board member since 2022
B. Sc. in General Management

One Equity Partners, Vice President 2018-2024
One Equity Partners, Principal since 2024
DESMI, Board Member since 2022

Mona Henning
Born 1989, German citizen
Board observer 2022-2023
Board member since 2023
M.Sc. in Finance & Accounting

One Eqyity Partners Associate 2021-2024
One Equity Partners, Senior Associate since 2024

Board of Directors

According to the Articles of Association the Board of Directors is responsible for the administration and proper organisation of the Company's activities. The Board of Directors consists of at least one (1) and at most five (5) ordinary members elected by the General Meeting. If there are fewer than three members in the Board of Directors, there must be at least one deputy member. If there are several members on the Board, a chairperson must be elected. The term of office of the members of the Board of Directors ends at the closure of the Annual General Meeting following their election.

The Board of Directors (Management Board) supervises the company's operations and management, deciding on significant matters concerning the company strategy, investments, organization and finance.

Members of the Board of Directors in 2023

The Company's sole shareholder made an unanimous written decision on 14 June 2023 without convening a General Meeting and resolved that the number of members of the Board of Directors shall be one (1) ordinary member and one (1) deputy member.

Lars Hellberg was re-elected as ordinary member (chair) and Kimmo Raunio as deputy member of the Board of Directors.

Remuneration of Board Members

Board members are not remunerated.

Members of the Board of Directors

Lars Hellberg
Born 1959, Swedish citizen
B. Sc. in Mechanical Engineering
Board Member since 2022

Fortaco Group Holdco Plc,
President & CEO since 2013
Board Member at several
Fortaco Group subsidiary companies

Kimmo Raunio
Born 1985, Finnish citizen
M. Sc. in Technology
Deputy Board Member since 2022

Fortaco Group Holdco Plc,
Senior Executive Vice President & CFO since 2023
Senior Vice President & CFO 2016–2023
Board Member at several
Fortaco Group subsidiary companies

Chief Executive Officer (CEO)

The CEO is responsible for the everyday management and supervision of the Company in accordance with the provisions of the Finnish Companies Act as well as in accordance with authorizations and guidelines received from the Supervisory Board.

The CEO is responsible for ensuring that the obligations, agreements or other legal actions to which the Company is committed or in which it takes part, is properly documented and that it does not conflict with Finnish or foreign mandatory legislation.

The CEO must furthermore oversee compliance with the goals, procedures and strategy plans on which the Management Board has decided, and he must see to it that these goals, procedures and plans are submitted when necessary to the Supervisory Board of for update or review.

CEO in 2023

Lars Hellberg has been the President & CEO of the Company since 2013.

Group Leadership Team

The President & CEO is assisted in the management of the Company's business by the Group Leadership Team, the members of which are appointed by the Company's Board of Directors (Management Board) on a proposal made by the President & CEO. The Group Leadership Team must have at least three members.

The Group Leadership Team is responsible for the development of the group and businesses as well as operational activities in accordance with the goals confirmed by the Supervisory Board. The Group Leadership Team meets monthly and, if needed, addresses strategic questions and operative business issues. Performance and business reviews, development projects, and People & HR are the agenda topics. The President & CEO is the chairman of the Group Leadership Team.

Group Leadership Team in 2023

In 2023, the Group Leadership Team consisted of six (6) members: Lars Hellberg, Kimmo Raunio, Agnieszka Koziara, Krzysztof Michel, Mikael Persson, and Rafal Sornek. Tuula Kivelä, the Group Leadership Team secretary.

Members of the Group Leadership Team

Lars Hellberg
Born 1959, Swedish citizen
B. Sc. in Mechanical Engineering
President & CEO since 2013
Group Leadership Team Member since 2013

LMNC Invest AB, Owner since 2023
SinterCast AB, Board Member, 2018–2020
Walki Oy, Board Member, 2013–2019
GLG, Council Member since 2013
abLH, Owner since 2013
Komas Oy, Board Member, 2011–2019
Wärtsilä Oyj, President, PowerTech division,
Board of Management Member, 2004–2013

Kimmo Raunio
Born 1985, Finnish citizen
M. Sc. in Technology
Deputy to President & CEO since 2023
Group Leadership Team Member since 2016

Fortaco Group Oy, Senior Vice President & CFO 2016–2023
Fortaco Group Oy, Group Business Controller 2012–2016
HLP Corporate Finance Oy, Associate, 2010–2012

Agnieszka Koziara
Born 1981, Polish citizen
Master in Human Resource Management
MBA
Senior Vice President, People & HR since 2019
Group Leadership Team Member since 2018

Fortaco Group Oy, HR Director, 2018–2019
Fortaco Group Oy, HR Manager, 2014–2018
Ruukki Polska Sp. z o.o., HR Specialist, 2007–2014

Krzysztof Michel
Born 1975, Polish citizen
MA in International Business
Executive MBA, MCIPS
Senior Vice President, Sourcing & IT since 2016
Group Leadership Team Member since 2015

Fortaco Group Oy, Senior Vice President Sourcing, 2015–2016
Volvo Bus Corporation, Purchasing Director Region Europe 2011–2014,
Acting Purchasing Director 2010–2011,
Purchasing Group Manager 2004–2010

Mikael Persson
Born 1961, Swedish citizen
M. Sc. in Mechanical Engineering
Senior Vice President, Customer &
Business Development since 2022
Group Leadership Team Member since 2022

Dafo Vehicle Fire Suppression AB, 2019–2022

Rafal Sornek
Born 1972, Polish citizen
Ph. D. University of Tokyo
Executive MBA, Aalto University
Senior Vice President, Zero Emission Solutions since 2023
Group Leadership Team Member since 2018

Fortaco Group Oy, Senior Vice President Technology, 2018–2023
HIAB Cargotec, Vice President R&D, 2010–2018

Senior Leadership Team

Fortaco Group also has an extended Senior Leadership Team, which on 31 December 2023 consisted of the following persons:

Group Functions

Lauri Anttilainen
Director, Business Control Cabins & Group Finance Transformation
Year of birth 1983
M.Sc. in Economics
Employed by Fortaco since 2021

Andras Csizmazia
Director, QHSE
Year of birth 1972
M.Sc. in Chemical Engineering and Management
Employed by Fortaco since 2014

Piotr Galiński
IT Director
Year of birth 1982
M.Sc. in Mechanical Engineering
Employed by Fortaco since 2019

Tuula Kivelä
Director, Brand, Communication & Marketing
Year of birth 1961
Bachelor of Business Administration
Employed by Fortaco since 2013

Joanna Lesicka
Director, Business Control Steel Fabrication, Sourcing & Group Finance
Year of birth 1985
M.Sc. in Technology, Management and Marketing
Employed by Fortaco since 2015

Henrik Toni
Director, Group Business Control & Business Control Vehicle Assembly
Year of birth 1993
M.Sc. in Economics and Business Administration
Employed by Fortaco since 2021

Andrzej Wrona
Director, Operations Development
Year of birth 1976
M.Sc. in Mechanical Engineering
Employed by Fortaco since 2014

Zbigniew Zych
Director, Manufacturing Technology
Year of birth 1962
M.Sc. in Mechanical Engineering
Employed by Fortaco since 2019

Business Site Leadership

Adam Czerwiec
General Manager, Wroclaw Steel Fabrication & Assembly
Year of birth 1978
M.Sc. in Engineering, MBA
Employed by Fortaco since 2014

Mariusz Majdanik
General Manager, Janow Lubelski Steel Fabrication
Year of birth 1974
Executive MBA
Employed by Fortaco since 2011

Jyri Paavola
General Manager, Kalajoki & Sepänkylä Steel Fabrication
Year of birth 1975
M.Sc. in Engineering
Employed by Fortaco since 2016

Ivona Poletan
Interim Managing Director, Gruza Assembly
Year of birth1988
M.Sc. in Law
Employed by Fortaco since 2023

Juraj Prachár
Managing Director, Holic Cabins
Year of birth 1979
M.Sc. in International Management and Finance
Employed by Fortaco since 2011

Larissa Shabunova
Managing Director, Narva Steel Fabrication
Year of birth 1975
MBA
Employed by Fortaco since 1997

Tom Store
Interim General Manager
Kurikka Cabins & Kurikka Assembly
Year of Birth 1965
Ms. Sc. in Economics and Business Administration
Employed by Fortaco since 2023

Uwe Sträter
Managing Director, Jaszbereny Steel Fabrication
Year of birth 1963
MBA in Economics
Employed by Fortaco since 2017

Auditor

According to the Articles of Association, Fortaco's auditor shall be an audit firm approved by the Finnish Patent and Registration Office and the principal auditor shall be a certified public accountant (CPA). The term of office of the auditor ends at the closure of the Annual General Meeting following the election.

The statutory task of independent external auditing is to verify that the Financial Statements and the Board of Directors' Report provide accurate and adequate information on Fortaco's results and financial position for the financial year.

The auditor issues a statutory Auditor's Report to Fortaco's shareholders in connection with Fortaco's financial statements.

Auditor in 2023

Ernst & Young Oy served as Fortaco's statutory auditor in the financial period from 1 January to 31 December 2023, and Anders Svennas, KHT, was the principal auditor.

Group's Financial Reporting

The group's financial development against financial targets are monitored with monthly financial reporting covering the entire group.

The group's financial position and development is communicated with a half-year report, interim reports, and a financial statements bulletin.

The Report by the Board of Directors and Financial Statements 2022 was published on 14 April 2023, the interim report 1–3/2023 was published on 29 May 2023, the half-year report 1–6/2023 was published on 28 August 2023, and the interim report 1–9/2023 was published on 29 November 2023.

Insider Issues

Fortaco Group Holdco Plc's Insider Guidelines are based on Finnish and EU laws and regulations, the most important being the EU's Regulation 596/2014/EU on market abuse, the Finnish Securities Markets Act (746/2012), the Finnish Penal Code (39/1889), and Guidelines for Insiders of Listed Companies prepared by Nasdaq Helsinki Ltd. These are supplemented by the Company's own Insider Guidelines.

Insider manager

The CFO of Fortaco Group is responsible for the Insider Guidelines and for the maintenance of the insider list for the general insider management of the Company, answering questions in regard to the Insider Guidelines and other insider issues, and any other insider issues of the Company.

Disclosure of inside information and delayed disclosure

Fortaco discloses inside information, which directly concerns the Company or its financial instruments as soon as possible. Decisions on the disclosure of inside information, or delaying disclosure, are made by the Company's Supervisory Board and the President & CEO together. In urgent cases, decisions can be made together by the Chairman of Supervisory Board and the President & CEO. Inside information is disclosed via a stock exchange release.

Management transactions

Fortaco Group has defined the persons discharging managerial responsibilities in the company pursuant to Market Abuse Regulation (MAR) to be the members of the Supervisory Board, the members of the Board of Directors, President & CEO, and CFO. They, as well as persons closely associated with them, have an individual obligation to notify the company and the Financial Supervisory Authority (FIN-FSA) of transactions conducted on their own account relating to the shares or debt instruments of the company or other financial instruments or derivatives linked thereto.

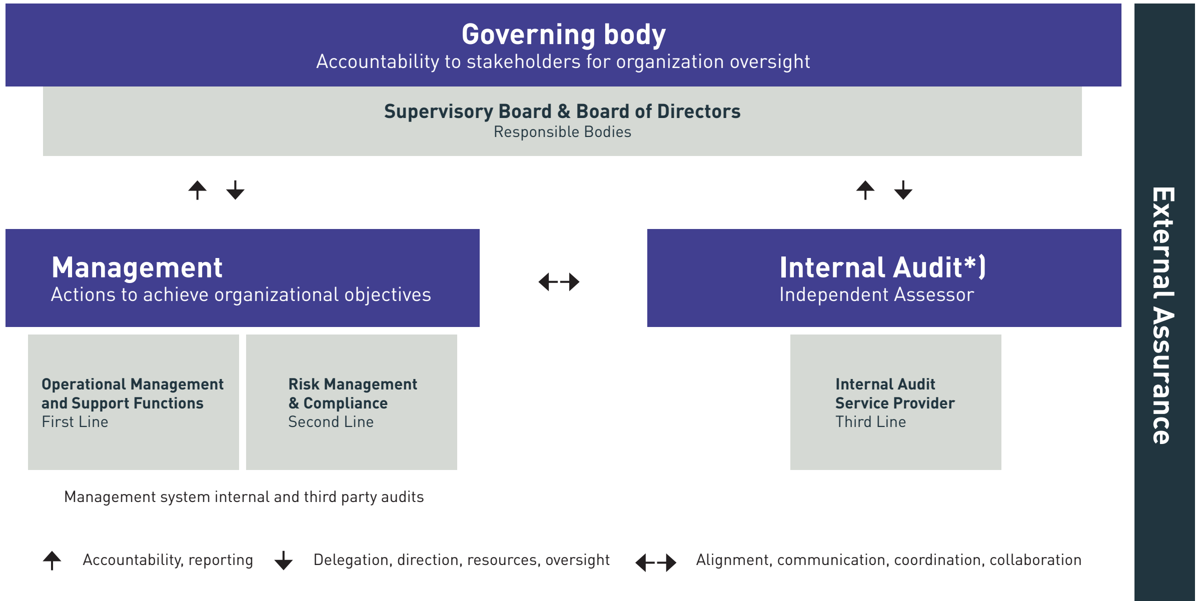
An official notification shall be made by the managers and their closely related parties promptly and no later than three business days after the date of the transaction to the company and the FIN-FSA. The company publishes the received transaction notifications as an announcement within two business days of receiving the notification.

Trading restrictions

Managers may not conduct any transactions on their own accounts or for the accounts of third parties, directly or indirectly, relating to the company's financial instruments during a closed period of thirty (30) calendar days before the publication of the financial statements release or interim financial report, including the day of publication of said report.

The Company has expanded the trading restrictions during the closed period to also cover such employees and other persons, who are not managers, and who have a possibility to acquire information on the interim financial report or the year-end report of the company due to their position or duties before the publication thereof.

The Company maintains a list of all managers and their closely related parties. The managers must provide the company with a list of their related parties and update such list whenever necessary.



*) Function in Fortaco, performed by an external professional company

Risk Management

Risk management at Fortaco Group is based on the three lines (of defense) model. The three lines model is comprised of the governing body, management (first- and second lines of defense), and internal audit (third line of defense), with differing levels and perspectives to ensure risks are appropriately managed within the organization.

On a strategic level, Fortaco categorizes risks in five categories: strategic risks, financial risks, operational risks, cyber- and technological risks, and regulatory risks. Each identified risk is analyzed based on its probability of occurrence and business impact .

1. Strategic risks
Changes in operational environment
• Political risks • Competition digitalization
• Customers and customer experience
• Leading change • Climate change

2. Financial risks
Market risks • Credit risks • Liquidity risks
• Capital risks

3. Operational risks
Personnel and talent • Organization and governance • Supply chain outsourcing
• Health and safety • Project management
• Buildings, equipment and utilities

4. Cyber and technological risks
Information security • Systems and devices
• Data

5. Regulatory risks
Legislation/regulation • Compliance
• Sustainability and ethics • Fraud risks

Realized risk reporting is managed through the Risk Classification and Elimination (RCE) process. The objective of RCE is to simplify the identification of issues, classify their seriousness and clarify the progress reporting. Risk event reporting is performed in the RCE tool, where identified issues are required to be reported, prioritized, and referred to the correct organizational level.

The RCE process is applied to safety, quality, delivery, cost, and financials, as well as business continuity issues (SQDCB), and risks are classified in three levels based on the severity of the problem (R1-R3). Dedicated governance and ownership are based on the criticality of an issue.

Risk management in 2023

The risk inventory of Fortaco has been updated in 2023 to reflect the most current view of the most relevant risks of Fortaco from probability- and potential impact point of views. The findings have been reported to the Supervisory Board. During the year the risk owners have worked with risk mitigation actions. The plan is to conduct the next risk inventory update during the first half of 2024.

Internal Audit

The purpose of an internal audit is to provide independent, objective assurance and consulting services that are designed to add value and improve Fortaco's operations. Internal audit work is expected to cover risks that threaten Fortaco's strategic, operational, compliance and reporting related objectives. By bringing a systematic, disciplined, and objective approach, an Internal Audit can help Fortaco to improve the effectiveness of governance, risk management, and control processes. Internal audit work should contribute to the achievement of defined objectives.

An internal audit determines whether the organization's risk management, control, and governance processes, as designed and represented by the Supervisory Board and management, are adequate and functioning. The Chief Financial Officer is responsible for coordinating the work of the internal audit, under whose authority the Internal audit is administratively organized.

To ensure the independence of the Internal Audit, results of the Internal Audits are reported to the Supervisory Board. The Supervisory Board is responsible for monitoring the efficiency of the Internal Audit and approving operating instructions as well as long term and annual audit plans.

Planning and execution of the Internal Audit work will be managed by an external professional service provider.

Internal Audit in 2023

Deloitte has worked as Fortaco's internal auditor since 2018. In 2023, Internal Audits took place in Fortaco Sro (Holic, Slovakia) and Fortaco d.o.o. (Gruza, Serbia). The findings from both audits have been reported to the Supervisory Board.

Additionally, in July 2023, the Supervisory Board formally approved the Internal Audit charter of Fortaco Group.

BOARD OF DIRECTORS REPORT FINANCIAL YEAR 2023

Establishment of the Group and financial year 2023

The Group was established when the parent company of the Group, Fortaco Group Holdco Oyj, acquired 100 per cent of the shares of Fortaco Group Oy, on September 30, 2022. Due to the acquisition, the financial year 2022 of the Group was September 30, 2022 - December 31, 2022. Consequently, the report of the Board of Directors refers to the full year 2022 financials of the acquired Fortaco Group, when comparing financials performance of the 2023 financial year to the previous year.

Business and strategy

Fortaco Group is the leading brand-independent strategic partner to the heavy off-highway equipment and marine industries, offering zero emission solutions and technology, assemblies, vehicle cabins, and steel fabrications. Fortaco has operations in multiple European business sites and technology hubs, supporting global customers in a number of industrial sectors like construction, container handling, forestry, marine, material handling, and mining.

Fortaco benchmarks itself to the automotive industry and its standards to secure maximized value added for customers as a true Tier 0.5 partner. Competitive advantages include expertise in product technology and manufacturing, cabin design and development, demanding welding of steel structures, as well as module- and vehicle assemblies. Fortaco improves its customers' businesses and profitability by providing market-leading safety, quality, delivery accuracy, and a right price. People engagement is the cornerstone of all operations. Fortaco makes tomorrow safer and better as a true lean-operating company.

The heavy off-highway equipment- and marine industry is a large, fragmented, and underdeveloped market driven by several megatrends and ongoing structural changes. Overall, the industry is following the evolutionary steps which the automotive business made in the last decade, such as an increasing share of outsourcing, consolidation of the supply chain, and increased importance of technology and R&D services. These changes will benefit Fortaco as the leading company within the industry with its wide offering and strong focus on technology.

Business environment and key actions 2023

The financial year 2023 was two-fold from operating environment and market point of view. The first half of the year contained a high level of overall demand, despite the signals of increasing general economic uncertainties and increasing interest rates. Fortaco's order intake was generally rather good excluding the marine, energy, and heavy project businesses, which suffered from the continued low order intake.

The second half of the year turned out to represent softening overall market conditions. Fortaco assesses softening to be driven by the combination of de-stocking impact in the markets as well as softening the overall level of demand in most customer segments. Large variations exist between different segments. At Fortaco customer segments, especially the construction, have had a clearly declining trend in demand, whereas the underground mining segment demand has remained to be good, also during the second half of the year. Fortaco continued to win new business from the existing and new customers which is contributing positively to the net sales in the future.

Cost inflation, excluding the cost of steel, continued high during the first half of the year with a cost level starting to stabilize to high levels during the second half of the year. Fortaco focused on defending its margins by negotiating fact-based price increases with its customers, especially during the first half of the year. Steel prices have had a declining trend in 2023, after the peak levels reached in 2022. Fortaco is generally transferring the change of steel prices to its customers.

Fortaco Group acquired the entire share capital of Walter Mauser GmbH on 6 September 2023. Walter Mauser GmbH has over 60 years of experience in safety cabins and the company is an internationally established excellent niche player for innovative vehicle super structures made for versatile applications.

The company has many years of expertise in design, construction, assembly, and service. Walter Mauser GmbH is successfully active in Europe and in the US. The company serves the larger value chain in-house with more than 300 people at a modern factory located in Breitenau, Austria. With this acquisition, Fortaco is broadening its cabin technology offerings in Europe, India, and the US. Walter Mauser GmbH has been fully consolidated into the Group since the acquisition.

Fortaco closed the acquisition of the remaining 65 per cent of shares at Buisard on 24 October 2023 thus reaching 100 per cent ownership. Buisard has been consolidated in Fortaco Group's financials from 24 October onwards. Net sales and EBITDA of the acquired company were EUR 68.5 million and EUR 3.7 million respectively, based on the last audited financial statements in 2022. Additionally, the transaction scope included the real estate asset and respective liability. Hence, rent adjusted EBITDA in 2022 was EUR 4.6 million.

The bond issued July 22, 2022, and the subsequent tap issue executed in July 2023, were in accordance with the terms and conditions listed on the corporate bond list of Nasdaq Helsinki Ltd. during the financial year.

During the financial year, Fortaco has had three ongoing organic investment projects. On June 21, 2023, it was announced that Fortaco will invest in steel fabrication capacity in the Gliwice region of Poland. Construction was started in H2 2023, with the start of operations during H2 2024. On August 18, 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 will create jobs for approximately 40-50 employees from its inception. Also, in Holic, Slovakia, Fortaco is currently executing an investment into an extended real estate space and a robot welding line. The investments are being financed through a combination of equipment- and real estate leasing agreements, excess cash reserves, as well as operative cash-flows. The real estate being built in Gliwice has been rented to Fortaco through a long-term rental agreement.

Group legal structure and changes during the financial year

Fortaco Group structure 31 December, 2023 is described in the table below.

During the financial year, Fortaco Group established its legal footprint to Austria by establishing a legal entity Fortaco Austria Holding GmbH, which acquired the entire share capital of Walter Mauser GmbH.

A legal footprint was also established in France by establishing Fortaco France Holding S.A.S, which acquired 65 per cent of the shares of Buisard S.A.S. Subsequent to that, the ownership in Buisard was reorganized so that Fortaco France Holding S.A.S became the 100 per cent shareholder of Buisard S.A.S. During the financial year Fortaco established Fortaco Polska Sp Z.o.o., which will carry out the operations at the new Gliwice business site.

Group structure 31 December 2023

Company name	Country of incorporation	Ownership, %
Fortaco Group Holdco Oyj	Finland	100 %
Fortaco Group Oy	Finland	100 %
Fortaco Oy	Finland	100 %
Fortaco Ostrobothnia Oy	Finland	100 %
Fortaco Finance Oy	Finland	100 %
Fortaco s.r.o.	Slovakia	100 %
Fortaco Zrt	Hungary	99,9 %
Fortaco Polska Sp z.o.o.	Poland	100 %
Fortaco Sp z.o.o.	Poland	100 %
Fortaco JL Sp z.o.o.	Poland	99,4 %
Fortaco Estonia OÜ	Estonia	100 %
Linda Properties OÜ	Estonia	100 %
Fortaco GmbH	Germany	100 %
Fortaco Ab	Sweden	100 %
Fortaco d.o.o. Gruza	Serbia	100 %
Fortaco Austria Holding GmbH	Austria	100 %
Walter Mauser GmbH	Austria	100 %
Fortaco France Holding S.A.S	France	100 %
Buisard S.A.S	France	100 %

Net sales, operating results, and financial position

In this report, figures in parentheses refer to the corresponding period from the previous fiscal year and are based on the financials of acquired Fortaco Group thus diverging from the officially consolidated financial statements of Fortaco Group Holdco for the year 2022. Same goes for comments and comparisons on 2022 financials.

The terms 'comparable net sales', 'comparable EBITDA', 'comparable EBITA', 'comparable recurring EBITDA', and 'comparable recurring EBITA' are utilized specifically in relation to the financial performance of Fortaco Group, which was acquired by Fortaco Group Holdco in 2022. Consequently, these metrics diverge from the officially consolidated financial statements of Fortaco Group Holdco for the year 2022.

Fortaco Group key financials		
MEUR	**1-12/23**	**1-12/22****
Reported		
Net sales	373.8	94.9
EBITDA	17.3	0.6
% of net sales	4.6 %	0.7 %
EBITA	5.1	-2.0
% of net sales	1.4 %	-2.1 %
Non-recurring items	7.1	4.5
Recurring EBITDA	24.4	5.1
% of net sales	6.5 %	5.4 %
Recurring EBITA	12.3	2.5
% of net sales	3.3 %	2.6 %
Comparable		
Comparable net sales	373.8	332.4
Comparable EBITDA	17.3	22.8
% of net sales	4.6 %	6.9 %
Comparable EBITA	5.1	13.0
% of net sales	1.4 %	3.9 %
Comparable non-recurring items	7.1	1.8
Comparable recurring EBITDA	24.4.	24.7
% of net sales	6.5 %	7.4 %
Comparable recurring EBITA	12.3	14.8
% of net sales	3.3 %	4.5 %

*Figures are referring 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

Fortaco Group's net sales in 2023 was EUR 373.8 million, representing an increase of 12.5 per cent versus comparable net sales in 2022. The increase was driven by inorganic growth as well as volume growth in H1 2024. The net sales include the impact from the acquisition of MauserCABS from September 2023 onwards as well as the impact of the acquisition of Buisard from 24 October 2023 onwards. During H2 2023, and especially during Q4 2023 the like-for-like volume growth turned out to be negative, driven by the softening market environment.

Fortaco Group's recurring EBITDA was EUR 24.4 million (EUR 24.7 million) and 6.5 per cent of net sales, comparable decline being -0.9 per cent. The full year recurring EBITDA includes a negative impact of EUR -5.6 million originating from the loss-making marine, energy, and heavy project business. Fortaco Group's underlying like-for-like recurring EBITDA performance, excluding the loss of the marine, energy, and heavy project business and excluding the impact of MauserCABS and Buisard acquisitions were relatively flat recurring EBITDA full year 2023 versus full year 2022.

Non-recurring items during the review period totaled EUR 7.1 million. The amount of non-recurring items is driven by the M&As, business development, and performance improvement agenda currently undertaken by Fortaco. EBITDA was EUR 17.3 million (EUR 22.8 million) and 4.6 per cent of net sales, EBITA EUR 5.1 million (EUR 13.0 million) and 1.4 per cent, and net income EUR -19.9 million during the review period. Earnings per share was EUR -19.9 during the review period.

2023 pro forma key financials, including the full-year impact of MauserCABS and Buisard acquisitions, and excluding the loss-making energy, marine, and heavy project business is net sales of EUR 420.4 million and recurring EBITDA of EUR 37.3 million respectively.

The consolidated balance sheet amounted to EUR 306.6 million on December 31, 2023. Total liquidity was EUR 32.5 million and equity ratio 24.8 per cent, including the subordinated shareholder loan of EUR 5 million treated as an equity-like instrument. Net gearing was 119.9 per cent, and return on equity -27.0 per cent, both including subordinated shareholder loan, all as of December 31, 2023.

Net debt		
MEUR	**1-12/23**	**1-12/22**
Senior secured bond	93.2	64.4
Local bank financing	8.3	6.5
Leasing liabilities	18.7	10.2
Other gross debt items	3.5	12.2
Total gross deb	**123.7**	**93.2**
Cash and cash equivalents	32.4	28.2
Pledged cash	0.0	13.0
Gross cash	**32.5**	**41.2**
Net debt	**91.2**	**51.9**
Loans to Group companies	**266.5**	**183.5**

Financing

On December 31, 2023, Fortaco Group had a senior secured bond outstanding totalling EUR 102.5 million, of which EUR 3.6 million is held by Fortaco Group itself. The IFRS net principal in the balance sheet equals EUR 93.2 million as of December 31, 2023. In addition to the bond, Group's debt financing consists of local term loans, leasing debt, as well as earn-out and other acquisition debt. Total gross debt (IFRS) as of December 31, 2023, totalled EUR 123.7 million.

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

Additionally, during the financial year, Fortaco Group received a EUR 5 million long-term shareholder loan from the sole shareholder of the company, OEP 81 B.V. The loan is subordinated to the bond financing. The funds have been used to repay in full a temporary local financing facility in MauserCABS, which was related to the acquisition carried out in September 2023. The loan carries PIK interest.

On December 31, 2023, Fortaco had gross cash of EUR 32.5, including EUR 0.05 million in the pledged bank account to be used for capital expenditures. Net debt was EUR 91.2 million.

Investments in equity consisted of EUR 95.2 million December 31, 2023 (EUR 62 million December 31, 2022). The increase in invested equity during the financial year originates from MauserCABS and Buisard transactions. The book value of equity December 31, 2023, was EUR 71.1 million, including non-controlling interest. The Group applies a non-recourse based factoring programme. On December 31, 2023, 71 per cent of all receivables have been sold based on the programme and credit risk has been transferred to the buyer.

Investments

Fortaco's investments amounted to EUR 31.6 million in 2023, including M&A.

Research and development

Fortaco technology services comprises research of new technologies and product development. Cabin product development projects are run by CabTech units, executing full-service vehicle cabin development projects from concept and design to serial production. New technologies focus on Zero Emission Solutions with three focus areas: (1) SystemTech cabin control systems and integration of cabin and battery thermal management systems. (2) SteelTech and ManuTech focus on lightweight design and simulation techniques and new manufacturing technologies and production line design. (3) Powertech explores business opportunities related to charging solutions and energy storage. Fortaco's journey as system integrator of both hardware and software started in 2023, and the first customer projects are planned for commercial implementation in 2024.

Non-financial information

The scope of this section includesn non-financial topics that relate to our key impacts, risks, and opportunities that align with stakeholder expectations. Fortaco has identified these topics through a materiality assessment. The most essential non-financial topics for Fortaco are climate change, product design, and lifecycle management, health and safety, employee wellbeing, human rights, business ethics, and a sustainable supply chain. Fortaco's disclosure adheres to the non-financial information in accordance with the Non-Financial Reporting Directive (NFRD), the Finnish Accounting Act, and the European Union (EU) Taxonomy Regulation. More details about Fortaco's external commitments are available on the fortacogroup.com website.

Business model and value creation

Headquartered in Finland, Fortaco operates in nine countries serving as the leading brand-independent strategic partner to the heavy off-highway equipment and marine industries. Our operations, in multiple European and Asian business sites and technology hubs which support global customers, are committed to safety and quality. We combine our specialized technology competences and profound industrial understanding to meet our customers' needs.

Our robust offering includes technology, vehicle cabins, steel fabrications and assemblies, and enhances environmental efficiency and cost-effectiveness for customers, while ensuring safe and reliable operations. Fortaco is committed to safety, quality, and supporting the UN Global Compact and its principles with respect to human rights, labor, the environment, and anti-corruption.

Viewing the transition to a carbon-neutral economy as an opportunity, we consider zero-emission solutions crucial for mitigating climate change impacts. We enable carbon neutrality in our customers' industries and enhance our own operations' sustainability through efficient processes, energy efficiency investments, and CO2-free energy sourcing. Additionally, we aim to boost resource efficiency by reducing the use of water, chemicals, and waste, while increasing the use of green steel in our offering.

Fortaco's commitment to transparency extends to the entire value chain, from raw material sourcing to product recycling. We predominantly purchase raw materials, components, energy, and services from several suppliers, mainly from European countries. Fortaco collaborates closely with customers from development to the commercialization of new solutions. Fortaco has the financial strength to invest in innovation development and growth. In 2023, Fortaco launched its Zero Emission Solutions function, focusing on R&D and innovation to improve the company's readiness to support the green transition in customer industries. The function is aligned with the company's technology vision for 2030 and aims to further strengthen Fortaco's R&D work to develop its offering and utilize emission-free steel.

Beyond providing value for owners, Fortaco contributes economically and socially as an employer, taxpayer, and buyer of goods and services. Fortaco provides employment and business opportunities to a wide range of stakeholders and indirectly builds wealth in local communities. Long-term customer and supplier relationships are also essential for creating value for stakeholders. We put sustainability, including climate-related matters, at the core of business strategy, operations, and value creation. Our sustainability agenda integrates sustainability into our strategy and main processes, covering the value chain, our own operations, and the product-use phase. We are preparing a climate program, a key initiative in the agenda, which supports alignment with the Paris Climate Agreement's 1.5-degree pathway and the United Nations' Sustainable Development Goals.

Fortaco's business aims to deliver optimal productivity while improving safety and environmental sustainability of the company's customers' machinery by developing and manufacturing zero-emission solutions. Safety and security are integral parts, improving safety throughout the value chain and in off-highway vehicles. With our knowledge, products, services, and solutions, we can provide monetary value with sustained profitability and stability, maximizing positive contributions to stakeholders and society.

Our innovative solutions enable reliable performance and decarbonization in the heavy off-highway equipment and marine industries by reducing exhaust emissions and usage of natural resources. This positioning supports customers in their efforts to limit their carbon footprint and achieve regulatory compliance. Investing in new technologies and substituting existing ones with lower-emission alternatives is an opportunity for Fortaco and its customers to align with efforts to limit carbon footprints. For example, the Zero Emission Solutions segment drives the emission free product strategy by offering integrated thermal management systems, charging solutions, and battery pack weldments and assembly.

The use phase of Fortaco's products can last for decades, so investing in low emission and resource-efficient products means customers can reduce their environmental impact. Being a preferred partner, and being able to select trustworthy partners, is paramount for the whole Fortaco value chain. Sustainable business practices and systematic risk management are crucial for creating long-term value and financial stability. To remain a key player and an attractive employer within local communities, Fortaco's positive societal impact includes job creation and income for employees, economic stimulation, nonprofit support and the purchase of local services and goods. In 2023, Fortaco paid a total of EUR 499,900 (2022: EUR 423,300) in taxes in countries where the Group operates. Fortaco is a compliant taxpayer in each country where it operates and does not practice aggressive tax planning that would artificially decrease the group's taxable income.

Fortaco's innovation extends beyond products, technologies, and service solutions to workforce diversity and new ways of working. Our employees, with their expertise and motivation, are central to the company's success and bring the company's strategy to life. In our view, varied skill sets are a key driver of creativity and value creation for our customers. Close ties with stakeholders, understanding evolving needs, implementing smart technologies, innovating business models, and improving reliability drive our commitment to delivering ongoing value.

Risks, risk management, and policies

All corporate functions and business sites are responsible for ensuring that group-wide initiatives are implemented to meet Fortaco's

Key performance indicators	2023	2022
CO2e emissions from energy consumption in own operations (Scope 1-2)	23,600 t CO2e	25,400 t CO2e
CO2e emissions from purchased goods and services (Scope 3, category 1)	334,000 tCO2e	Not available
Environmental hazards (amount)	0	0
Total energy use (MWh)	66,300 MWh	69,400 MWh

sustainability goals. We have integrated sustainability, including climate-related factors, into our group-wide risk management process, incorporated to regularly assess the probability and impact of risks and opportunities.

Group-wide policies are in place to mitigate risks and promote opportunities, with our Code of Conduct serving as an ethical foundation. The code also describes our approach to sustainable business operations, people and society, and environmental issues. Fortaco strives for globally consistent and transparent practices, to ensure stakeholders can reliably assess the company's operations and development. Our operations are certified in accordance with ISO 14001:2015 (environmental), ISO 45001:2018 (health and safety) and ISO 9001:2015 (quality) management standards, reflecting our commitment to sustainability and excellence.

Fortaco has a supplier sustainability management process which is fully integrated into procurement processes. Supplier sustainability is assessed through audits.

Materiality and management

Fortaco's Sustainability Agenda covers the most material sustainability topics, identified through a Sustainability Materiality Assessment conducted in 2022. The agenda was created in 2023 based on three focus areas: environment, social, and governance. Each focus area includes main material topics with long-term targets and actions. The agenda, its related targets, and all supporting policies are owned and monitored by the Fortaco Group Leadership Team.

The environment

Approximately four per cent of CO2e emissions in Fortaco's value chain stem from our own operations, while 96 per cent originate in the upstream value chain. Actively enhancing its offering, Fortaco aims to reduce CO2 emissions, water, chemical- and raw material consumption, and waste, while increasing energy and material efficiency.

In Fortaco's operation waste is mainly steel scrap generated from production processes. We continuously strive to improve material efficiency, primarily through the optimization of nesting operations in plate cutting.
We also pay attention to hazardous waste reductions, primarily from the paint shop, machining and cutting oils. Our processes do not consume significant amounts of water, and the water is often reused or recycled. Water is mostly used in our E-coating lines for cabin manufacturing and for the washing of products before painting.

As part of the Sustainability Agenda we are in the process of creating a climate program with targets across the value chain, supporting the transformation to a carbon-neutral future in line with the Paris Climate Agreement's 1.5-degree pathway. Presently offering integrated thermal management solutions and battery pack weldments and assemblies, our goal, by 2030, is to provide zero-emission solutions for all customers through technical advancements and improving the sustainability of our current offering. Also, in its own operations, Fortaco is committed to minimizing its impact on climate and the environment. Fortaco has defined targets for reducing energy consumption in its business sites and will continue to establish targets and implement actions as part of the climate program.

Social responsibility

With more than 2,800 employees in nine countries, Fortaco places emphasis on transparency, teamwork, and a safe, healthy and well-managed working environment in all its locations. The company sets clear expectations for managers and employees through its manager and employee role descriptions, which focus on driving performance, building engagement, supporting development, and living the company's values. The performance and engagement of our employees are key contributors to value creation. Engagement is supported and achieved by the safety and wellbeing of employees and responsible employment. Health issues, discrimination, and harassment are monitored as they pose the most significant human- and labor rights-related risks. The focus on safety culture, zero accidents, and risk reduction is evident in collaboration with customers and continuous improvement of processes. Sick leave absences may have a negative cost impact and compromise customer deliveries, while low employee engagement may lead to a loss of talent and competence.

Engagement-, safety-, and wellbeing risks for both company and supplier employees are addressed through managerial tools and leadership development. The company's early support model in Finland ensures timely support for employees. Valuing diversity and providing equal opportunities is important. With merit-based selection and continuous learning, Fortaco shows commitment to ensuring equal opportunities for all employees, regardless of gender, age, race, religion, caste, religious beliefs, ethnic or national origins, marital/civil partnership status, union membership, political affiliation, sexuality, or disability.

Leadership excellence is measured through an annual group-wide employee survey. The results of this year's survey showed that with a 43 per cent engagement level, we are slightly above the European average for this year, as reported by the Gallup institute. This also shows a three per cent increase over last year's performance. By examining the top 10 and bottom 10 dimensions, we can identify areas that need our attention and work on action plans for continuous improvement. Examples of needed improvements are related to internal communication, recognition and compensation, process optimization and working comfort.

Health and safety risks, including those at customer sites, are managed through work instructions, training, risk observations, audits, and corrective actions. Fortaco maintains a safety system with workers' participation, common guidelines, eLearning, workplace hazard assessments, and safety deviation management. The ISO 45001 certification validates the company's commitment to occupational health and safety. Continuous monitoring includes safety metrics, risk observations, safety discussions, and safety training hours, with the lost time incident frequency (LTIF) as a key indicator.

Employees by contract type, employment type, and gender [1]

	Female %		Male %		Total %	
	2023	2022	2023	2022	2023	2022
Permanent	9 %	8 %	80 %	85 %	89 %	93 %
Temporary	2 %	1%	9 %	6 %	11 %	7 %
Total	**11 %**	**9 %**	**89 %**	**91 %**	**100 %**	**100 %**
Full-time	98 %	98 %	99 %	99 %	99 %	99 %
Part-time	2 %	2 %	1 %	1 %	1 %	1 %
Total	**100 %**	**100 %**	**100 %**	**100 %**	**100 %**	**100 %**
Own					2,220	2,343
Rented					268	402
Total					**2,488**	**2,745**

[1] Employees by the end of the year, excluding acquired businesses. The gender category includes the options Female, Male, Not Declared. In 2023, the number of individuals in the "Not Declared" category was not large enough to be included in a separate column.

Lost time incident frequency, total recordable incident frequency, number of fatalities and absentee rate, own personnel	**2023**	**2022**
Lost time incident frequency (LTIF)[2]	4.9	7.3
Total recordable incident frequency (TRIF)[3]	8.8	10.5
Number of fatalities	0	0
Absentee rate, (own personnel and external workers)	5.2 %	5.8 %

[2] LTIF reflects the number of injuries resulting in an absence of at least one workday per million hours worked
[3] LTIF, medical treatment and restricted work cases

Bargaining agreements and worker health and safety committees	**2023**	**2022**
Employees covered by collective bargaining agreements	25 %	38 %
Workforce represented in formal management worker health and safety committees	38 %	39 %
Employee engagement survey score	43 %	40 %

Governance: Business ethics and sustainable supply chain

Fortaco operates in a multicultural environment and recognizes its responsibility to respect human rights and requires the same from its business partners. Fortaco is committed to international frameworks related to human rights, such as the UN Guiding Principles on Business and Human Rights. Human rights have been integrated into company policies, such as the code of conduct and related processes, to ensure rights are respected and promoted in all our operations.

Fortaco's Code of Conduct, updated in 2023 and available in seven languages, is the highest standard for corporate citizenship at Fortaco. It includes topics such as compliance with laws and rules of society, fair employment practices, anti-corruption, and fair competition. The code requires the Fortaco Group and its employees to act with honesty and integrity. It sets our commitment of zero tolerance for corruption and bribery. It also defines our expectation that partners fully comply with applicable anti-bribery laws and regulations. Fortaco's Code of Conduct also sets expectations for our suppliers regarding business ethics and legal compliance, including refusing to participate in any form of corruption, bribery, or money laundering.

All employees are subject to mandatory training and are required to complete a biennial Code of Conduct training, available either as classroom training or an e-learning course. The training is also part of the onboarding of all new employees. Fortaco also has internal policies and guidelines containing the rules, which ensure our business and employees are not involved in any form of corruption or bribery.

At Fortaco, each employee is encouraged to report any suspected wrongdoing or misconduct via a whistleblowing channel, a reporting tool maintained by an external service provider, or via internal reporting channels.

A sustainable supply chain is one material focus area of the Fortaco Sustainability Agenda. We implement targets and processes for monitoring and improving good sustainability practice in the supply chain. Partnering with suppliers sharing similar values, Fortaco audits and assesses suppliers regularly, with a target of 95 per cent of direct suppliers in high-risk areas by 2025.

Key performance indicators	2023	2022
New suppliers screened over sustainability	78	16
Employees completed the Code of Conduct training	50 %	65 %

The EU taxonomy for sustainable finance

The European Union Sustainable Finance Taxonomy Regulation (the EU taxonomy) requires large companies subject to the Non-Financial Reporting Directive (NFRD) to disclose the extent to which their economic activities have a substantial positive environmental impact. The EU taxonomy is intended to encourage financial markets to invest and finance more sustainably. It sets the criteria for activities that the EU has classified as environmentally sustainable.

Economic activities with the most significant need and potential to make substantial contribution are in the taxonomy referred to as eligible activities. Eligible activities that also meet set criteria are referred to as aligned activities in the taxonomy.

The criteria allow companies to demonstrate their contribution to six environmental objectives: (1) climate change mitigation, (2) climate change adaptation, (3) sustainable use and protection of water and marine resources, (4) pollution prevention and control, (5) transition to a circular economy, and (6) protection and restoration of biodiversity and ecosystems.

To assess eligibility, Fortaco's operations have been reviewed against the economic activities listed in Annexes I and II of the delegated regulation, and complementary regulations published by the European Commission. Our approach to identifying and reporting sustainable economic activities consists of:

1. Eligibility assessment: mapping of economic activities to taxonomy activity descriptions and NACE codes.

2. Substantial contribution assessment: screening of eligible activities against technical screening criteria.

3. Do no significant harm (DNSH) assessment: screening of the Fortaco's procedures to ensure that our operations do not cause significant harm to relevant environmental objectives. Screening conducted at an appropriate level for each environmental objective.

4. Minimum safeguards assessment: a review of Fortaco's corporate social safeguards to ensure that our operating instructions, company policies, and management system are compliant with the UN Guiding Principles on Business and Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work.

Currently the majority of Fortaco's business, i.e., the manufacturing and service of vehicle cabins, steel fabrications and assemblies, does not fall within the scope of the taxonomy. As a result of the 2023 assessment the only economic activity that was identified as taxonomy eligible is CE 5.2 Sale of spare parts. However, in 2023 the activity's share of Fortaco's turnover, capital expenditure (Capex), and operational expenditure (Opex) was zero per cent.

The three financial indicators must be reported according to their definition in the taxonomy. The definitions of Capex and Opex differ from their definition in the IFRS. Fortaco has calculated the financial indicators in accordance with the taxonomy regulation and interpreted the regulation conservatively. Total Capex (denominator) has been presented and measured in accordance with the investments presented in the consolidated financial statements. These include investments in tangible and intangible assets and additions to right-of-use assets. Total Capex also includes the tangible and intangible assets acquired in a business combination, as well as right-of-use assets. Additions to goodwill are excluded. Total Opex (denominator) includes expenses related to the maintenance and repair of premises and buildings, as well as short-term leases.

Since the identified activity's (CE 5.2. Sale of spare parts) taxonomy-eligible share of turnover, Capex, and Opex was 0 per cent in 2023, and the taxonomy-alignment of the activity is not required to be reported for 2023, steps 2-4 of the process described above, have not been carried out in the 2023 assessment.

For Fortaco's spare parts to be considered taxonomy-eligible they should relate to equipment classified under the NACE code C28.22 Manufacturing of lifting and handling equipment and they must be parts that can replace a part of a product and thus enable the intended functioning of the product. Most of the components and parts included in Fortaco's offering are not necessary for the proper functioning of the customer's product or are not used in lifting and handling equipment, but in equipment covered by other NACE codes. We consider spare parts related to personal safety to be necessary for the proper functioning of the products.

Fortaco offers zero-emission solutions for the heavy off-highway vehicle and marine industries and supports more sustainable logistics in these industries. Furthermore, we have set ambitious targets for significant reductions in our greenhouse gas (GHG) emissions by the year 2030. We expect Fortaco's eligibility to increase as the taxonomy evolves to include more sectors relevant to Fortaco´s operations. Fortaco continues to develop taxonomy-related reporting and complies with new guidance when it is published by the EU.

Turnover

Financial year 2023	2023			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic activities	Code	Turnover	Proportion of turnover, 2023	Climate change mitigation	Climate change adaption	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaption	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of taxonomy aligned (A.1.) or eligible (A.2.) turnover, 2022	Category enabling activity	Category transitional activity
		MEUR	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0 %																
Of which enabling		0	0 %																
Of which transitional		0	0 %																
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Sale of spare parts	CE 5.2.	0	0 %																
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0 %																
A. Turnover of Taxonomy eligible activities (A.1+A.2)		0	0 %																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		374	100 %																
Total (A+B)		**374**	**100 %**																

Capex

Financial year 2023	2023			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic activities	Code	Capex	Proportion of Capex, 2023	Climate change mitigation	Climate change adaption	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaption	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of taxonomy aligned (A.1.) or eligible (A.2.) Capex, 2022	Category enabling activity	Category transitional activity
		MEUR	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Capex of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0 %																
Of which enabling		0	0 %																
Of which transitional		0	0 %																
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Sale of spare parts	CE 5.2.	0	0 %																
Capex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0 %																
A. Capex of Taxonomy eligible activities (A.1+A.2)		0	0 %																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Capex of Taxonomy-non-eligible activities		50	100 %																
Total (A+B)		**50**	**100 %**																

Opex

Financial year 2023	2023			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic activities	Code	Opex	Proportion of Opex, 2023	Climate change mitigation	Climate change adaption	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaption	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of taxonomy aligned (A.1.) or eligible (A.2.) opex, 2022	Category enabling activity	Category transitional activity
		MEUR	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Opex of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0 %																
Of which enabling		0	0 %																
Of which transitional		0	0 %																
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Sale of spare parts	CE 5.2.	0	0 %																
Opex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0 %																
A. Opex of Taxonomy eligible activities (A.1+A.2)		0	0 %																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Opex of Taxonomy-non-eligible activities		2	100 %																
Total (A+B)		**2**	**100 %**																

Personnel and management

The average number of personnel employed during the review period was 2,534. The number of personnel at the end of the review period was 2,828. Total salary cost was EUR 86.0 million, including all employee benefit expenses.

Group Leadership Team

On December 31, 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, Senior Vice President, 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 provisions of the Finnish Companies Act. The Board of Directors makes all necessary resolutions according to the instructions given by the Supervisory Board on 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 December 31, 2023, the Board of Directors included Chairman Lars Hellberg and deputy member Kimmo Raunio.

Supervisory board

The Supervisory Board's role is to oversee the management of the company and it directs Fortaco Group's business to generate the greatest possible added value on the capital invested. On December 31, 2023, the Supervisory Board included Panu Routila, Chairman, and Members of the Board Markus Sjöholm, Marc Lindhorst, Sebastian Schatton, and Mona Henning.

Ernst & Young Oy served as auditor with Anders Svennas (APA) as the chief responsible auditor.

Risk management

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: (1) Governing body, (2) management, and (3) 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.

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.

As announced in various press releases, Fortaco is currently undergoing a period of several strategic investments taking place in Slovakia, Poland and Estonia. The investment program request continued availability of financing and cash-flows so that investments can be properly executed. As part of the overall financing structure, Fortaco is selling its receivables based on non-recourse basis factoring programme. Continued availability of such financing is imperative for Fortaco Group.

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.

More information on the identified key risks can be found in the corporate governance statement as part of the annual report 2023, as well as in the bond prospectus materials published during 2023 and available on the company's website.

Shares, ownership structure, and proposal for distribution of profits

The parent company of Fortaco, Fortaco Group Holdco Oyj, has one type of share with one vote per share. The company has, in total, 1,000 shares, and all shares carry an equal right to dividends and company assets.

On December 31, 2023, 100 per cent of the shares in Fortaco Group Holdco Oyj was owned by OEP 81 B.V., which is a fund managed by One Equity Partners. On December 31, 2023, the parent company Fortaco Group Holdco Oyj had distributable equity of EUR 87.2 million. The Board of Directors proposes at the Annual General Meeting that the company will not pay dividends, and the result for the financial year is transferred to the profit and loss account for previous years.

Events after financial period

In February 2024, the Group agreed to refinance the local loan agreements of its one its Estonian subsidiary. In the refinancing, the loan capital was consolidated, and the maturity of the loan agreements was extended until March 2027. The payment schedules of the loans were updated accordingly.

On 28 February 2024, it was announced that Fortaco Group has started a strategic evaluation of its marine, energy and heavy project business. These business areas represented less than 10 per cent of overall net sales in 2023, including MauserCABS and Buisard. Full year pro forma and EBITDA had a larger negative impact of EUR -6 million, included in full year 2023 financials. The Fortaco business sites operating in these segments are located in Finland, Hungary, and Serbia. The strategic evaluation is expected to be completed during H1 2024.

On 8 March 2024, Fortaco announced it was investigating the possibility to issue subsequent bonds under its existing bond framework. On 11 March 2024, it was announced that the bond issue was successful in the amount of EUR 25.0 million. Further, it was announced that in connection with the Subsequent Bond Issue, the equity of the Group is planned to be strengthened with EUR 10.0 million, by way of either unconditional shareholders' contribution or shareholder loans. Settlement of the Subsequent Bond Issue is expected to be on or about 26 March 2024.

Assessment of operating environment and outlook for 2024

The overall operating environment is expected to continue to contain uncertainties in 2024, and the development of demand in various market segments is difficult to predict.

Fortaco is closely following global-, local-, and several other indexes, as well as our listed customers' quarterly reports, and keeping a constant dialogue with customers to anticipate development of the market. Simultaneously, Fortaco is seen as an attractive partner which has resulted in increased market share, new customers, and the introduction of new products into the portfolio. This development is expected to continue in 2024, offsetting the impact of soft overall market demand.

Reconciliation of Recurring EBITDA and Recurring EBITA		
MEUR	**1-12/23**	**1-12/22****
Reported		
EBIT	1.0	-3.1
Amortization and impairments	4.2	1.1
EBITA	**5.1**	**-2.0**
Depreciation	12.2	2.6
EBITDA	**17.3**	**0.6**
Non-recurring items		
Transaction costs	2.9	3.9
Other non-recurring items	4.2	0.6
Non-recurring items, total	**7.1**	**4.5**
Recurring EBITDA	**24.4**	**5.1**
Recurring EBITA	**12.3**	**2.5**
Comparable*		
EBIT	1.0	12.5
Amortization and impairments	4.2	0.5
Comparable EBITA	**5.1**	**13.0**
Depreciation	12.2	9.9
Comparable EBITDA	**17.3**	**22.8**
Non-recurring items		
Transaction costs	2.9	0.6
Other non-recurring items	4.2	1.3
Non-recurring items, total	**7.1**	**1.8**
Comparable Recurring EBITDA	**24.4**	**24.7**
Comparable Recurring EBITA	**12.3**	**14.8**

*) The comparable figures in this report are referring to the comparable financial metrics of the Group in 2022, which are derived from the financial performance of Fortaco Group in 2022, following its acquisition last year. For the avoidance of doubt, no adjustments to the comparability have been made to the financial information for the year 2023.

**) Period 12.4.2022-31.12.2022 for reported figures.

Financials include MauserCABS since September 2023 and Buisard since 24 October 2023.

Formulas of alternative performance measures

EBITDA = Operating profit + depreciation + amortization + impairments

EBITDA (käyttökate) = 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 + subordinated shareholder loans) / total assets

Net debt = Current and non-current interest bearing liabilities + M&A liabilities - total liquidity

Net gearing = Net gearing = net debt / (total equity + subordinated shareholder loans)

Reconciliation of Alternative Performance Measures

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

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

Consolidated income statement

1,000 EUR	Note	1.1.-31.12.2023	12.4.-31.12.2022
NET SALES	2.1.	**373,838**	**94,901**
Other operating income	2.3.	1,942	1,103
Work performed for own purposes and capitalized		659	105
Materials and services	2.2.	-232,158	-65,142
Employee benefits expenses	2.6.	-85,997	-18,215
Other operating expenses	2.4.	-40,975	-12,132
Depreciation, amortization and impairments	4.3./4.4./4.5.	-16,349	-3,745
Operating profit (loss)		**959**	**-3,125**
Finance income	5.4.	3,400	357
Finance costs	5.4.	-19,892	-3,648
Share of profit accounted for using the equity method	4.2.	557	385
Loss from investments in associates	4.2.	-657	
PROFIT (LOSS) BEFORE INCOME TAX		**-15,632**	**-6,031**
Income taxes	2.8.	-4,277	-791
PROFIT (LOSS) FOR THE PERIOD		**-19,909**	**-6,822**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Translation differences		1,865	671
Other comprehensive income for the period, net of tax		**1,865**	**671**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**-18,043**	**-6,151**
Profit (loss) for the period attributable to			
Owners of the parent company		-19,928	-6,829
Non-controlling interests		19	7
Profit (loss) for the period		-19,909	-6,822
Total comprehensive income for the period attributable to			
Owners of the parent company		-18,070	-6,160
Non-controlling interests		27	9
Total comprehensive income for the period		-18,043	-6,151
Earnings per share for profit attributable to the ordinary equity holders of the parent company, EUR			
Basic and diluted, EUR	2.5.	-19,9	-6,8

Consolidated balance sheet

1,000 EUR	Note	31.12.2023	31.12.2022
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	4.5.	51,088	37,345
Goodwill	4.6.	20,976	304
Property, plant and equipment	4.3.	98,358	62,863
Right-of-use assets	4.4.	12,367	6,479
Investments accounted for using the equity method	4.2.		7,896
Trade and other receivables	5.3.	1,988	775
Receivables from defined benefit plan	2.7.	629	
Deferred tax assets	2.9.	5,118	5,058
TOTAL NON-CURRENT ASSETS		**190,525**	**120,720**
CURRENT ASSETS			
Inventories	3.1.	50,137	43,881
Trade and other receivables	3.2.	30,599	33,556
Contract assets	2.1.	1,479	3,543
Income tax assets	2.8.	1,461	127
Cash and cash equivalents	5.7.	32,420	28,182
TOTAL CURRENT ASSETS		**116,096**	**109,288**
TOTAL ASSETS		**306,621**	**230,008**

Consolidated balance sheet

1,000 EUR	Note	31.12.2023	31.12.2022
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent company			
Share capital	5.6.	80	80
Invested unrestricted equity capital	5.6.	95,178	61,920
Translation differences	5.6.	2,527	669
Retained earnings	5.6.	-26,757	-6,829
Total equity attributable to owners of the parent company		**71,028**	**55,840**
Non-controlling interests		**103**	**82**
TOTAL EQUITY		**71,131**	**55,922**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	2.9.	18,495	8,842
Borrowings	5.5.	101,013	73,091
Borrowings from related parties	3.3.	5,000	
Other liabilities	3.3.	5,485	3,505
Lease liabilities	4.4.	8,807	4,349
Provisions	3.4.	1,272	481
Liabilities from defined benefit plan	2.7.	3,674	
TOTAL NON-CURRENT LIABILITIES		**143,746**	**90,269**
CURRENT LIABILITIES			
Borrowings	3.3.	6,352	4,027
Trade and other payables	3.3.	79,529	74,824
Lease liabilities	4.4.	4,020	2,614
Provisions	3.4.	1,141	623
Contract liabilities	3.3.	208	1,472
Income tax liabilities	2.8.	495	257
TOTAL CURRENT LIABILITIES		**91,744**	**83,817**
TOTAL LIABILITIES		**235,490**	**174,086**
TOTAL EQUITY AND LIABILITIES		**306,621**	**230,008**

Consolidated cash flow statement

1,000 EUR	Note	1.1.-31.12.2023	12.4.-31.12.2022
Cash flow from operating activities			
PROFIT (LOSS) FOR THE PERIOD		**-19,909**	**-6,822**
Depreciation, amortization and impairments	4.3./4.4./4.5.	16,349	3,745
Gains and losses on sale of property, plant and equipment and other non-current assets		134	206
Share of profit accounted for using the equity method	4.2.	100	-385
Financial income and expenses	5.4.	16,542	2,516
Income taxes	2.8.	4,277	791
Other adjustments		835	2,816
Change in working capital			
Increase / decrease in inventories	3.1.	7,562	9,081
Increase / decrease in trade and other receivables		10,232	-2,261
Increase / decrease in interest free trade payables		-17,259	120
Change in provisions		249	18
Interest paid	5.4.	-11,542	-1,577
Interest received	5.4.	294	35
Other financial items	5.4.	-4,346	-992
Income taxes paid	2.8.	-1,719	-259
Total cash flow from operating activities		**1,798**	**7,032**

Consolidated cash flow statement

1,000 EUR	Note	1.1.-31.12.2023	12.4.-31.12.2022
Cash flow from investing activities			
Investments in property, plant and equipment and intangible assets		-16,076	-6,546
Disposal of property, plant and equipment and intangible assets		392	315
Acquisition of subsidiaries reduced with the cash and cash equivalents at the acquisition moment	4.1.	-29,591	-45,094
Used collateral deposit for investments		12,985	0
Dividends received		731	0
Total cash flow from investing activities		**-31,558**	**-51,325**
Cash flow from financing activities			
Proceeds from issue of share capital	5.6.	9,000	62,000
Repayments from current loans	5.5.	-8,827	-19,094
Proceeds from non-current loans	5.5.	38,866	70,040
Repayments of non-current borrowings	5.5.	-2,041	-41,479
Proceeds from leasing liabilities			1,699
Repayments of leasing liabilities	5.5.	-3,493	-671
Total cash flow from financing activities		**33,505**	**72,495**
Change in cash and cash equivalents		**3,745**	**28,202**
Cash and cash equivalents at the beginning of the period		28,182	0
Effects of exchange rate changes on cash and cash equivalents		493	-20
Cash and cash equivalent at the end of the period		**32,420**	**28,182**

Consolidated statement of changes in equity

		Attributable to owners of the Company 31.12.2023						
1,000 EUR	**Note 5.6.**	**Share capital**	**Invested unrestricted equity reserve**	**Translation differences**	**Profit (loss) for period**	**Total**	**Non-controlling interests**	**Total equity**
EQUITY 1.1.		**80**	**61,920**	**669**	**-6,829**	**55,840**	**82**	**55,922**
Comprehensive income								
Profit/loss for the period					-19,928	-19,928	19	-19,909
Translation differences				1,858		1,858	8	1,866
TOTAL COMPREHENSIVE INCOME				**1,858**	**-19,928**	**-18,070**	**27**	**-18,043**
Transactions with shareholders								
Transactions with non-controlling interests							-5	-5
Investments			33,258			33,258		33,258
Changes in equity total			**33,258**	**1,858**	**-19,928**	**15,188**	**22**	**15,210**
TOTAL EQUITY 31.12.2023		**80**	**95,178**	**2,527**	**-26,757**	**71,028**	**103**	**71,131**

		Attributable to owners of the Company 31.12.2022						
1,000 EUR	**Note 5.6.**	**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
Translation differences				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. Accounting policies for the consolidated financial statements

1.1. General information

Fortaco Group Holdco Plc and its subsidiaries (together, the "Group", "Fortaco") is a leading brand independent strategic partner to the heavy off-highway equipment and marine industries, offering technology, vehicle cabins, steel fabrications and vehicle assembly.

Fortaco has operations in several European business sites and technology hubs serving customers worldwide. The group was created on 30 September 2022, when Fortaco Group Holdco Plc acquired the share capital of Fortaco Group Oy. Fortaco Group Holdco Oyj (business identity code 3281147-3) is domiciled in Finland. The registered address of the company's head office is Äyritie 24, Vantaa.

Information on the group structure can be found in note 6.1.n Information on related parties can be found in note 6.2.

Fortaco's consolidated financial statements for the financial year ended 31 December 2023 have been authorized for issue on 22 March 2024 by a decision of the Board of Directors. In accordance with the Finnish Limited Liability Companies Act, the shareholders approve or reject the financial statements at the Annual General Meeting. The General Meeting may also decide on amendments to the financial statements.

One Equity Partners acquired Fortaco Group in September 2022, when the new Fortaco Group Holdco-group of companies started its operations. As a result, the figures in the financial statements for 2023 and 2022 are not comparable as the income statement for 2022 consists of only three-month period.

1.2. Accounting policies

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the IASB, in accordance with the IAS and IFRS standards and SIC and IFRIC interpretations in force on 31 December 2023. The notes to the consolidated financial statements also comply with the requirements of Finnish accounting and corporate law, which supplement IFRS. The consolidated financial statements have been prepared primarily on a historical cost basis, unless otherwise stated. Financial assets at fair value through other comprehensive income and contingent consideration liabilities are measured at fair value. The presentation currency of the consolidated financial statements is the euro and all values have been rounded to the nearest thousand euro unless otherwise stated.

1.3. Use of estimates

The preparation of consolidated financial statements in conformity with IFRS standards requires management to make judgements, estimates and assumptions that affect the reported amounts and disclosure of revenues, expenses, assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. The uncertainty associated with these assumptions and estimates may result in the need to make material adjustments to the carrying amounts of assets and liabilities in future periods.

Estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRSs requires management to make estimates and judgements that affect the reported amounts of revenues, expenses, assets and liabilities and disclosures. Management is also required to exercise judgement in the application of accounting policies. Estimates and judgements are continually evaluated and are based on management's best knowledge, historical experience and expectations of future events that are believed to be reasonable under the circumstances. By definition, the resulting accounting estimates are rarely the same as the related actual results. Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are disclosed in the following notes to the financial statements:

- Amortization periods for tangible and intangible assets (Notes 4.3. and 4.5.)
- Recognition of revenue from the sale of products (Note 2.1.)
- Provisions (Note 3.4.)
- Amount of recoverable amount of goodwill (Note 4.6.)
- Recognition of deferred tax assets (Note 2.9.)
- Leases - determination of the lease term (note 4.4.)
- Leases - Determination of interest rate on margin (Note 4.4.)

1.4. Basis of consolidation

Subsidiaries are entities in which the Group has a controlling interest. Subsidiaries are entities controlled by the Fortaco Group. Control is based either directly or indirectly on control by shares and/or control by other means. Subsidiaries are consolidated in their entirety from the date on which the Group obtains control. Changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are treated as equity transactions.

Profit, loss and all items of comprehensive income are attributable to the owners of the parent and to non-controlling interests of the Group, even if this would result in the non-controlling interest becoming negative.

Where necessary, adjustments are made to the financial statements of subsidiaries to ensure that the accounting policies applied are consistent with those of the Group. All intra-group assets, liabilities, equity, income, expenses and cash flows of the Fortaco Group relating to internal transactions between Group companies are eliminated in full in the preparation of the consolidated financial statements.

1.5. Foreign currencies

Functional and presentation currency

The consolidated financial statements are presented in euros, which is the functional currency of the Parent Company and the presentation currency of the Group. The Group determines the functional currency for each of the companies in the Group in which the companies present their financial statements.

Transactions and balances in foreign currency

Transactions denominated in foreign currencies are recorded in the Group companies' accounts in the functional currency, with the foreign currency denominated item being translated into the functional currency using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate at the reporting date. Exchange differences arising from the settlement of foreign currency items or in the translation of monetary items are recognized in profit or loss. The cost of non-monetary items measured at cost in foreign currencies is translated at the exchange rate prevailing at the date of acquisition.

Group companies

The profit and loss accounts and balance sheets of group companies using a functional currency other than the presentation currency are translated into the presentation currency. In the consolidated statement of comprehensive income, income and expenses are translated into euro using the average exchange rates for the financial year and assets and liabilities are translated into euro using the exchange rates prevailing at the end of the reporting period. Any resulting exchange differences are recognized in other comprehensive income.

Exchange differences arising from the translation of net investments in foreign entities at the date of the consolidated financial statements are recognized in other comprehensive income. When a foreign operation is sold or otherwise disposed of, the related exchange differences are reclassified to profit or loss as part of the gain or loss on disposal.

1.6. Adaptation of new and reviewed IFRS standards

New and revised standards effective from 1 January 2023

• Amendments to IAS 1 and IFRS 1: Disclosures about accounting policies. Significant accounting policies are replaced by significant accounting policies. In addition, the amendment includes guidance and examples for assessing materiality in the presentation of accounting policies.

• Amendments to IAS 8: Definition of Accounting Estimates. The amendment introduces a new definition of accounting estimates to distinguish them more clearly from changes in accounting policies and corrections of errors.

• Amendments to IAS 12: Recognition of deferred taxes. The amendment introduces the effect of deferred tax is presented separately for taxable and deductible items. It applies to assets and liabilities arising from individual transactions, such as lease liabilities and fixed assets, where the deferred taxes on these are not equal. The effect is presented from the beginning of the comparative year.

New or amended IFRS standards and interpretations from 2024 onwards

The Group will adopt each standard on the effective date, or if the effective date is not the first day of the reporting period, from the beginning of the next reporting period, subject to endorsement by the EU. No IFRS standard or IFRIC interpretation issued but not yet effective is expected to have a material impact on Fortaco's consolidated financial statements.

• Amendments to IAS 1, Classification of liabilities as current and non-current. The amendment clarifies how liabilities should be classified as current or non-current when the entity has the right to defer settlement of the liability for at least 12 months. Under the amendment, a liability that is due to be settled within 12 months after the reporting date should be presented as non-current if the entity has the right to roll over the liability for at least 12 months after the reporting date. In this case, the liability is presented as non-current at the reporting date regardless of the probability or management's intention to settle the liability within the next 12 months. Similarly, a liability is classified as non-current even though the right to continue the liability for at least 12 months is conditional and the entity is not expected to meet these conditions, provided that the covenant is not assessed until after the end of the reporting period.

• Amendments to IFRS 16 Leases: lease liabilities under sale and leaseback arrangements. The amendment clarifies the accounting treatment and measurement of sale and leaseback transactions, in particular in relation to the value of the right-of-use asset, which is measured by the vendor-lessee on the basis of the residual economic benefits.

• Amendments to IAS 7 and IFRS 7, Supplier financing arrangements.

The amendment provides guidance on the use of vendor financing arrangements, their scope, and their effect on reported amounts.

2. Financial development

2.1. Net sales

Segment information

Fortaco has only one reportable segment. The figures for the reportable segment are consistent with those of the Group. Significant operational decisions are made by Fortaco's Management Board, which is the highest operational decision maker at Fortaco. Due to Fortaco's business model, nature of operations and governance structure, operating segments have been combined into a single reportable segment.

Net sales divided by geographical areas

1,000 EUR	1.1.-31.12.2023	12.4.-31.12.2022
Finland	102,724	27,387
Poland	114,394	30,521
Estonia	75,518	18,932
Austria	16,458	
France	10,381	
Slovakia	26,917	6,239
Hungary	22,469	5,761
Serbia	4,977	6,061
Total	**373,838**	**94,901**

Accounting policy

Fortaco applies the five-step revenue recognition model of IFRS 15 Revenue from Contracts with Customers for revenue recognition. Revenue is recognized as the amount expected to be received from the customer in exchange for the delivery of a product or service. Revenue is recognized when control of the service or good is transferred to the customer, either over time or at a single point in time.Fortaco had two individual customers that accounted for more than 10 per cent of the Group's turnover. The total turnover recognized from these customers amounted to EUR 179.6 million.

Sale of goods

The products sold consist of, for example, welded components and vehicle cabins. Customer contracts usually include one performance obligation, which is to manufacture a product based on the order made by the customer, and to deliver the product to the customer. Revenue from products is recognized at a point in time, based on the transfer of control to the customer. The Group determines that the control of the product is transferred to the customer at the time when the product is delivered to the customer. Warranty periods granted on products sold are standard in the industry and therefore do not constitute a separate performance obligation. Warranty provisions are disclosed in note 3.4. Provisions. Products sold account for the majority of Fortaco's sales revenues.

Rendering of services

Service revenues mainly consist of research and development services and assembly services. The Group estimates that the services promised in the contract are separable from the products sold and therefore the Group treats the services as a separate performance obligation. The Group has estimated that the performance obligation related to the engineering services will generally be fulfilled over time, as the service does not generate an asset with an alternative use for Fortaco. In addition, Fortaco is entitled to receive payment for the service provided up to the review date. In the case of an assembly service, the performance obligation is normally fulfilled upon delivery of the finished product. Services are invoiced based on current agreed prices and revenue from the sale of services is recognized up to the amount that Fortaco is entitled to invoice the customer.

Variable considerations

Fortaco Group's customer contracts may include variable consideration components, such as discounts and penalties for late payment. The effect of such variable consideration is assessed on a contract-by-contract basis and only the amount to which the Group is contractually entitled is recognized as revenue. Management has assessed that the uncertainty associated with the initial consideration is low. The estimate of the amount of the variable consideration is updated at the end of each reporting period.

Contractual amounts recognized in the balance sheet

Contractual amounts include sales related to project deliveries that have not yet been invoiced to the customer.

Contract balances

1,000 EUR	31.12.2023	31.12.2022
Contract assets	1,479	3,543
Contract liabilities	208	1,472

2.2. Materials and services

Materials and services include purchases of materials, supplies and goods during the accounting period, changes in stocks and external services. The Group's purchases consist mainly of steel, mechanical and electronic components, sub-assemblies and consumables used in production. Outside services include temporary labor, maintenance and repair services and other subcontracting services related to production.

1,000 EUR	1.1.-31.12.2023	12.4.-31.12.2022
Purchases of materials, supplies and goods	-202,046	-37,001
Change in stock	-5,545	-22,691
External services	-24,567	-5,450
Total	**-232,158**	**-65,142**

2.3. Other operating income

Other operating income includes, among other things, gains from the sale of tangible fixed assets, government grants and rental income from leases.

Other operating income		
1,000 EUR	**1.1.-31.12.2023**	**12.4.-31.12.2022**
Rental income	384	107
Development grants	462	84
Other operating income	1,096	912
Total	**1,942**	**1,103**

Accounting policy

Leases – The Group as a lessor

Fortaco has a limited activity as a lessor by renting property. Fortaco classifies all of its leases as operating leases because the leases do not transfer the risks and rewards of ownership of the underlying asset in all material respects.

Government grants

Government grants are recognized when it is reasonably certain that they will be received and that Fortaco will meet the conditions to receive the grant. Government grants related to expenditure are recognized as deferred income in the balance sheet and recognized in profit or loss in the same periods as the expenditure for which they are intended. Government grants related to the acquisition of property, plant and equipment are recognized as deferred income in non-current liabilities and amortized to profit or loss on a straight-line basis over the expected useful lives of the related assets.

Government grants		
1,000 EUR	**2023**	**2022**
1.1.2023	2,477	2,055
Received during the year	434	501
Exchange rate differences	35	5
Released to the statement of profit and loss	-462	-85
31.12.2023	**2,484**	**2,477**

Fortaco Zrt has received a government grant for investment in a painting line and Fortaco S.r.o has received a government grant for factory expansion. In addition, Fortaco Sp. Z o.o. received a public grant for a boom line development project and Fortaco Estonia Oü has received a public grant for a factory extension project. Walter Mauser GmbH has received a grant for green energy and production machinery and equipment.

EU Government grants on non-current and current liabilities		
1000 EUR	**2023**	**2022**
Current portion	286	212
Non-current portion	2,198	2,265

Specification on government grants			
1,000 EUR	**31.12.2023**	**31.12.2022**	**Description**
EU subsidy	178	216	Government grant for paint shop investment in Fortaco Zrt. (Jaszbereny / Hungary)
EU subsidy	584	502	Government grant for paint shop investment in Fortaco Zrt. (Jaszbereny / Hungary)
EU subsidy	807	732	EU-subsidy for project RapidSteel, Fortaco Sp. Z.o.o (Wroclaw / Poland)
EU subsidy	811	1,028	EU subsidy for expansion project in Fortaco Estonia OÜ (Narva / Estonia)
Government grant	104		Government grant for green energy and production machinery and equipment, Walter Mauser GmH (Breitenau am Steinfelde/ Austria)
Total	**2,484**	**2,477**	

2.4. Other operating expenses

Other variable costs of production consist of tools and protective equipment for production. Other costs include marketing, training, insurance, etc.

Other operating expenses		
1,000 EUR	**1.1.-31.12.2023**	**12.4.-31.12.2022**
IT expenses	-4,323	-1,164
Facilities and maintenance	-12,142	-2,904
External services	-8,263	-1,239
Other expenses related to business restructuring	-1,047	-2,729
Travelling and representation	-2,178	-530
Rents	-1,172	-234
Other variable costs of production	-8,382	-1,765
Other expenses	-3,468	-1,567
Yhteensä	**-40,975**	**-12,132**

Auditor's fees		
1,000 EUR	**1.1.-31.12.2023**	**12.4.-31.12.2022**
Audit	-426	-119
Other professional services	-233	-75
Total	**-659**	**-194**

2.5. Earnings per share

Basic and diluted

In the financial year 2023, the total number of shares in Fortaco Group Holdco Plc was 1,000. Basic earnings per share are calculated by dividing the profit for the year attributable to the owners of the parent company by the number of shares. The parent company does not hold any treasury shares. For the period presented, Fortaco did not have any instruments with a dilutive effect on earnings per share.

Earnings per share		
1,000 EUR	**1.1.-31.12.2023**	**12.4.-31.12.2022**
Profit/-loss attributable to sharehol-ders of the company	-19,928	-6,822
The number of shares issued	1,000	1,000
Earnings per share, basic, EUR	-19,93	-6,82

2.6. Personnel expenses

Accounting policy

The short-term employee benefits are recognized in the period in which they arise. Liability is recorded when Fortaco has a legal or constructive obligation on the basis of the actual employment and the amount of the obligation can be reliably estimated.The personnel benefits granted to the management are presented in Note 6.2. Related party transactions.

Personnel expenses		
1,000 EUR	**1.1.-31.12.2023**	**12.4.-31.12.2022**
Wages and salaries	-69,582	-14,782
Pension costs - defined contribution plans	-4,073	-1,032
Pension costs - defined benefit plans	-73	
Other employee benefit expenses	-12,269	-2,401
Total	**-85,997**	**-18,215**

Group employment on average	1.1.-31.12.2023	12.4.-31.12.2022
White collars	467	368
Blue collars	2,067	1,943
Total	**2,534**	**2,311**

2.7. Defined benefit plans

Accounting policy

Fortaco has several different pension schemes, both defined benefit and defined contribution pension plans, in accordance with local regulations and practices in countries where it operates.

Contributions to defined contribution pension plans are recognized in the income statement in the financial period during which the charge is due. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods.

The Group has defined benefit pension plans in Austria and France. Obligations connected with the Group's defined benefit plans are calculated annually by independent actuaries using the projected unit credit method. The discount rate used in calculating the present value of the pension obligation is the market rate of high-quality corporate bonds. The maturity of the bonds used to determine the reference rate substantially corresponds to the maturity of the related pension obligation. In defined benefit plans, the pension liability recognized on the balance sheet is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets.

Pension expenditure is expensed in the income statement, allocating the costs over the employment term of the employees. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognized immediately in the income statement.

The discount rate has been determined using the Mercer Yield Curve in Austria and iBoxx EUR Corporates AA 10+ in France.

The Group's weighted average of the duration of the defined benefit obligations is 11 years. Defined benefit plans consists of funds deposited in an external bank account.

The described sensitivity analysis is based on a change in the presented assumption, while the other assumptions remain unchanged. In reality, this is unlikely to happen, but a change in one assumption may also affect a change in other assumptions. The sensitivity of the defined benefit obligation to significant actuarial assumptions has been calculated using the same method as for calculating the pension obligation recognized in the balance sheet.

Defined benefit plan obligations in the balance sheet

1,000 EUR	31.12.2023
Defined pension benefit plan liabilities	3,674
Defined pension benefit plan assets	-629
Total	**3,045**

Changes in the present value of the defined benefit obligations

1,000 EUR	31.12.2023
Present value of the defined benefit plan obligations Jan 1	
Business combinations	3,563
Interest cost	37
Current service cost	73
Present value of the defined benefit plan obligations Dec 31	**3,674**

Change in the fair value of defined benefit plans

1,000 EUR	31.12.2023
Plan assets Jan 1	
Business combinations	625
Interest income	4
Plan assets Dec 31	**629**

Items recognized in income statement

1,000 EUR	2023
Service cost	-73
Net interest cost	-33
Total	**-106**

Principal actuarial assumptions

Assumptions	Austria	France
Discount rate %	3.57	4.09
Increase in salaries %	3.10	2.00

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is

1,000 EUR	2023
Change in discount rate:	
0.25 % increase	-64
0.25 % decrease	66
Change in salary growth rate:	
0.25 % increase	66
0.25 % decrease	-64

Allocation of plan assets and liabilities geographically

1,000 EUR	Austria	France	Total
Present value of plan liability: 2023	2,472	1,202	3,674
Fair value of plan assets: 2023		629	629

2.8. Income tax

Accounting policy

The Group's income taxes include income taxes based on the taxable profit for the period, any tax adjustments for prior periods and the change in deferred taxes. The tax effects of transactions and other events recognized in the income statement are recognized in the income statement. The tax effects, if any, of transactions recognized in other comprehensive income or directly in equity are also recognized in other comprehensive income or directly in equity, respectively. The tax effect of each Group company is recognized in accordance with local tax legislation. The tax rate applicable at the end of the tax year is used for the calculation.

Income taxes in the Income Statement		
1,000 EUR	**1.1.-31.12.2023**	**12.4.-31.12.2022**
Tax on income from operations	-500	-423
Change in deferred tax asset	-1,362	148
Change in deferred tax liability	-2,415	-516
Income tax	**-4,277**	**-791**

Income tax reconciliation		
1,000 EUR	**1.1.-31.12.2023**	**12.4.-31.12.2022**
Profit before taxes	**-15,632**	**-6,031**
Income taxes at Finnish statutory tax rate (20 %)	**3,126**	**1,206**
Difference between Finnish and foreign tax rates	934	397
Non-deductible expenses	-4,351	-1,469
Tax free income	566	
Share of result of associated companies	111	58
Deferred tax liability from undistributed profits	-3,077	
Tax losses from which no deferred taxes have been booked	-1,586	-988
Other direct tax		5
Income taxes in the income statement	**-4,277**	**-791**

2.9. Deferred tax

Accounting policy

Deferred tax is calculated using the tax rates in force at the balance sheet date and the new tax rate known in the event of any changes in tax rates. Deferred tax assets recognized in the balance sheet are assessed at the Group's year-end.The deferred tax liability is calculated for all taxable temporary differences and is recognized in full in the balance sheet.

A deferred tax asset is recognized for all deductible temporary differences that are expected to result in future taxable profits. A deferred tax asset is recognized only to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized.

The Group recognizes deferred tax assets and liabilities, net of any deduction for current taxable income, when there is a legally enforceable right to set off current tax assets against current tax liabilities and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Fortaco's main temporary differences arise from old losses recognized in the tax accounts of the Group's Finnish and Polish companies. In the financial year 2023, the Group recognized a deferred tax liability of EUR 3.1 million on the undistributed profits of its Estonian subsidiary. The deferred tax liability also relates to the allocation of the acquisition cost of the Fortaco Group as at 30 September 2022.

In the financial year ended 31 December 2023, the Group had EUR 6.8 million (EUR 5.2 million in 2022) of deferred tax assets unrecognized due to uncertainty about their realization. These deferred tax assets consist of losses recognized for tax purposes. Of these deferred tax assets, EUR 3.3 million will expire in the next five years and the rest will expire later or never.

In the financial year ended 31 December 2023, the Group had EUR 6.8 million (EUR 5.2 million in 2022) of deferred tax assets unrecognized due to uncertainty about their realization. These deferred tax assets consist of losses recognized for tax purposes. Of these deferred tax assets, EUR 3.3 million will expire in the next five years and the rest will expire later or never.

1,000 EUR	1.1.2023	Recognized in the profit and loss account	Business combinations	Translation differences	31.12.2023
Deferred tax assets					
Tax losses	4,239	-1,235		0	3,003
Inventories		3			3
Lease contracts 1)	98	4		2	104
Other	301	-141	1,378	12	1,550
Provisions	420	9		29	458
Total	**5,058**	**-1,361**	**1,378**	**43**	**5,118**
Deferred tax liabilities					
Tangible and intangible assets	7,935	-905	6,546	12	13,588
Other	907	244	680		1,832
Undivided profits	0	3,077			3,077
Total	**8,842**	**2,415**	**7,227**	**12**	**18,495**
Net	**-3,784**	**-3,776**	**-5,849**	**31**	**-13,377**

1) The net deferred tax asset on leases (IFRS16) of EUR 104 (98) thousand presented in the balance sheet consists of a deferred tax asset of EUR 1.52 (1.30) million and a deferred tax liability of EUR 1.42 (1.39) million.

1,000 EUR	30.9.2022	Recognized in the profit and loss account	Business combinations	Translation differences	31.12.2022
Deferred tax assets					
Tax losses		-38	4,276		4,239
Lease contracts 1)		12	86		98
Provisions		40	360	20	420
Other		134	172	-4	301
Total	**0**	**148**	**4,894**	**16**	**5,058**
Deferred tax liabilities					
Tangible and intangible assets		411	7,522	2	7,935
Other		105	800	2	907
Total	**0**	**516**	**8,322**	**4**	**8,842**
Net		**-375**	**-3,420**	**16**	**-3,785**

3. Working capital

3.1. Inventory

Accounting policy

Inventories are measured at acquisition cost, or at net realizable value if it is lower than the acquisition cost. The acquisition cost is determined using the rolling average price method. The acquisition cost of materials and supplies includes the purchase price and transport costs.

Finished goods and work in progress include the cost of direct materials and direct salaries and their social security costs, as well as a share of the general costs related to work in progress. Borrowing costs are excluded. Net realizable value is the estimated actual selling price in normal business operations, less the estimated costs necessary to complete the sale.

Inventory items which exceed the utilized amounts in production within last 12 months and are not purchased within last six months are subject to a write-down in obsolescence and a provision for these slow-moving items is recognized in the balance sheet. The same principle is applied in all Group companies.

In the financial period, Fortaco has recognized an inventory acquisition cost of EUR 202 (37) million as an expense. The expense is presented under "Materials and services" in the income statement. In the financial period, EUR 1,612 (1,137) thousand was recognized in impairment for inventories.

Inventories		
1,000 EUR	**31.12.2023**	**31.12.2022**
Materials and supplies	29,832	22,271
Work in progress	16,906	19,815
Finished goods	3,271	1,553
Advance payments	127	241
Total	**50,137**	**43,881**

3.2. Trade and other receivables

Accounting policy

The Group's financial assets consist of trade receivables, other financial receivables, cash and cash equivalents. These are classified as financial assets measured at amortized cost because these financial assets are held to collect contractual cash flows and their cash flows consist exclusively of the payment of capital and interest. The valuation of trade and other receivables are disclosed in note 5.3. Financial assets and liabilities.

Fortaco recognises the expected consideration as trade receivables to which it is entitled when goods or services are delivered to a customer before the customer pays the consideration. The Group's customer contracts have payment terms that are typical for the industry and do not include a significant financing component for the sale of goods or services.

The Group has pledged in essence all of its short-term receivables to fulfil collateral requirements. Refer to Note 6.3. for further details. Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. The note 5.1. includes disclosures on credit risk of trade receivables. In addition, it is described how the Group manages and assesses the credit quality for the trade receivables that have not been expired nor impaired. In the note 5.1., the expected credit losses and the maturity analysis of the trade receivables are also presented.

Current trade and other receivables		
1,000 EUR	**31.12.2023**	**31.12.2022**
Accounts receivables, factored	1,518	1,877
Trade receivables, other	20,872	12,349
Bad debt allowance	-340	-286
VAT Receivables	5,248	4,798
Security deposits	116	13,118
Other receivables	2,020	895
Other current receivables	**29,433**	**32,750**
Accruals of personnel expenses	137	44
Other prepayments and accrued income on sales	324	390
Other prepayments and accrued income on expenses	705	372
Current prepayments and accrued income	**1,166**	**805**
Total	**30,599**	**33,556**

3.3. Trade and other payables

Accounting policy

Trade payables and other financial liabilities included in the item are classified as financial liabilities measured at amortized cost. They are initially recognized at fair value. Valuation of trade payables and other liabilities is disclosed in Note 5.3., Financial assets and liabilities. Trade and other payables are classified as current liabilities if they fall due within 12 months of the end of the reporting period. The maturity analysis of trade and other payables is presented in Note 5.5.

1,000 EUR	31.12.2023	31.12.2022
Non-current interest-bearing borrowings		
Senior bond	93,194	64,369
Loans from financial institutions	7,819	6,811
Non-current borrowings	**101,103**	**71,180**
Loans from related parties	5,000	
Leasing liability	8,807	4,349
Other liabilities		1,911
Other non-current liabilities	**13,807**	**6,260**
Total interest-bearing liabilities, non-current	**114,820**	**77,441**
Current interest-bearing borrowings		
Loans from financial institutions	6,352	2,733
Current borrowings	**6,352**	**2,733**
Leasing liability	4,020	2,614
Other liabilities		1,294
Other current liabilities	**4,020**	**3,908**
Total interest-bearing liabilities, current	**10,371**	**6,642**

1,000 EUR	31.12.2023	31.12.2022
Liabilities, interest-free		
Non-current liabilities		
Trade payables for investments	3,285	1,000
EU-subsidy	2,198	2,265
Tax liabilities, income taxes	1	1
Other		239
Non-current other liabilities total	**5,485**	**3,505**
Provisions	**1,272**	**481**
Liabilities from defined benefit plan	**3,674**	
Total liabilities, non-current	**10,431**	**3,986**
Current liabilities, interest-free		
Advanced received		1,872
Trade payables	56,668	51,378
EU-subsidy	286	212
VAT-payables	1,029	535
Accrued employee expenses	18,519	12,943
Accrued interest	2,262	1,228
Other liabilities	765	8,137
Other current liabilities	**79,529**	**76,304**
Contract liabilities	208	1,472
Provisions	1,141	623
Income tax liabilities	495	257
Current accrued liabilities	**1,844**	**2,352**
Total liabilities, current	**81,373**	**78,657**

3.4. Provisions

Accounting policy

A provision is recognized on the balance sheet when the Group has a valid legal or actual obligation arising from a previous event, when it is likely that meeting the obligation will require the transfer of assets from the Group and when the amount of the obligation can be reliably estimated. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

Provisions are presented as short-term if the related payments are expected to be made within 12 months of the end of the reporting period. Otherwise, provisions are presented as long-term. The amount recognized as a provision is the present value of the expenses that meeting the obligation is expected to require at the end of the reporting period according to the management's best estimate.

1,000 EUR	Warranty and quality provisions	Other provisions	Restoration provisions	Total
1.1.2023	**718**	**386**		**1,104**
Acquisitions through business combinations	284	334		617
Translation differences	9	9		19
Additions	750	193	520	1,463
Used during the year	-312	-413		-726
Unused provisions reversed	-47	-17		-64
31.12.2023	**1,401**	**492**	**520**	**2,413**
Non-current	**360**	**393**	**520**	**1,272**
Current	**1,041**	**100**		**1,141**

1,000 EUR	Warranty and quality provisions	Other provisions	Restoration provisions	Total
30.9.2022	**603**	**410**		**1,013**
Translation differences	5	6		11
Additions	258	64		323
Used during the year	-129	-87		-216
Unused provisions reversed	-20	-6		-26
31.12.2022	**718**	**386**		**1,104**
Non-current	**179**	**302**		**481**
Current	**539**	**84**		**623**

Warranty and quality provisions

Provisions for warranty-related costs are recognized mainly when the claim has been received and considered justified. Initial recognition is based on historical experience and the negotiation processes. The initial estimate of warranty and quality-related costs is revised and calculated monthly. Warranty and quality provisions are mainly related to Fortaco's subsidiaries in Finland and in France.

Restoration provisions

A restoration provision is recognized when the Group has a contractual obligation to return the land or premises to their original condition. The restoration provision is related to the rental agreement of the factory building in Poland. The provision is reviewed at the end of every reporting period.

Other provisions

Other provisions are related to the environmental, restructuring and personnel obligations. Environmental provisions are recognized when the Group has a present obligation as a result of past events, if it is probable that the Group has an obligation for payment and a reliable estimate of the amount can be made. When there are changes in the circumstances, the amount of environmental provision may be adjusted.

The restructuring provision consist mainly of statutory unemployment insurance liabilities to the Finnish Unemployment Insurance Fund. Restructuring provisions are recognized only when the recognition criteria for provisions are fulfilled. The Group has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline. Furthermore, the employees affected have been notified of the plan's main features.

Personnel related provisions are related to statutory obligations in Poland, Serbia and Sweden.

Key judgements

An estimate of the financial impact of a previous event requires the Group's management to exercise judgement based on past similar events, and on statements issued by an external expert in some cases. Provisions are reviewed regularly and adjusted as necessary to reflect the best estimate at the time of examination. Actual costs may differ from estimates.

4. Business acquisitions and investments

4.1. Acquisitions

Accounting policy

Business combinations are treated using the acquisition method. The consideration for the acquisition of a subsidiary consists of the fair value of the assets transferred. The identifiable assets and the identifiable liabilities and contingent liabilities acquired in a business combination are initially measured at fair value at the time of acquisition, with a few exceptions. Any non-controlling interest in the acquired business has been recognized in the amount corresponding to the share of the non-controlling interest of the identifiable net assets of the acquired business.

The consideration transferred for the acquisition of a business is the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. If a contingent consideration is classified as a financial liability, it is measured at fair value on each reporting date, and the changes in the fair value are recognized in the statement of income.

If a business combination is achieved in stages, the previously held equity interest is revalued at fair value at the acquisition date. Any gains or losses arising from remeasurement are recognized in the statement of income. The costs related to the acquisition have been recognized as expenses at their time of implementation and are presented in other operating expenses in the income statement with the exception of expenses directly attributable to the issue of equity instruments, which are deducted from equity.

The amount by which the consideration provided, the non-controlling interest in the acquired business and the fair value of the previously held interest in the acquired company at the time of acquisition exceed the fair value of the acquired identifiable net assets is recognized as goodwill.

Key judgements

Measurement of intangible assets

The net assets acquired in a business combination are measured at fair value. Fortaco's management has exercised judgement when determining the fair value of the identifiable intangible assets at the time of acquisition and when determining the amortization period for the assets in question. In connection with the acquisitions of Walter Mauser GmbH and Buisard S.A.S, intangible assets were recognized. Their valuation was carried out by an expert firm specializing in the valuation of these types of intangible assets. The management believes that the estimates and assumptions used are sufficiently reliable to determine fair values.

Acquisitions in 2023

Fortaco Group acquired the entire share capital of Walter Mauser GmbH on 6t September 2023. Walter Mauser GmbH has over 60 years of experience in safety cabins and the company is an internationally established excellent niche player for innovative vehicle super

Acquisitions 1,000 EUR	2023	Walter Mauser GmbH	Buisard S.A.S
Consideration transferred			
Fair value of the existing ownership	7,756		7,756
Cash consideration	48,184	37,000	11,184
Contingent considerations	3,221		3,221
Total consideration transferred	**59,160**	**37,000**	**22,160**
Assets and liabilities recognized as a result of the acquisitions			
Assets			
Intangible assets	16,018	10,929	5,089
Right-of-use assets	706	346	360
Property, Plant and Equipment	26,216	10,401	15,815
Inventory	12,855	6,308	6,547
Non-current receivables	1,817		1,817
Trade and other receivables	17,715	5,282	12,433
Deferred tax assets	1,378	391	986
Cash and cash equivalents	5,765	1,368	4,397
Total assets	**82,469**	**35,024**	**47,445**
Liabilities			
Interest bearing borrowings	11,680	4,462	7,218
Lease liabilities	706	346	360
Provisions	284	136	148
Trade and other payables	24,085	3,380	20,705
Deferred tax liabilities	7,227	3,084	4,142
Total liabilities	**43,982**	**11,409**	**32,573**
Net assets	**38,488**	**23,616**	**14,872**
Goodwill arising from the acquisitions	**20,672**	**13,384**	**7,288**
Cash flow impact			
Paid acquisition price	27,000	27,000	
Cash and cash equivalents of the acquired entities	-5,765	-1,368	-4,397
Paid contingent considerations from previous years	8,309		
Total cash flow impact	**29,544**	**25,632**	**-4,397**

structures made for versatile applications. The company has many years of expertise in design, construction, assembly, and service. Walter Mauser GmbH is successfully active in Europe and in the US. The company serves the larger value chain in-house with more than 300 people at a modern factory located in Breitenau, Austria. With this acquisition, Fortaco broadens its cabin technology offerings in Europe, India, and the US. Walter Mauser GmbH has been fully consolidated into the Group since the acquisition. The contribution to Group's net sales in 2023 was EUR 16.5 million. The impact on Group's profit was EUR -0.1 million (loss). Had this acquisition taken place in the beginning of the year, the estimated contribution to Group's sales would have been EUR 44.6 million.

The transaction costs were EUR 1.8 million which were included in Group income statement to other operating expenses and in the cash flow statement to net cash flow from operating activities. The acquisition increased Group's goodwill by EUR 13.4 million. Goodwill is mainly attributable to synergies.

Since January 2022 the Group has had a 35 per cent interest in its associate Buisard S.A.S. Fortaco acquired the remaining 65 per cent part of the shares on 24 October 2023. As a result, Buisard S.A.S became a Fortaco subsidiary and has been fully consolidated into the Group since the acquisition. Buisard S.A.S. is manufacturing cabins in Sablé-sur-Sarthe, France and has 350 employees. Both Fortaco and Buisard have respected and complimentary customer portfolios. The combined cabin offering includes low-, medium-, and high-volume cabins with assembly content from glazed to full plug-and-play cabins. The contribution to Group's net sales in 2023 was EUR 10.4 million. The impact on Group's profit was EUR 0.4 million. Had this acquisition taken place in the beginning of the year, the estimated contribution to Group's sales would have been EUR 68.6 million.

The transaction costs were EUR 273 thousand which were included in group income statement to other operating expenses and in the cash flow statement to net cash flow from operating activities. The acquisition increased Group's goodwill by EUR 7.3 million. Goodwill is mainly attributable to synergies. Contingent considerations recognized for the acquisition amounted to EUR 3.2 million and are recognized to fair value. Contingent considerations are based for instance on the EBITDA between 2023–2025. The contingent considerations will be paid during 2026. The amount of contingent considerations is reviewed on the end date of each reporting period.

Acquisitions in 2022

On September 30,2022, Fortaco Group Holdco Plc acquired the entire share capital of Fortaco Group Ltd. Contingent considerations recognized for the acquisition amounted to EUR 7.6 million and was recognized to fair value. Contingent considerations were based on the realization of 2022 and there was no uncertainty related to the valuation. The contingent considerations related to 2022 business acquisitions were paid in the middle of year 2023. The cash flow effect was EUR 8.3 million.

The asset transfer tax and advisor fees arising from subsidiary acquisition, a total of EUR 4.9 million, were recognized under other operating expenses in the statement of income 2022.

Acquisitions

1,000 EUR	30.9.2022
Consideration transferred	
Cash consideration	49,378
Contingent considerations	7,603
Total consideration transferred	**56,981**
Assets and liabilities recognized as a result of the acquisitions	
Intangible assets	38,345
Property, Plant and Equipment	75,236
Inventory	52,129
Trade and other receivables	21,117
Deferred tax assets	4,894
Cash and cash equivalents	15,734
Liabilities	
Interest bearing non-current borrowings	67,762
Interest bearing non-current borrowings	4,414
Other liabilities	70,281
Deferred tax liabilities	8,322
Net assets	**56,677**
Goodwill arising from the acquisitions	**304**
Cash flow impact	
Paid acquisition price	49,378
Cash and cash equivalents of the acquired entities	-15,734
Total cash flow impact	**33,644**

4.2. Investments in associated companies

Accounting policy

The consolidated financial statements include associated companies in which the Group either holds 20-50 per cent of the voting rights or in which the Group otherwise has significant influence but not control. Companies where the Group has joint control with another entity are considered as joint ventures. Investments in associated companies and joint ventures are accounted for using the equity method: they are initially recorded at cost and the carrying amount is increased or decreased by Fortaco's share of the profit or loss. The Group determines at each reporting date whether there is any indication of impairment.

The Group's share of profits or losses after the acquisition is presented separately in the income statement after operating profit.

The Group's share of post-acquisition profit or loss is recognized in the income statement and its share of post-acquisition movements in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in each associate.

The financial years of the Group and the associates are consistent. Adjustments are made, where necessary, to the combined financial statements to ensure that the accounting policies used in their preparation are consistent with those of the Group.

Associated companies

Since January 2022, the Group has had a 35 per cent interest in its associate, Buisard S.A.S, an unlisted company domiciled in France. The Group acquired the remaining 65 per cent of the shares on 24 October 2023. As a result, Buisard S.A.S became a Fortaco subsidiary.

The Group's consolidated income statement includes a share of profit in an associate EUR 557 thousand from the period 1 January to 24 October 2023 (EUR 385 thousand from 30 September to 31 December 2022). The balance sheet value of investment in associates was EUR 8.5 million as of 24 October 2023.

The original 35 per cent interest in Buisard S.A.S has been revaluated. This resulted in an adjustment of EUR 0.7 million loss which is recognized as a loss on Fortaco's consolidated income statement.

Investments in associates

1,000 EUR	1.1.–24.10.2023	30.9.-31.12.2022
Share of profit/loss	**557**	**385**
Loss of the equity interest	**-657**	
Total	**-100**	**385**

Information on associates

1,000 EUR	1.1.–24.10.2023	1.1.-31.12.2022
Net sales	57,963	68,523
Purchases and other expenses	-55,867	-65,399
Depreciation	-985	-1,031
Interest income and expenses	481	-4
Net profit for the period	1,593	2,089
Non-current assets	7,550	4,456
Current assets	23,377	20,175
Of which cash	4,397	2,544
Non-current liabilities	4,616	1,742
Of which financial liabilities	3,632	1,045
Current liabilities	20,853	16,252
Net assets of associate	**5,458**	**6,637**
Net assets belonging to the Group	**1,910**	**2,323**

4.3. 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 1.1.2023	**1,229**	**31,021**	**31,490**	**12**	**2,216**	**65,967**
Business combinations	1,024	13,949	5,462	1,806	3,725	25,966
Translation differences	19	383	956		145	1,504
Additions	523	64	567	75	16,194	17,423
Disposals		-254	-2,521			-2,775
Reclassifications		791	7,960	83	-8,857	-23
Cost 31.12.2023	**2,796**	**45,953**	**43,914**	**1,975**	**13,424**	**108,063**
Cumulative amortization and impairment 1.1.2023	**-5**	**-828**	**-2,273**			**-3,105**
Translation differences		-11	-54			-65
Cumulative amortization on disposals and reclassifications		222	1,989			2,210
Amortization		-2,454	-6,207	-176		-8,837
Impairment	-3		96			93
Cumulative amortization and impairment 31.12.2023	**-8**	**-3,070**	**-6,450**	**-176**		**-9,704**
Carrying amount 1.1.2023	**1,226**	**30,193**	**29,216**	**12**	**2,216**	**62,863**
Carrying amount 31.12.2023	**2,789**	**42,883**	**37,464**	**1,799**	**13,424**	**98,358**

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**

Accounting policy

Land and water areas are recognized at cost. Other property, plant and equipment is recognized at acquisition cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost ofn replacing part of the property, plant and equipment.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement, if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

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

- Buildings: 20 to 25 years
- Machinery and equipment: 5 to 15 years

An item of property, plant and equipment and any significant part initially recognized, is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. The useful lives of tangible assets may include risks depending on their ability to generate income. Therefore, the useful lives of assets are reviewed annually.

4.4. Leases

The lease contracts of the Group consist mainly offices, factories, production machinery and cars. Lease contracts are valid for a fixed period or until further notice.

Accounting policy

Right-of-use assets

The Group recognizes the leased assets at the inception of the contract as a right-of-use a sset and a lease liability on the statement of financial position. However, short-term leases and leases of low value assets are not recognized in the statement of financial position (see below for details).

At the inception of the contract, the right-of-use asset is measured at acquisition cost, which includes the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date (less any incentives received), any initial direct costs incurred by the Group, and an estimate of costs to be incurred by the lessee 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 assets

1,000 EUR	Buildings and structures	Machinery and equipment	Total
Cost 1.1.2023	5,669	1,664	7,333
Translation differences	206	72	278
Business combinations	24	682	706
Additions	7,670	575	8,246
Disposals	-4	-139	-143
Cost 31.12.2023	**13,566**	**2,854**	**16,420**
Cumulative amortization and impairment 1.1.2023	-637	-218	-855
Translation differences	-72	-22	-94
Amortization	-2,355	-749	-3,104
Cumulative amortization and impairment 31.12.2023	**-3,063**	**-989**	**-4,053**
Carrying amount 1.1.2023	**5,033**	**1,446**	**6,479**
Carrying amount 31.12.2023	**10,502**	**1,865**	**12,367**

Right-of-use assets

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 amortisation 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**

Lease liabilities

At the inception of the lease, the Group measures the lease liability by discounting the future lease payments to their present value. The lease payments included in the measurement of the lease liability comprise the following payments:

- fixed payments;
- variable lease payments that depend on an index or a rate;
- the price of the purchase option if it is reasonably certain that the option will be exercised by the Group; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The fixed payments consist of the minimum lease payments. The non-lease components are separated from lease payments in case they can be measured reliably.

The lease liability is revalued when there is a change in the lease term or in the lease payments. The Group discounts lease payments using the interest rate implicit in the lease. If that rate cannot be readily determine, the Group uses the incremental borrowing rate, i.e. the rate that the Group would have to pay to borrower over a similar term, and with similar security to obtain an asset. In determining the incremental borrowing rate, Fortaco takes into account, for example, the asset class of the leased object and the geographical location of the lease.

When determining the lease term for the contracts that are valid until further notice, Fortaco considers similar fixed-term contracts and their typical lease terms. The estimate of the lease terms is updated at each reporting date.

Lease liabilities

1,000 EUR	2023	2022
Lease liability 1.1.	6,964	
Acquisitions	700	5,936
Additions	8,141	1,699
Lease payments	-3,593	-794
Interest expenses	629	122
Translation differences	-14	
Lease liability 31.12	**12,827**	**6,964**

For short-term leases with a lease term of 12 months or less, and for leases with low value assets, Fortaco recognizes lease payments as an expense in the statement of comprehensive income. The lease contracts where the leased asset would cost less than EUR 5,000 when purchased as a new, the leased asset is considered as a low value asset. The cost of short-term leases and of low value assets are presented in the table below in this section.

Impact on leases on profit and loss statement

1,000 EUR	2023	2022
Expenses related to short-term leases and leases of low value assets	-214	-144
Depreciations from the right-of-use assets	-3,104	-670
Interest expenses from the lease contracts	-629	-122
Total	**-3,947**	**-936**

The Group as a lessor

Rental income received from the contracts were Fortaco is a lessor is recognized as other operating income. Other operating income and expenses are disclosed in Notes 2.3. and 2.4.

4.5. Intangible assets

1,000 EUR	Development costs	Customer relationship	Brand	Technology	Other intangible assets and advance payments	Goodwill	Total
Cost 1.1.2023	833	24,137	12,173		1,366	304	38,813
Business combinations		7,302	2,451	5,884	381	20,672	36,690
Translation differences	25				16		41
Additions					1,825		1,825
Disposals					-1		-1
Reclassifications	6				33		39
Cost 31.12.2023	**864**	**31,439**	**14,624**	**5,884**	**3,620**	**20,976**	**77,407**
Cumulative amortization and impairment 1.1.2023	-33	-536	-406		-189		-1,165
Translation differences	-4				-4		-9
Cumulative amortization on disposals and reclassifications					1		1
Amortization	-134	-1,771	-1,455	-196	-615		-4,170
Cumulative amortisation and impairment 31.12.2023	**-171**	**-2,307**	**-1,861**	**-196**	**-808**		**-5,343**
Carrying amount 1.1.2023	**800**	**23,601**	**11,767**		**1,177**	**304**	**37,649**
Carrying amount 31.12.2023	**693**	**29,132**	**12,764**	**5,687**	**2,812**	**20,976**	**72,065**

1,000 EUR	Development costs	Customer relationship	Brand	Technology	Other intangible assets and advance payments	Goodwill	Total
Business combinations 30.9.2022	822	24,136	12,173		1,215		38,345
Translation differences	11	1			41		53
Additions					304	304	608
Disposals					-8		-8
Reclassifications					-186		-186
Cost 31.12.2022	**833**	**24,137**	**12,173**		**1,367**	**304**	**38,813**
Translation differences					-32		-32
Cumulative amortization on disposals and reclassifications					8		8
Amortization	-33	-536	-406		-165		-1,140
Cumulative amortisation and impairment 31.12.2022	**-33**	**-536**	**-406**		**-189**		**-1,165**
Carrying amount 30.9.2022	**822**	**24,136**	**12,173**		**1,215**		**38,345**
Carrying amount 31.12.2022	**800**	**23,601**	**11,767**		**1,176**	**304**	**37,649**

The useful lives of intangible assets may include risks, depending on their ability to generate income. Therefore, the useful lives of assets are tested annually.

Accounting policy

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

Research and development costs

Research costs are expensed in the consolidated statement of comprehensive income as incurred. If development costs are expected to generate future income and other capitalization criteria are fulfilled, they are capitalized as intangible assets and amortized over the period of the income streams. If capitalization criteria or development costs are no fulfilled the costs are expensed in the consolidated statement of comprehensive income.

Intangible assets are amortized as follows:
- Other long-term expenses 5 years
- Intangible rights/Customer relationship 12 to 15 years
- Intangible rights/Brand 3 to 10 years
- Intangible rights/Order book below 1 year
- Intangible rights, IT/IT systems 3 to 5 years
- Other intangible assets/Licenses 3-5 years

4.6. Goodwill impairment testing

Impairment of non-financial assets

The recoverable amount of non-financial assets is estimated annually at the end of the reporting period or, if necessary, when there is an indication of possible impairment. The recoverable amount of an asset is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. If the recoverable amount is less than the carrying amount of the asset, an impairment loss is recognized

In assessing value in use, recoverable cash flows are discounted to fair value using a pre-tax discount rate that reflects the market's view of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions are identified, an appropriate valuation technique is used. Such valuation techniques use commonly used valuation multiples, quoted prices of publicly traded companies or other similar fair value indicators.

The Fortaco Group uses detailed budgets and forecasts for impairment testing, prepared separately for each of the Group's cash-generating units to which individual assets are allocated. Four such cash-generating units have been identified in the Fortaco Group: Steel Fabrication CGU, Vehicle Cabin CGU, Assembly CGU and Technology CGU. The budgets and forecasts allocated to the cash-generating units normally cover a five-year period. Projected cash flows for subsequent periods are calculated using the specified long-term growth rate.

Impairment losses on assets other than goodwill are reversed if a subsequent assessment indicates that the impairment loss no longer exists or has decreased. An impairment loss may be reversed up to an amount not exceeding the recoverable amount or the carrying amount less depreciation if no impairment loss had been recognized in prior years. Reversals of impairment losses are recognized in the economic outturn account, except for assets measured using the revaluation model, for which the change is recognized as an increase in the revaluation surplus. Impairment losses on goodwill are not reversed in future periods.

The following assets have specific features for impairment testing:

Goodwill

Group goodwill arises when the cost exceeds the fair value of the net assets of the acquired company or business at the acquisition date. Impairment is assessed by determining the recoverable amount of each cash-generating unit. For goodwill impairment testing, the Fortaco Group has determined that it has four cash-generating units: Steel Fabrication CGU, Vehicle Cabin CGU, Assembly CGU and Technology CGU. Of these, goodwill has been allocated to the steel business and the cab manufacturing business.

In determining the value in use, it is necessary to assess future market developments such as growth and profitability and other relevant factors. The most relevant factors are market and customer activity, growth assumptions, the cyclical nature of the engineering industry and the discount rates used in the calculation. Sales forecasts and production volumes are based on the current structure of the group and the tangible fixed assets available to the cash-generating units. The assumptions used by management are based on past experience and five-year forecasts approved by management. Changes in these assumptions could materially affect future cash flows. Cash flow projections for the budgeting and planning period are based on expected revenue levels, operating costs and EBITDA-per cent EBITDA margins. Cash flows beyond the planning periods are determined using an estimated 2.0 per cent revenue growth rate (terminal value). A discount rate of 15.4 per cent was used for the 2023 impairment test.

The Fortaco Group had goodwill of EUR 21.0 (0.3) million on its balance sheet at 31 December 2023. This goodwill is allocated to the steel construction business and the cabins business. Goodwill of EUR 20.7 million arose in 2023 in connection with business acquisitions.

Goodwill allocation		
1,000 EUR	**31.12.2023**	**31.12.2022**
Steel fabrication CGU	304	304
Vechile cabin CGU	20,672	
Total	**20,976**	**304**

Key assumptions in value-in-use calculations

The key assumptions used in the Fortaco Group's value in use calculations are:

- Annual sales growth and sales volumes averaging +5.6 per cent over the forecast period
- EBITDA margin over the forecast period averaging 8.5 per cent for the cabin business and 8.1 per cent for the steel business (8.1 per cent in 2022).
- Discount rate of 15.4 per cent, which is the average rate of the weighted average cost of capital
- Terminal growth rate of 2 per cent, used to extrapolate cash flows over the forecast period

EBITDA margin

EBITDA margin is based on the latest statistical data and estimates of customer prices, material costs, direct and indirect labor costs and estimated overhead cost trends in the production units and the Group's parent company.

Discount rate

The discount rate reflects the market's current expectation of the risks associated with cash flow units, considering the time value of money and the specific risks associated with assets that are not reflected in the cash flow projections. The discount rate calculation is based on the circumstances of the Group and its operating entities and is determined based on the Group's weighted average cost of capital (WACC), which takes into account both debt and equity. The cost of equity is derived from the expected return of the group's investors.

The cost of debt is based on the interest-bearing debt that the group is obliged to pay. Segment-specific risk is incorporated by applying unit-specific beta variables. The beta variables are assessed annually and are based on available data from the market. A discount rate of 15.4 per cent was used for the 2023 impairment test.

Terminal growth rate

The Fortaco Group uses a terminal growth rate of 2.0 per cent for turnover in Europe and Finland. The growth rate does not exceed the average long-term growth rate for the industry.

Growth rate estimates

Growth forecasting is based on management's business plan. Estimates and forecasts of net sales are built based on existing business for existing customers and new growth business for existing and new customers. Estimates for new growth business are based on agreed collaborations and new product implementations.

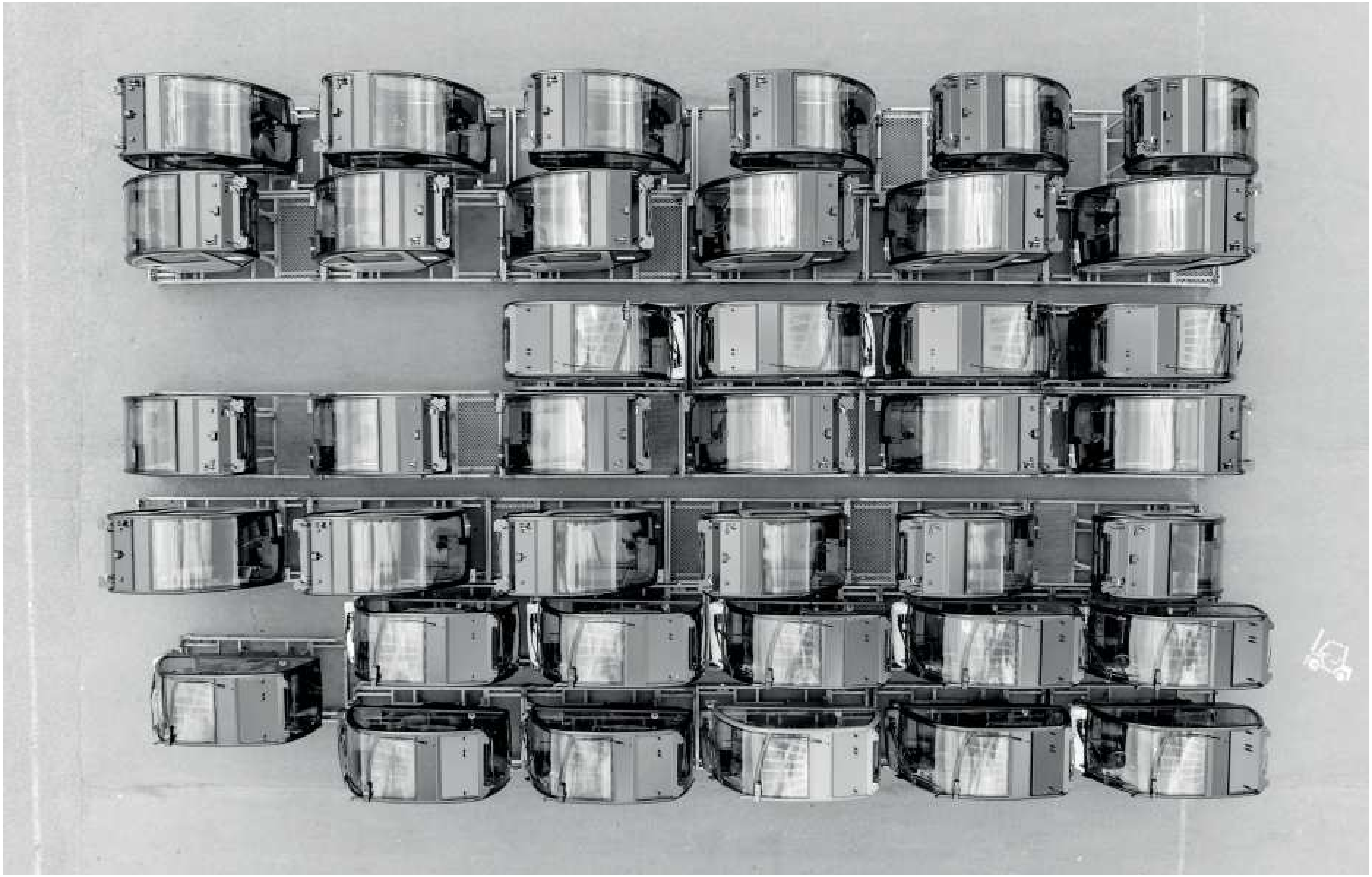
The impairment test showed that the Group has no need to recognize an impairment loss. The cash flow unit values calculated in the impairment test exceeded the carrying amount of the tested cash flow unit, so that, to the best of management's knowledge, no foreseeable possible change in any key variable in the calculation would result in the need for an impairment write-down.

Sensitivity to changes in assumptions

The consequences of changes in key assumptions on the recoverable amount are set out below:

The sensitivity analysis is based on the assumption of deteriorating cash flow growth during and beyond the forecast period. A general increase in interest rates has also been considered, as well as a decrease in profitability. The sensitivity of the cash flow unit to the need for impairment has been tested by changing both the growth forecast and the EBITDA forecast. A decrease in EBITDA by 10 per cent, an increase in the discount rate by 2 percentage points or zero growth after the forecast period would not lead to an impairment. For the Steel Fabrication CGU, only if the discount rate increased by more than 4 percentage points, profitability measured by EBITDA decreased by more than 15 per cent or the cash flow growth forecast after the forecast period became negative by 5 per cent would an impairment loss be realized. The value in use of the cash-generating Steel Fabrication business unit tested for impairment exceeds its carrying amount by approximately EUR 43.7 million.

For the cash-flow generating unit Vehicle Cabins, only if the discount rate would increase by more than 3 percentage points, the profitability measured by EBITDA would decrease by more than 16 per cent or the cash flow growth forecast after the forecast period would become negative by 4 per cent would an impairment loss be realized. Based on the impairment test, the value in use of the tested cash-generating unit of the cab business exceeds its carrying amount by approximately EUR 53.3 million.



5. Financial instruments and capital structures

5.1. Financial risk analysis, management and objectives

Main principles of financing and financial risk management

The Group's financing and financial risks are managed in accordance with the Treasury Policy approved by Fortaco's Board of Directors. The Treasury Policy provides guidance on financial risks and helps to establish a suitable risk management framework for the Group. The Fortaco Group Leadership Team oversees the management of financial risks, is responsible for compliance with the Treasury Policy and for the organization and control of Group financing.

The objective of the treasury function is to ensure that the Group companies have sufficient funds to conduct their business without constraints at all times, to provide the necessary financial services to the business units, to minimize financing costs, to manage financial risks (foreign exchange, interest rate, liquidity, refinancing, credit, counterparty and operational risks) and to provide regular information to management on the financial situation and risks of the Group and its business units.

At the Group level, the Group Leadership Team is responsible for funding and managing liquidity and financial risks, creating a framework for the efficient organization of financial management and overseeing the financing of the business units. The Group Leadership Team reports on these issues on a monthly basis.

Interest rate risk

Changes in market interest rates affect the Group's net interest rates and the fair values of interest-bearing liabilities and receivables. Fortaco's interest rate risk management aims to minimize the impact of changes in interest rates on the income statement, balance sheet and cash flow. The Group's most significant interest rate risk arises from long-term borrowings at variable rates, which expose its cash flow to interest rate risk.

The Group has not hedged its exposure to interest rate risk. Interest rate risk is managed by keeping the average interest rate exposure (interest rate duration) of financial items within the minimum and maximum levels set by the Management Committee by changing the ratio of fixed to variable rate loans in the loan and investment portfolio.

On 31 December, the Group's total interest-bearing liabilities amounted to EUR 125,191 thousand (31 December 2022: 84,082), of which EUR 93,194 thousand (64,369) were floating rate senior bonds, EUR 12,827 thousand (6,964) were lease liabilities and the remaining EUR 19,170 thousand (12,749) were fixed and floating rate bank loans, short-term loans, and other interest-bearing liabilities. On the 31 December, the average interest-bearing period of interest-bearing liabilities was four (four in 2022) months, excluding lease liabilities.

The Group's financial assets of EUR 54,586 thousand (31.12.2022: 55,239) consisted mainly of short-term deposits and cash and cash equivalents.

Based on the sensitivity analysis, a one percentage point change in the interest rate level of the debt portfolio would result in a change in net interest expenses of EUR 1,202 thousand (31.12.2022: EUR 810) in the following year. The impact is calculated on an annual basis assuming no change in the balance sheet structure of the group.The Group's main financial currency is the euro.

The following table shows the sensitivity of variable rate loans to a one per cent change in interest rates and its impact on the Group's result, other variables held constant.

Loss Interest rate sensitivity

1,000 EUR	Increase / decrease	Effect on profit before tax
31.12.2023	1 %	1,202
	-1 %	-1,202
31.12.2022	1 %	810
	-1 %	-810

Currency risks

Fortaco is headquartered in Finland and has operations in eight countries. Due to its international business activities, the Group is exposed to risks arising from exchange rate fluctuations. A significant part of the Group's turnover and production costs are denominated in euros. As a result, a significant proportion of working capital items are also denominated in euros, including in foreign subsidiaries whose functional currency is not the euro. Intra-group loans are mainly denominated in euro.

Fortaco is exposed to currency risks, incurred from both on and off-balance sheet items. Fortaco is mainly exposed to changes in the exchange rates of the Hungarian forint (HUF/EUR), the Serbian dinar (RSD/EUR) and the Polish zloty (PLN/EUR). The impact on the Group's earnings (transaction risk) incurred from exchange rate movements is mainly due to trade receivables, trade payables, internal loans, and salaries. Fortaco is not currently hedged against exchange rate risk.

The following table illustrates the sensitivity to a 5 per cent change in the HUF (Hungarian forint), PLN (Polish zloty) and RSD (Serbian dinar), holding all other variables constant.

Foreign currency sensitivity	Change in the currency rate	Effect on profit before tax	Effect on profit before tax	Other comprehensive income	Other comprehensive income
1,000 EUR		31.12.2023	31.12.2022	31.12.2023	31.12.2022
PLN	5 %	-133	412	1,129	996
PLN	-5 %	133	-412	-1,129	-996
HUF	5 %	329	228	105	65
HUF	-5 %	-329	-228	-105	-65
RSD	5 %	-130	-78	164	267
RSD	-5 %	130	78	-164	-267

The Group's net investments in subsidiaries outside the Euro area incur deferred translation differences impacting the Group's equity (translation risk). The translation risk is mitigated by managing the balance sheet structure to balance the impact of exchange rate changes on debt and equity. The Group Leadership Team regularly monitors the translation position and assesses the materiality of the risk position. The impact of foreign exchange translation risk on the Group's net debt ratio is not significant and no hedging of foreign exchange translation risk has been deemed necessary.

Other market risks

In addition to the financial risks managed by the Treasury function, Fortaco is exposed to price and component availability risks arising from the sourcing of raw materials and components. These risks are managed through careful selection of suppliers, long-term cooperation with key suppliers and contractual terms. In addition, Fortaco's risk management policy aims to manage price risk by linking sales prices to price indices of main raw materials, which are used to transfer increased material costs to sales prices.

Liquidity and refinancing risks

The objective of liquidity management is to maintain optimal liquidity on a continuous basis to finance the Group's business activities, to minimize interest expenses and other financing costs and to avoid states of illiquidity (liquidity risk). External financing, liquidity positions and financial investments are managed centrally by the Group's Treasury function in accordance with the Group treasury policy. The Group ensures adequate liquidity at all times through efficient cash management. In addition, Fortaco ensures liquidity by factoring programs for its trade receivables and by raising additional loans. The Group's financing agreements are subject to certain financial covenants and other restrictions. These include, for example, restrictions on the use of other financial instruments outside the scope of the senior bonds issued by the Group, and certain financial covenants relating to local financing agreements of the Group's subsidiaries.

Liquidity risk is managed by maintaining long-term liquidity reserves in excess of the short-term liquidity requirements. On 31 December, the Group's liquidity reserve totaled EUR 32,535 thousand (31.12.2022: EUR 41,300). On 31 December, the Group had no credit limits in place. The Group's short-term liquidity needs include the repayments of short- and long-term interest-bearing loans over the next 12 months and the strategic liquidity need, which are defined by senior management and also consider the other financing needs of the business operations over the next 12 months. As of 31 December, the repayment needs for current and non-current borrowings over the next 12 months amounted to EUR 11,474 (7,280) thousand, of which EUR 4,614 (3,253) thousand are from lease liabilities.

Availability of short-term funding		
1,000 EUR	**31.12.2023**	**31.12.2022**
Security deposits	116	13,118
Cash and cash equivalents	32,420	28,182
Total	**32,535**	**41,300**

Fortaco's liquidity position includes EUR 4,431 (13,866) thousand of cash and cash equivalents subject to financial covenants related to the Group's external loans. The Group's short-term financial assets related to the Group's liquidity risk management are presented in the table below.

Loan refinancing risk, defined as the risk that significant part of the Group's loans or credit limits would mature in a period when it is economically or contractually disadvantageous to refinance the loans, is minimized by balancing the maturity schedules of the loans or credit limits and by keeping the contractual terms of the loans sufficiently flexible. The management believes that the Group's liquidity position is good and that there are no significant concentrations of risk related to the availability of funding or refinancing.

Credit and counterparty risk

Credit risk arises from trade receivables, funds held under customer contracts, deposits and cash and bank receivables. Fortaco's credit risk is realized when a counterparty is unable to meet its obligations to the Group.

Credit risks related to operational activities are managed and controlled by the business units in accordance with the Group's risk policy, agreed guidelines and established controls. The Group has no significant concentrations of credit risk, as it has a diverse, financially stable, and broad customer base spread across the globe. Customer creditworthiness is assessed based on a scoring matrix and customer-specific credit limits are determined based on this assessment. Outstanding trade receivables are regularly monitored. In order to reduce the credit risk associated with customer contracts, the Group sells a significant part of its trade receivables via factoring programs on a non-recourse basis to a financing partner. The risks and rights of the trade receivables which have been sold have been transferred fully and the receivables are therefore derecognized from the Group's balance sheet. Trade receivables sold accounted for 71 per cent (83 per cent) of total trade receivables at the end of the 2023 financial year.

Fortaco applies the simplified model under IFRS 9 for the treatment of expected credit losses. The Group's trade receivables do not include a significant financial component. The amount of the provision for credit losses is assessed on each reporting date and the calculation is based on the historical credit performance of the customer's trade receivables. The Group considers the concentration of credit risk in trade receivables to be low as its customers are located in several jurisdictions and industries. These customers are financially stable companies and operate mostly in unrelated markets. Credit decisions are made on a case-by-case basis based on reports on payment behavior and equity ratios prepared by credit rating agencies to assess the solvency of the customer.

The following factors are considered in the determination of the credit loss allowances:

- customer size (small, medium, large)
- ageing of receivables (current, 1-30 days, 31-60 days, 61-90 days, over 90 days)
- forward looking parameters (assumptions on future payment behavior of customers and macroeconomic variables)

The amount of credit losses recognized in the income statement in the reporting period was EUR 55 (44) thousand. EUR 55 (44) thousand of the credit losses are related to customer receivables.

The Group has no external loan receivables.

Contractual assets relate to unbilled work in progress and have similar risk characteristics to trade receivables arising from similar type of contracts. Therefore, Fortaco's management has assumed that the expected loss rate on current trade receivables is reasonably close to the loss rate on contractual assets.

Trade receivables and contractual assets are derecognized as actualized credit losses when there is no reasonable expectation of recovery. Indications that payment cannot reasonably be expected include for example the inability of the debtor to enter into a payment plan with the Group. Impairment losses on trade receivables and contractual assets are presented as net impairment losses included in operating profit. If a subsequent payment is received for items recognized as final credit losses, it is credited to the same profit and loss account.

The credit loss risks used in the analysis are in line with the view of the management. The risks are set according to management's best judgement and are based on an assessment of the status of each customer. The expected credit losses relating to the Group's trade receivables are set out in the table below.

Loss allowance		
1,000 EUR	**31.12.2023**	**31.12.2022**
Loss allowance at 1 Jan	286	0
Increase in loss allowance recognized in the statement of comprehensive income during the financial year	145	355
Receivables written off during the financial year as uncollectible	-55	-44
Unused amount reversed	-36	-25
Loss allowance at 31 Dec	**340**	**286**

Estimated expected credit losses			**31.12.2023**			**31.12.2022**	
1,000 EUR	**Expected credit loss rate, %**	**Gross**	**Expected credit loss**	**Net**	**Gross**	**Expected credit loss**	**Net**
Current	0 %	18,065	-60	18,005	10,656	-21	10,636
Past due		0	0	0	0	0	0
Less than 30 days	0 %	2,945	-5	2,940	2,349	-10	2,339
30-60 days	1 %	520	-4	516	651	-2	649
61-90 days	2 %	170	-3	166	170	-1	168
91-180 days	3 %	210	-6	204	27	-2	24
181-360 days	10 %	175	-18	157	32	-10	22
over 360 days	79 %	305	-242	63	341	-240	101
Total		**22,390**	**-340**	**22,050**	**14,226**	**-286**	**13,939**

The main potential credit risk related to cash and cash equivalents relates to significant cash and security deposits with financial institutions. Financial investments are only made with counterparties of high credit quality. Although cash and cash equivalents are also subject to impairment requirements under IFRS 9, the impairment loss is identified to be immaterial. Receivables related to off-balance sheet customer financing and operating lease receivables are collateralized and therefore the related credit risk is assessed to be low.

Capital structure

The objective of the Group's capital management is to ensure the Group's ability to operate in all circumstances and to maintain an optimal capital structure in terms of the cost of capital. The shareholders decide on the objectives of the capital structure and the Group Leadership Team monitors the capital structure on a regular basis. For the purposes of the Group's capital management, capital includes share capital, free invested equity reserve and all other equity reserves attributable to the owners of the parent company. The primary objective of Group capital management is to maximize the value of the company. In order to achieve this objective, the Group's capital management aims, inter alia, to ensure that it meets the financial covenants on the interest-bearing liabilities, which in turn determine the capital structure requirements. Note 5.5. provides information on the covenants relating to interest-bearing liabilities for the financial year. The Group manages its capital structure and adjusts it according to the economic situation, considering the covenants. To maintain or adjust its capital structure, the Group may change the distribution of dividends to shareholders, return capital to shareholders or issue new shares. The capital structure measured with net gearing ratio, i.e., the ratio of net interest-bearing debt to equity. Net interest-bearing debt is calculated by deducting interest-bearing assets, including cash and cash equivalents, from interest-bearing liabilities.

5.2. Fair value assessment

Fair value hierarchy

The Fortaco Group uses valuation methods which are appropriate in the circumstances and for which sufficient information is available to determine fair value, using the maximum amount of relevant observable inputs and minimum amount of non-observable inputs. All financial assets and liabilities measured at fair value or for which fair value is disclosed in the notes are classified into fair value hierarchy levels below based on the lowest level input that is significant to the overall measurement.

Level 1:

Quoted (unadjusted) prices for identical assets or liabilities in an active market. The price information is directly available from a publicly quoted exchange, an intermediary broker, or a supervisory authority.

Level 2:

Fair value measurement methods where inputs are observable for an asset or liability, either directly or indirectly. Input is readily available from a publicly quoted exchange, an intermediary broker or a supervisory authority. Level 2 instruments are recognized at carrying amount on 31 December.

Level 3:

Fair value measurement methods where the lowest level inputs relevant to the valuation are not observable. When the fair value of a financial instrument cannot be measured using a quoted price in an active market for an identical asset, fair value is determined using valuation methods (for example, using a discounted cash flow approach). The inputs that need to be assessed include liquidity risk, credit risk and volatility. Changes in the estimated assumptions may affect the fair value of the financial instrument.

For assets and liabilities that are reported on a recurring basis in the financial statements, the Group determines when shifts in fair value hierarchy levels have occurred by reassessing the classification (based on the lowest level input that is significant to the overall measurement) at the end of each reporting period.

5.3. Financial assets and liabilities

The fair value of the senior bond on 31 December 2023 was EUR 96.4 million (31.12.2022: EUR 65.5 million). The senior bond fair value is estimated based on the market price on the valuation date.

Loans from related parties include EUR 5.0 million subordinated shareholder loan from the owner of Fortaco Group.

On 31 December, the Group had EUR 3.3 million of contingent considerations. During 2023, the Group paid EUR 8.3 million in contingent consideration from acquisitions to previous shareholders. The difference of EUR 0.7 million is presented in the consolidated income statement under financial expenses.

1,000 EUR	Level	31.12.2023 Carrying amount	31.12.2022 Carrying amount
Financial assets measured at amortized cost			
Trade receivables	-	22,050	13,940
Security deposits	-	116	13,118
Cash and cash equivalents	-	32,420	28,182
Financial assets measured at amortized cost total		**54,586**	**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	93,194	64,369
Floating rate borrowings	2	4,762	6,470
Fixed rate borrowings	2	3,518	3,074
Loans from related parties	2	5,000	0
Lease liabilities	-	12,827	6,964
Trade payables	-	56,311	51,378
Other interest bearing liabilities*)	2	5,889	3,205
Financial liabilities measured at amortized cost total		**181,502**	**135,460**
Fair value through profit and loss			
Contingent considerations	3	3,285	7,603
Fair value through profit and loss total		**3,285**	**7,603**

*) The figure has been amended since the publication of the Financial Statements Bulletin based on an audit finding.

Contingent considerations are treated in accordance with the IFRS 9 standard and are classified as financial liabilities. They are recognized at fair value through profit and loss. The change in fair value is recognized through profit and loss. The value of contingent consideration is dependent on the company's business development between 2023 and 2025. In 2023, the Group recognized EUR 0.8 million from the change in the fair value of the income statement under financial expenses.

During the financial year the Group has entered into new financing agreements related to its expansion investments in Estonia and Poland. These include new factory lease agreement in Estonia, which has a purchase option, and a 15-year factory lease agreement in Gliwice. In addition to the factory lease agreement, the Group has entered into a financing facility agreement related to Gliwice machinery purchases. The Gliwice facility will be handed over to the Group in the second half of 2024. The Gliwice facility lease agreement will be treated in accordance with IFRS 16 standards when the facility is handed over to the Group. The lease payment will be EUR 2.6 million annually and the lease liability is estimated to be around EUR 17.7 million.

Accounting principles – Financial assets

Fortaco's financial assets include trade receivables, security deposits and cash and cash equivalents. Trade receivables, security deposits and cash and cash equivalents are measured at amortized cost. Financial assets are derecognized when the rights to the cash flows from the financial assets have expired or have been transferred and Fortaco has transferred substantially all the risks and rights of ownership. The gain or loss arising from derecognition is recognized directly in the statement of comprehensive income and presented in other operating expenses.

Initial recognition and measurement

On initial recognition, financial assets are measured at fair value less transaction costs directly attributable to the acquisition of the financial asset. Subsequently, financial assets are measured at fair value through profit or loss, fair value through other comprehensive income or amortized cost. Acquisitions and disposals of financial assets are recognized on the trade date, which is the date that Fortaco commits to purchase or sell the item.

Subsequent measurement

1) Financial assets measured at amortized cost

Financial assets measured at amortized cost are non-derivative financial assets that are held to collect contractual cash flows and whose cash flows are solely payments of principal and interest. Interest income on these financial assets is included in financial income using the effective interest method.

Due to the short-term nature of trade receivables, their carrying amount is considered to be equal to their fair value.

2) Financial assets at fair value through other comprehensive income
Investments in equity instruments are always measured at fair value. For equity financial assets, the Group may irrevocably elect, at initial recognition, to recognize subsequent changes in the fair value of an equity investment that are not held for trading in other comprehensive income. Once this decision is made, amounts reported in other comprehensive income are not subsequently reclassified to profit or loss. The dividends received on these investments are recognized in profit or loss.

Accounting principles – Financial liabilities

The Group's main financial liabilities consist of senior bonds, bank loans, trade and other payables and lease liabilities. In July 2023, Fortaco issued a further EUR 27.5 million publicly quoted senior bond as a tap issue of the senior bond issued in 2022 (ISIN: NO0012547274). The total nominal value of the bonds issued by the Group at the end of 2023 was EUR 102.5 million, of which EUR 3.6 million is held by the Group.

In addition to the bond issue, the Group has bank loans from local financiers of its subsidiaries.

Initial recognition

On initial recognition, financial liabilities are measured at fair value less direct transaction costs. Subsequently, financial liabilities are classified at fair value through profit or loss or at amortized cost. Loans are initially recognized at fair value less transaction costs incurred.

Loans are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the loan using the effective interest method. Contingent considerations arising from business combinations are treated in accordance with IFRS 9 and are classified as financial liabilities.

Contingent considerations are measured at fair value through profit or loss. Changes in fair value are recognized in profit or loss.

Financial liabilities are recognized on the trade date, which is the date on which Fortaco commits to the contractual rights and obligations.

Guarantees and collaterals given are disclosed in note 6.3.

Subsequent measurement

1) Financial liabilities at fair value through profit or loss
A contingent purchase price liability recognized in a business combination is measured at fair value through profit or loss after initial recognition.

2) Financial liabilities measured at amortized cost
Trade payables and interest-bearing liabilities are classified at amortized cost using the effective interest method. The difference between the amount received (net of transaction costs) and the amount payable is recognized in the income statement using the effective interest method over the period of the loan.

Derecognition from the balance sheet

A financial asset (or part of a financial asset or part of a group of similar financial assets) is derecognized when the contractual right to the cash flows from the financial asset expires and the risks and rewards of ownership of the financial asset are transferred outside the Fortaco Group.

A financial liability is derecognized when the contractual liability is liquidated, cancelled, or matures.

5.4. Financial income and expenses

Foreign exchange gains and losses have arisen mainly from transactions in the foreign currency accounts of the Group's subsidiaries and from intra-group foreign currency loans granted to subsidiaries.

Other financial income and expenses include management fees and guarantee fees on financial instruments, including the senior bond issued by the Group.

Interest income and expenses

Interest income and expense are amortized over time based on the principal amount receivable and the effective interest rate applicable, being the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the net carrying amount of the financial asset.

Financial income and expenses

1,000 EUR	2023	2022
Interest income on loans and receivables measured at amortized cost	1,473	222
Total interest income	**1,473**	**222**
Interest expenses from financial liabilities measured at amortized cost	-11,621	-2,562
Interest expense from lease liabilities	-948	-148
Total interest expense	**-12,569**	**-2,709**
Foreign exchange losses		
from balance sheet items	-699	99
Dividend received from associated companies	731	0
Refinancing expenses related to borrowings	0	-137
Factoring expenses	-4,079	-757
Other financial expenses	-1,348	-9
Total other financial income and expenses	**-5,395**	**-804**
Total financial income and expenses	**-16,491**	**-3,292**

5.5. Interest-bearing liabilities

The Group's financing agreements are subject to certain financial covenants and other restrictions. These include, for example, restrictions on the use of other financial instruments outside the scope of the senior bond issued by the Group, and certain financial covenants relating to local financing agreements of the Group's subsidiaries. In addition, the senior bond contains covenants on additional financial indebtedness in the event of acquisitions and any additional issuances of the bond. Furthermore, the terms of the Group's senior bond restrict the distribution of dividends by the Group. In addition, the Group is obliged to publish financial information in accordance with the rules of Nasdaq Helsinki.

The fulfilment of financial covenants in local loan agreements is monitored on a quarterly basis. In June and December 2023, a subsidiary of the Group received waivers from its local lender related to a potential technical breach of financial covenants during 2023. Based on the waivers, this covenant breach will not be treated as a breach of the terms of the company's loan agreements.

In July 2023, Fortaco issued an additional EUR 27.5 million publicly quoted bond as part of the senior bond issued in 2022 (ISIN: NO0012547274). The total nominal value of the bonds issued by the Group at the end of 2023 was EUR 102.5 million, of which EUR 3.6 million is held by the Group.

The bond is traded on Nasdaq Helsinki and on the Open Market (Freiverkehr) of the Frankfurt Stock Exchange. Further information on the bond is available on Fortaco's investor website, on Nasdaq Helsinki and on Frankfurt Stock Exchange.

During the financial year the Group has entered into new financing agreements related to its expansion investments in Estonia and Poland. These include new factory lease agreement in Estonia, which has a purchase option, and a 15-year factory lease agreement in Gliwice. In addition to the factory lease agreement, the Group has entered into a financing facility agreement related to Gliwice machinery purchases. The Gliwice facility will be handed over to the Group in the second half of 2024. The Gliwice facility lease agreement will be treated in accordance with IFRS 16 standards when the facility is handed over to the Group. The lease payment will be EUR 2.6 million annually and the lease liability is estimated to be around EUR 17.7 million.

In November 2023, Fortaco received a EUR 5.0 million shareholder loan from its sole shareholder OEP 81 B.V. The loan is subordinated to the Group's senior bond. The funds have been used in full to repay the financial facility used and related to the acquisition of MauserCABS. The loan is shown under "Loans from related parties".

Reconciliation of financial liabilities

1,000 EUR	Interest-bearing financial liabilities	Lease liabilities	Change in liabilities classified as financial operations in cash flow
Opening amount 30.9.2022			
Cash flow from financing	67,652	5,936	73,588
Borrowings	70,040		70,040
Repayments	-60,573	-671	-61,244
Other changes			
New lease agreements		1,699	1,699
Total 31.12.2022	**77,119**	**6,964**	**84,082**
Opening amount 1.1.2023	**77,119**	**6,964**	**84,082**
Cash flow from financing			
Borrowings	38,866		38,866
Repayments	-10,869	-3,493	-14,362
Other changes			
Acquisitions	5,170		5,170
Purchases in the investment cash flow	2,217		2,217
New lease agreements		8,928	8,928
Translation differences	-139	428	289
Total 31.12.2023	**112,364**	**12,827**	**125,191**

Maturity of financial liabilities 31.12.2023								
1,000 EUR	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 3 years**	**4 to 5 years**	**Over 5 years**	**Total contractual cash flows**	**Book value**
Senior bond	0	0	0	0	98,904	0	98,904	93,194
Loans from related parties	0	0	0	0	5,000	0	5,000	5,000
Other loans	0	1,020	5,840	4,366	2,367	577	14,170	14,170
Lease liabilities	0	840	3,774	4,587	4,182	0	13,383	12,827
Interest liabilities	0	71	11,561	17,284	11,503	20	40,440	2,262
Trade payables	7,431	44,015	4,865	0	0	0	56,311	56,311
Other liabilities	2	7	518	1,329	870	0	2,725	2,725
Total	**7,433**	**45,953**	**26,557**	**27,566**	**122,826**	**597**	**230,932**	**186,490**

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**	**Over 5 years**	**Total contractual cash flows**	**Book value**
Senior bond	0	0	0	0	68,904	0	68,904	64,369
Other loans	49	550	3,428	8,327	396	0	12,749	12,749
Lease liabilities	0	816	2,437	3,935	1,593	0	8,781	6,964
Interest liabilities	0	1,700	5,643	21,594	3,562	0	32,498	1,228
Trade payables	13,525	37,832	21	0	0	0	51,378	51,378
Other liabilities	82	1,000	8,494	1,883	0	382	11,842	11,842
Total	**13,656**	**41,898**	**20,023**	**35,738**	**74,455**	**382**	**186,152**	**148,530**

5.6. Equity

1,000 EUR	31.12.2023	31.12.2022
Share capital	80	80
Reserve for invested unrestricted equity	95,178	61,920
Cumulative translation difference	2,527	669
Retained earnings	-6,829	
Profit (loss) for the period	-19,928	-6,829
Total equity attributable to owners of the parent company	**71,028**	**55,840**
Non-controlling interest	103	82
Total equity	**71,131**	**55,922**

Number of shares	31.12.2023	31.12.2022
Shares	1,000	1,000
	1,000	**1,000**

Share capital

Fortaco Group Holdco Plc has one series of shares. One share entitles its holder to one vote at a general meeting. On 31 December 2023, the share capital of Fortaco Group Holdco Plc was EUR 80,000 (80,000) and the number of shares on 31 December 2023 was 1,000 (31 Dec 2022:1,000). During financial year 2023 there has not been an issue of new shares. The parent company does not hold any of its own shares. There has been a gratuitous EUR 33,257,667.31 investment in the reserve for invested unrestricted equity during financial year 2023.

Translation differences

Translation differences arising from the conversion of the financial statements of a foreign subsidiary are recognized in other comprehensive income and are accumulated in a separate equity reserve. The accumulated amount is transferred to profit or loss when the net investment is divested.

Dividends

The Board of Directors proposes to the Annual General Meeting that the company does not pay dividends, and the result for the financial year be transferred to the profit and loss account for previous years. Fortaco Group's issued bond with senior conditions limits the distribution of profits outside the Group. These restrictions are not applicable with the Group's internal profit distribution. The main restrictions for the bond are provided in Note 5.5.

5.7. Cash and short-term deposits

The Fortaco Group had no short-term deposits during the financial years 2022-2023. Cash and cash equivalent balances in the balance sheet consist of cash, other liquid bank deposits and other short-term investments that can be liquidated in less than three months. In the Fortaco Group's cash flow statement, cash and cash equivalents consist of the above items less the amount of credit account limits in use.

Cash and short-term deposits		
1,000 EUR	**31.12.2023**	**31.12.2022**
Cash and cash equivalents	32,420	28,182
Total	**32,420**	**28,182**

6. Other notes

6.1. Group information

Group information is shown in the table below.

Group information		Group ownership (%)	
Name	Country of incorporation	2023	2022
Fortaco Group Holdco Oyj	Finland	Parent company	Parent company
Fortaco Group Oy	Finland	100.0 %	100.0 %
Fortaco Oy	Finland	100.0 %	100.0 %
Fortaco Ostrobothnia Oy	Finland	100.0 %	100.0 %
Fortaco Estonia OÜ	Estonia	100.0 %	100.0 %
Fortaco SP z.o.o	Poland	100.0 %	100.0 %
Fortaco JL SP z.o.o.	Poland	99.4 %	99.3 %
Fortaco s.r.o.	Slovakia	100.0 %	100.0 %
Fortaco Zrt	Hungary	99.9 %	99.9 %
Fortaco AB	Sweden	100.0 %	100.0 %
Fortaco GmbH	Germany	100.0 %	100.0 %
Fortaco Finance Oy	Finland	100.0 %	100.0 %
Linda properties Oü	Estonia	100.0 %	100.0 %
Fortaco d.o.o. Gruza	Serbia	100.0 %	100.0 %
Buisard S.A.S	France	100.0 %	35.0 %
Fortaco Austria Holding GmbH	France	100.0 %	
Walter Mauser GmbH	Austria	100.0 %	
Fortaco France Holding	Austria	100.0 %	
Fortaco Polska SP z.o.o.	Poland	100.0 %	

6.2. Related party transactions

The Fortaco Group's related parties consist of its subsidiaries and associates. As per IAS 24 related parties also include the members of the Board of Directors, the CEO, the Group's management, the supervisory Board, their close family members and the entities controlled directly or indirectly by them.

Information about the Group's structure and related subsidiaries and holding companies is presented in Note 6.1. Related party transactions during the financial period are presented in the table below. At the end of the financial period 2023 Fortaco Group Holdco Oyj was owned by funds managed by One Equity Partners (100 per cent), which is presented as a company with influence over the Group.

1,000 EUR	2023	2022
Key management of the Group		
Purchases from related parties	127	4,309
Entity with influence over the Group		
Purchases from related parties	123	7

1,000 EUR	31.12.2023	31.12.2022
Entity with influence over the Group		
Fund for invested non-restricted equity	33,258	61,920
Non-current borrowings	5,000	

1,000 EUR	1.1.-24.10.2023	12.4.-31.12.2022
Associates*		
Purchases	612	870
Sales	9	
Dividends received	731	

*24.10.2023 Fortaco acquired the remaining 65 per cent of the sares of Buisard S.A.S. As a result, Buisard S.A.S became a fully owned subsidiary of the Group.

Employee benefits of the CEO, other members of the Group's management and the Board of Directors are presented in the table on the next page. These transactions related to employee benefits are recorded as expenses during the financial period.

Compensation of the CEO, Group Management and the Supervisory Board		
1,000 EUR	**2023**	**2022**
Wages and other short-term employee benefits		
CEO	941	148
Other Members of the Group's Management	1,122	982
Members of the Supervisory Board	93	
Total compensation paid to key management personnel	**2,156**	**1,130**

6.3. Collateral and contingent liabilities

Operating lease commitments – Fortaco Group as the lessor Future minimum rentals receivable under non-cancellable operating leases as of 31 December are presented in the table below.

Operating lease agreements - Fortaco Group as lessor		
1,000 EUR	**31.12.2023**	**31.12.2022**
Within one year	333	333
After one but no more than five years	749	1,081
Total	**1,082**	**1,414**

Leases are treated in accordance with IFRS 16 and presented in more detail in Section 4.4. Leases

Commitments, collaterals and mortgages

1,000 EUR	**31.12.2023**	**31.12.2022**
Other receivables given as security deposits	116	13,118

Security deposits mainly relate to collateral deposits on the Group's rental properties in Finland and Poland.

Other financial commitments and guarantees		
1,000 EUR	**2023**	**2022**
Guarantees given to Group companies*)	8,830	5,475
Sureties	53,475	0
Guarantees	52,492	0
Total	**114,797**	**5,475**

*)Tthe figure has been amended since the publication of the Financial Statements Bulletin based on an audit finding.

Pledged shares	
Fortaco Group Holdco Oyj	100.00 %
Fortaco Group Oy	100.00 %
Fortaco Ostrobothnia Oy	100.00 %
Fortaco Oy	100.00 %
Fortaco Estonia OÜ	100.00 %
Fortaco SP z.o.o.	100.00 %
Fortaco JL SP z.o.o.	99.35 %

Parent company guarantees are given for obligations arising in the ordinary course of business of subsidiaries.Other guarantees and sureties are given against obligations arising from the Group's expansion investments.

Interest-bearing loans and given collaterals	**31.12.2023**	**31.12.2022**
Senior bond	98,904	68,904
Interest-bearing loans	4,762	5,420
	103,666	**74,324**
Business and real-estate mortgages*)	229,094	226,213
Pledged internal loan receivables	127,499	87,235
Total commitments	**356,593**	**313,448**

*) The figure has been amended since the publication of the Financial Statements Bulletin based on an audit finding.

The pledged loan receivables above are shown at nominal value.

6.4. Events after financial period

In February 2024, the Group agreed to refinance the local loan agreements of one its Estonian subsidiary. In the refinancing, the loan capital was consolidated, and the maturity of the loan agreements was extended until March 2027. The payment schedules of the loans were updated accordingly.

On 28 February 2024, Fortaco announced a strategic review of its marine, energy and heavy equipment project businesses. These businesses, representing less than 10 per cent of Fortaco's (including MauserCABS and Buisard) turnover, have caused significant losses for Fortaco during 2023. The EBITDA before non-recurring items of these businesses amounted to EUR -6 million in 2023. Fortaco's production facilities in these segments are located in Finland, Hungary and Serbia. The valuation is expected to be finalized during the first half of 2024.

On 8 March 2024, Fortaco announced it was investigating the possibility to issue subsequent bonds under its existing bond framework. On 11 March 2024, it was announced that the bond issue was successful in the amount of EUR 25.0 million. Further, it was announced that in connection with the Subsequent Bond Issue, the equity of the Group is planned to be strengthened with EUR 10.0 million, by way of either unconditional shareholders' contribution or shareholder loans. The settlement of the Subsequent Bond Issue is expected to be on or about 26 March 2024.

PARENT COMPANY'S FINANCIAL STATEMENTS (FAS)

Parent company - Income statement

EUR	1.1.-31.12.2023	12.4.-31.12.2022
Other operating income	**2,201,306**	
Staff expenses		
Wages and salaries	-1,079,923	
Social security expenses		
Pension expenses	-81,315	
Other social security expenses	-32,820	
Staff expenses, total	**-1,194,058**	
Other operating expenses	**-1,538,623**	**-69,848**
OPERATING PROFIT/LOSS	**-531,374**	**-69,848**
Financial income and expenses		
Other interest income and other financial income		
from group undertakings	8,916,754	1,841,066
from others	1,278,749	216,825
Interest and other financial expenses		
from others	-12,563,996	- 7,064,954
Financial income and expenses, total	**-2,368,494**	**-5,007,063**
Profit (loss) before appropriations and taxes	**-2,899,868**	**-5,076,911**
Profit/loss for the financial year	**-2,899,868**	**-5,076,911**

Parent company - Balance sheet

EUR	31.12.2023	31.12.2022
ASSETS		
Non-current assets		
Investments		
Investments in subsidiaries	51,970,274	13,403,499
Receivables from other group companies	127,499,284	87,234,772
Total investments	**179,469,558**	**100,638,271**
TOTAL NON-CURRENT ASSETS	**179,469,558**	**100,638,271**
CURRENTS ASSETS		
Receivables		
Non-current		
Receivables from other group companies	15,422,992	14,348,077
Other receivables	49,841	13,035,133
Prepaid expenses and accrued income	8,730	138,868
Total current receivables	**15,481,564**	**27,522,078**
Cash and cash equivalents	**89,330**	**9,554,863**
TOTAL CURRENT ASSET	**15,570,894**	**37,076,941**
ASSETS TOTAL	**195,040,452**	**137,715,212**

Parent company - Balance sheet

EUR	31.12.2023	31.12.2022
EQUITY AND LIABILITIES		
EQUITY		
Share capital	80,000	80,000
Reserve for invested non-restricted equity	95,177,667	61,920,000
Retained earnings	-5,076,911	
Profit/loss for the financial year	-2,899,868	-5,076,911
EQUITY TOTAL	**87,280,889**	**56,923,089**
LIABILITIES		
Non-current liabilities		
Senior bond	98,904,000	68,904,000
Loans from related parties	5,000,000	
Total non-current liabilities	**103,904,000**	**68,904,000**
Current liabilities		
Trade payables	390,441	2,165,960
Amounts owned to group undertakings	75,742	
Other liabilities	51,842	8,500,000
Accrued expenses	3,337,537	1,222,163
Total current liabilities	**3,855,563**	**11,888,123**
TOTAL LIABILITIES	**107,759,563**	**80,792,123**
EQUITY AND LIABILITIES TOTAL	**195,040,452**	**137,715,212**

Parent company - Cash flow statement

EUR	1.1.-31.12.2023	12.4. - 31.12.2022
Cash flow from operating activities		
Profit/-loss for the reporting year	-2,899,868	-5,076,911
Finance income and expenses	2,368,494	5,007,063
Adjustments	-531,374	-69,848
Change in trade and other receivables	-41,209,289	-2,020,493
Change in trade and other payables	-536,619	2,165,960
Changes in working capital	-42,304,283	75,619
Interest paid	-8,810,976	-880,026
Interest received	9,134,050	1,876,199
Other paid financial expenses	-1,660,508	-4,781,073
Total cash flow from operating activities	**-43,641,717**	**-3,709,281**
Cash flow from investment activities		
Investment in subsidiary shares	-22,809,107	-50,848,503
Other investments		-13,035,133
Used collateral deposit	12,985,292	
Total cash flow from investing activities	**-9,823,816**	**-63,883,636**
Cash flow from financing activities		
Share capital and invested unrestricted equity reserve issues	9,000,000	62,000,000
Repayments of current loans		-18,677,243
Proceeds of non-current loans	35,000,000	68,904,000
Repayments of non-current loans		-35,078,977
Total cash flow from financing activities	**44,000,000**	**77,147,780**
Change in cash and cash equivalents	**-9,465,533**	**9,554,863**
Cash and Cash equivalents at the beginning of the accounting period	9,554,863	
Cash and cash equivalents at end of period	**89,330**	**9,554,863**

PARENT COMPANY - DISCLOSURE TO THE FINANCIAL STATEMENTS

Accounting policy

Fortaco Group Holdco Oyj's financial statements have been prepared in accordance with the Finnish Accounting Standards (FAS).

Valuation principles and methods

The trade-, loan- and other receivables entered in the assets have been stated at their nominal value or at their probable value if this is lower. Company's financial liabilities consist mainly of bond and the loans from related parties. At the initial recognition the financial liabilities are recognized at fair value. Later the financial liabilities are recognized to amortized cost.

Conversion method for sums in a foreign currency

Transactions in a foreign currency are entered at daily rate in the profit and loss statement and at the closing rate of the reporting period in the balance sheet.

Disclosures to the income statement

Other operating expenses	1.1.-31.12.2023	12.4.-31.12.2022
Travelling and representation	-324,908	
External services	-1,028,267	-39,248
Other expenses	-185,448	-30,600
Total	**-1,538,623**	**-69,848**

Auditor's fee	1.1.-31.12.2023	12.4.-31.12.2022
Audit	-151,970	-35,598
Other services	-198,341	-1,700
Total	**-350,311**	**-37,298**

Financial income and expenses	1.1.-31.12.2023	12.4.-31.12.2022
Interest and other financial income from Group companies	8,916,754	1,841,066
Interest and other financial income from others	217,297	35,133
Interest expenses to others	-9,842,036	-2,102,189
Direct expert fees related to financing arrangements	-2,721,958	-4,962,766
Other financial income and expenses	1,061,450	181,692
Total	**-2,368,494**	**-5,007,063**

Personnel	1.1.-31.12.2023	12.4.-31.12.2022
Average number of employees	12	

Salaries and bonuses for management	1.1.-31.12.2023	12.4.-31.12.2022
CEO	472,435	
Members of the Supervisory Board	92,800	

Information of subsidiary		
Name	**Registered office**	**Ownership %**
Fortaco Group Oy	Vantaa	100 %

Disclosures on assets in the balance sheet

Receivables from group companies	31.12.2023	31.12.2022
Long-term		
Loan receivables	127,499,284	87,234,772
Total	**127,499,284**	**87,234,772**
Short-term		
Trade receivables	2,729,619	
Accrued income	12,693,372	14,348,077
Total	**15,422,992**	**14,348,077**

Material items of accrued income	31.12.2023	31.12.2022
Prepayments	6,880	6,596
Others	1,850	132,272
Total	**8,730**	**138,868**

Fortaco Group Holdco Oyj has issued a bond instrument on July 2023 with nominal value of EUR 27.5 million as a part of on 2022 issued bond (ISIN: NO0012547274). The nominal value of the bonds was EU 102.5 million at the end ot the financial year. The bond matures on 22 July 2027, the principal will be paid in full at maturity. EUR 3.6. million of the senior bond is held by the Group. The bond interest consists of 7 per cent margin per annum and 3 month EURIBOR rate. Loans from related parties include EUR 5.0 million subordinated shareholder loan from the owner of Fortaco Group.

Amounts owned to group companies	31.12.2023	31.12.2022
Short-term		
Trade payables	75,742	
Total	**75,742**	

Material items of accrued liabilities	31.12.2023	31.12.2022
Wages and social security expenses	282,906	
Interests	2,253,222	1,222,163
Other	801,410	
Total	**3,337,537**	**1,222,163**

Collaterals and contingent liabilities	31.12.2023	31.12.2022
Debts secured by mortgages		
Senior bond	98,904,000	68,904,000
Pledged loan receivables from group companies	127,499,284	87,234,772
Total	**226,403,284**	**156,138,772**

Pledged shares	31.12.2023	31.12.2022
Fortaco Group Holdco Oyj	100 %	100 %
Fortaco Group Oy	100 %	100 %
Pledged bank accounts	**49,841**	**13,035,133**

Equity	31.12.2023	31.12.2022
Share capital 1.1.	80,000	
Share capital 31.12.	80,000	80,000
Total restricted equity	**80,000**	**80,000**
Reserve for invested non-restricted equity 1.1.	61,920,000	
Additions	33,257,667	61,920,000
Reserve for invested non-restricted equity 31.12.	95,177,667	61,920,000
Retained earnings 1.1.	-5,076,911	
Retained earnings 31.12.	-5,076,911	
Net result for the period	-2,899,868	-5,076,911
Distributable equity 31.12.	**87,200,889**	**56,843,089**
Total Equity 31.12.	**87,280,889**	**56,923,089**

Calculation of distributable funds	31.12.2023	31.12.2022
Reserve for invested non-restricted equity	95,177,667	61,920,000
Retained earnings	-5,076,911	
Net result for the period	-2,899,868	-5,076,911
Total	**87,200,889**	**56,843,089**

The number of shares by share class and the principal regulations under the Articles of Association regarding each share class, as well as information about owned shares	
Registered	Pcs
Shares	1,000
Total	**1,000**

The company has one series of shares. Each share entitles its holder to one vote at the Annual General Meeting. The shares have no nominal value.

Signatures of the Board of Director's report and Financial Statements

Vantaa 22 March 2024

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Lars Hellberg

The Auditor's report

A report on the audit performed has been issued today

Vantaa 22 March 2023

Ernst & Young Oy, Authorized Public Accountant Firm

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Anders Svennas, Authorized Public Accountant

AUDITOR'S REPORT

(Translation of the Finnish Original)

To the Annual General Meeting of Fortaco Group Holdco Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Fortaco Group Holdco Plc (business identity code 3281147-3) for the year ended 31 December 2023. The financial statements comprise of the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including material accounting policy information, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

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

Our opinion is consistent with the additional report submitted to the Board of Directors and Supervisory Board.

Basis for Opinion

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

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

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. Non-audit services to the parent company or the subsidiaries are disclosed in the note 2.4. of the consolidated financial statements and in the disclosures to the income statement in the parent company.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters in the table, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls.This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition *We refer to note 2.1. (Net sales).* The Group focuses on revenue as a key performance measure which could create the incentive for revenue to be recognized before the customer obtains control of the goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Due to the subsidiaries being relatively independent, their management may also have an opportunity to overstate revenues. Based on above correct timing of revenue recognition was a key audit matter. Correct timing of revenue recognition was also a significant risk of material misstatement referred to in EU Regulation No 537/2014 point (c) of Article 10(2).	Our audit procedures to address the risk of material misstatement relating to revenue recognition, included, among others: • Assessing the Group's accounting policies over revenue recognition against applicable accounting standards. • Familiarizing ourselves with the Group's different revenue streams and sales processes, partly by applying data-analytical methods. • Testing the cut-off of revenue with analytical procedures supplemented with tests on a transaction level either side of the balance sheet date. • Evaluation of the appropriateness of the Group's disclosures in respect of revenues.
Valuation of goodwill and intangible assets *We refer to note 4.6. (Goodwill impairment testing).* At the balance sheet date, the value of goodwill and intangibles amounted to 72.1 M€ (37.7 M€) representing 23.5 % (16.4 %) of the total assets. Procedures regarding management's annual impairment test were a key audit matter because the valuation includes estimates. The Group management use assumptions in respect of future market and economic conditions such as revenue and margin developments. Valuation of goodwill and intangible assets was also a significant risk of material misstatement referred to in EU Regulation No 537/2014 point (c) of Article 10(2).	Our audit procedures to address the risk of material misstatement relating to valuation of goodwill and intangible assets included among others: • Involvement of EY valuation specialists to assist us in evaluating methodologies, impairment calculations and underlying assumptions applied by the management in impairment testing. • Testing of the mathematical accuracy of the impairment calculations. • We focused on how much recoverable amounts exceeded the carrying amounts of cash-generating units, and whether any reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount. • We assessed the adequacy of the Group's disclosures about goodwill and intangible assets.

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

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

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 15 August 2022, and our appointment represents a total period of uninterrupted engagement of 2 years. Fortaco Group Holdco Plc became a Public Interest Entity on 23 May 2023.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

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

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 22 March 2024

Ernst & Young Oy
Authorized Public Accountant Firm

Anders Svennas
Authorized Public Accountant

THE WAY FORWARD

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