normet

NORMET GROUP OY

FINANCIAL STATEMENTS AND BOARD OF DIRECTORS' REPORT 2021

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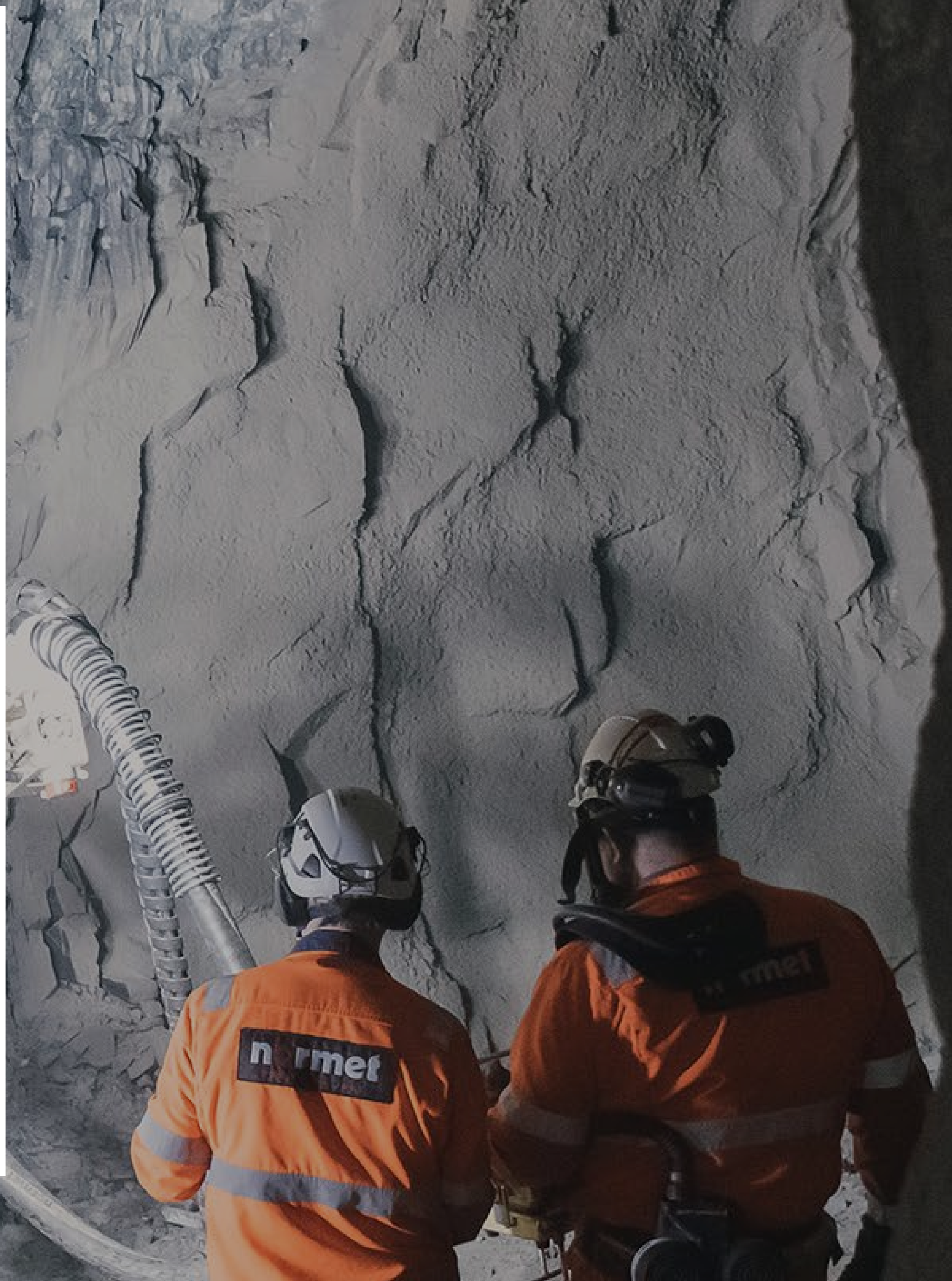


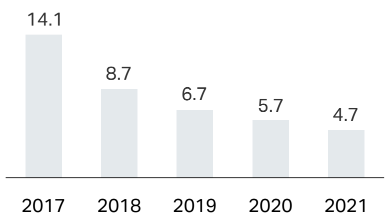
BOARD OF DIRECTORS' REPORT

KEY FIGURES 2021

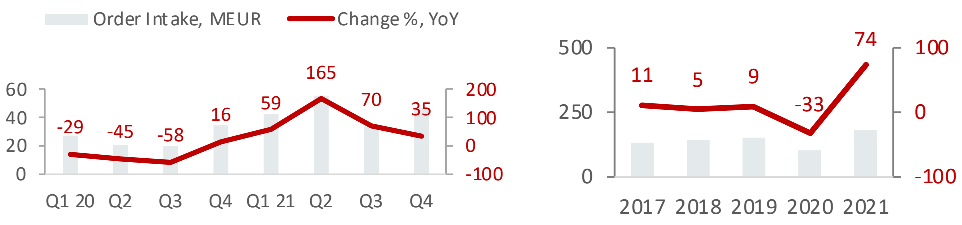
KEY RATIOS

	2021	2020
Order intake, Equipment, MEUR	178	102
Revenue, MEUR	359	306
Operating profit, MEUR	36	28
Interest-bearing net liabilities, MEUR	42	56
Total assets, MEUR	335	286
Return on equity	22.0%	14.5%
Equity to asset ratio	40%	44%
Gearing (net debt/Equity ratio)	32%	45%
Number of personnel	1,577	1,475

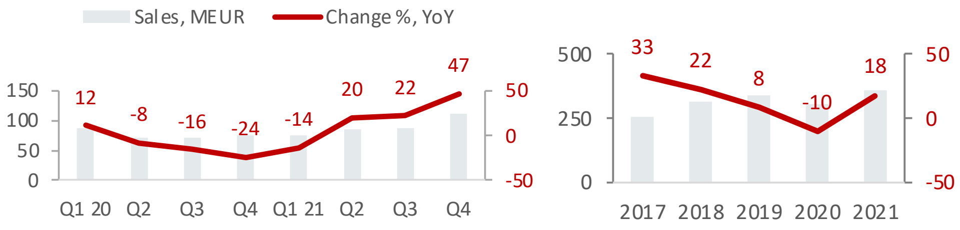
LTIFR, Lost Time Incident Frequency Rate



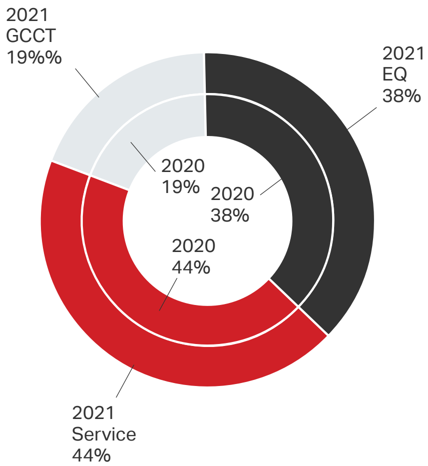
ORDER INTAKE, Equipment



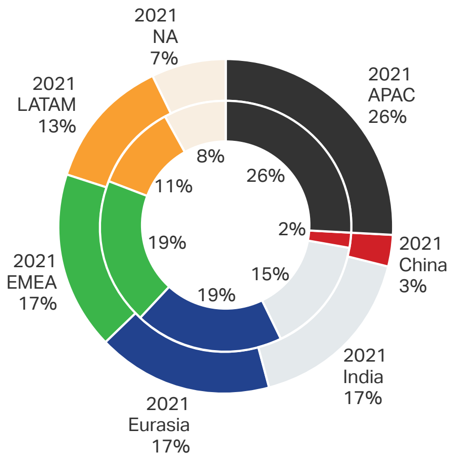
NET SALES



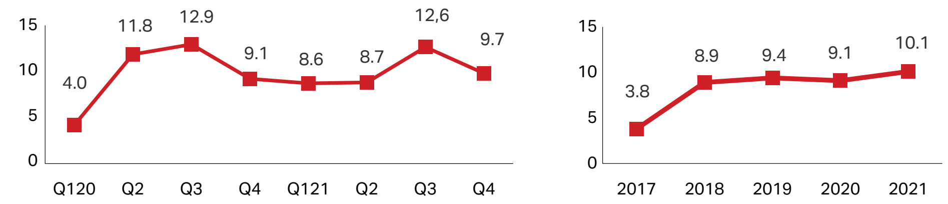
SALES BY BUSINESS LINE

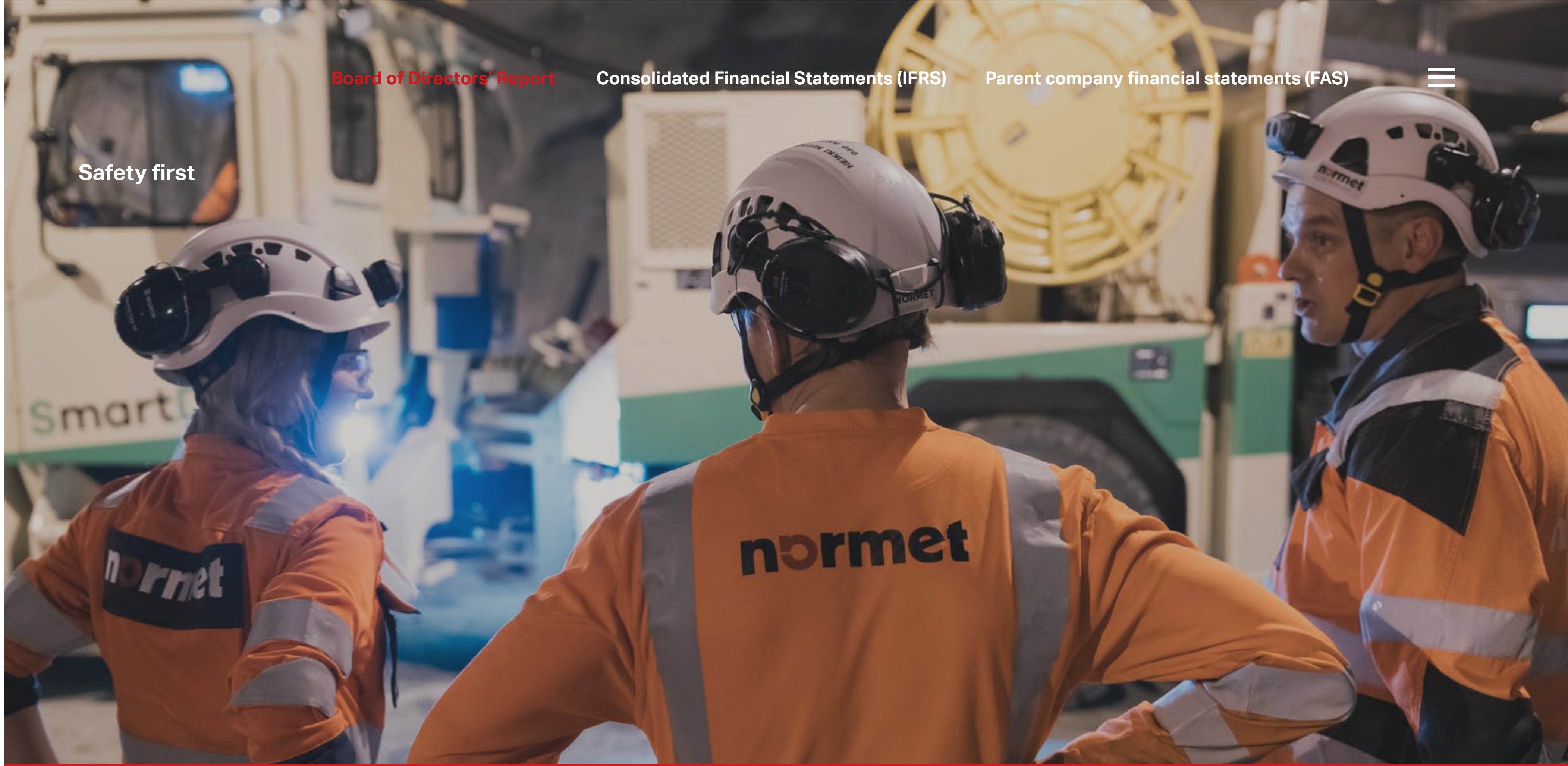


SALES BY SALES AREA



OPERATING MARGIN (EBIT%)



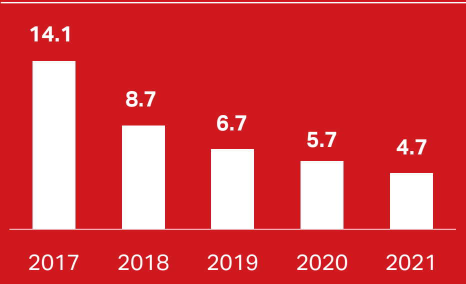


Safety first

Normet's ambition is to achieve "zero harm" with a Vision to "Building the safest places underground". Normet continued actions to improve safety performance and concluded the period with a Lost Time Injury Frequency Rate (LTIFR) of 4.7 (2020: 5.7).

Sustainability is one of the top priorities across our Industry and for our customers. Appropriately it is also a strategic priority for Normet. We are confident that we are well-positioned with a comprehensive offering, a suite of technologies, solutions and expertise to help our customers achieve their sustainability and productivity ambitions. Through 2021 we developed the Normet Sustainability Plan which will be followed by releasing our Sustainability policy and commencement of Sustainability reporting in 2022.

LTIFR, Lost Time Incident Frequency Rate



Compliance and governance

Compliance and governance play an increasingly important role across our company and indeed across our industry. Normet has a policy of zero-tolerance to acts of bribery & corruption and deliberate breaches of our policies. We have introduced several new initiatives to strengthen our compliance frameworks, better educate our employees and improve our management of enterprise risk.

COMPLIANCE – ZERO DEVIATION

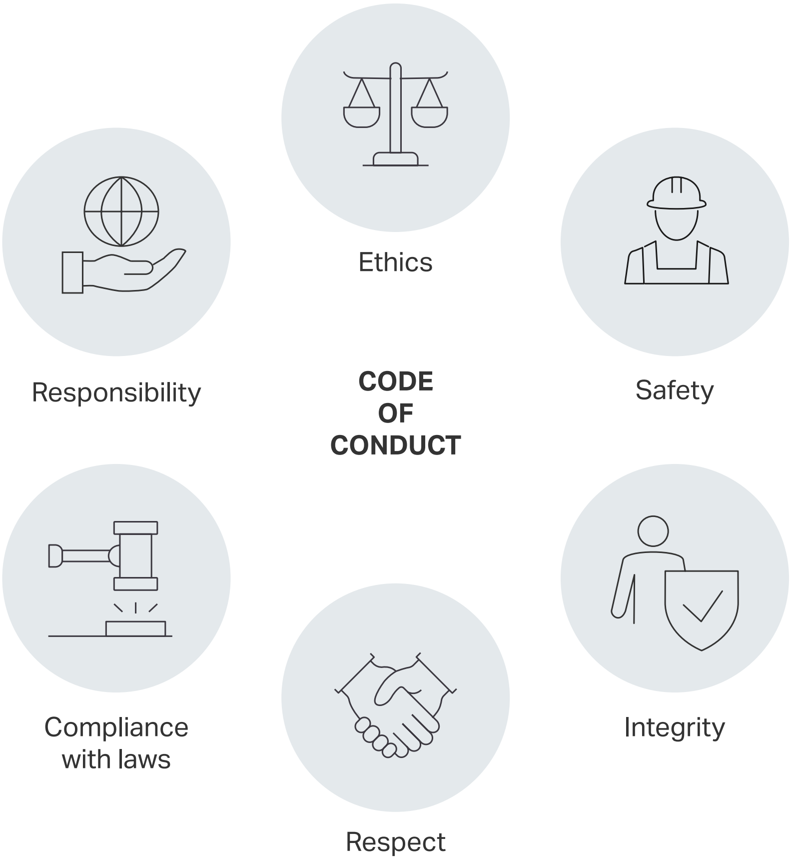
Code of Conduct

Anti-Bribery & Corruption

Competition Law

Internal Controls

Trade Compliance



Industry trends

WE SEE FOLLOWING

INDUSTRY TRENDS

AS DRIVERS SUPPORTING NORMET'S CONTINUING GROWTH:

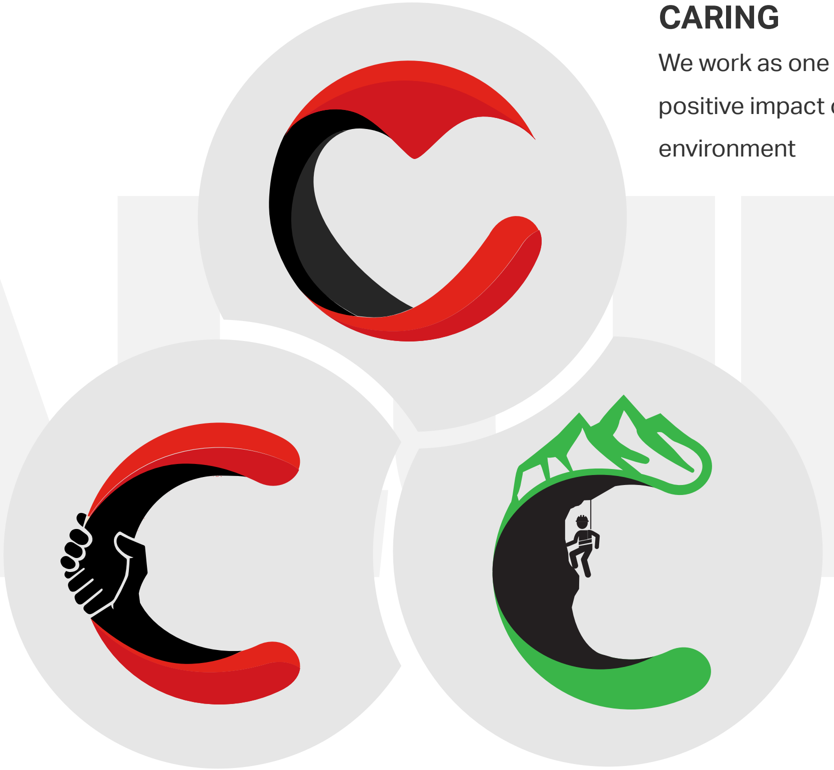
- Increased focus on safety
- Environment, social & governance is more prominent
- Decarbonization headline priority
- Mines increasingly moving underground & going deeper
- Geopolitical and nationalisation risks increasing
- Shift to digitalization, electrification, automation
- Drive for productivity & efficiency
- Remote locations and declining ore grades
- Strong demand supported by higher commodity prices and customer’s healthy financial position
- Customers expecting more options and risk sharing
- Government stimulus in infrastructure & renewable energy development

Main highlights in 2021

- COVID response and management
- New Normet company Values introduced
- Employee engagement survey improvement over 2020
- Customer satisfaction survey improvement over 2020
- New SmartDrive® battery powered units accepted in market
- Four new equipment model platforms released to market
- Several new technologies released including SmartScan® Align
- New Services Digital team established
- Major Investment in India Centre of Excellence approved
- Major investment in new UK facility approved
- New Finland testing & delivery centre fully operational
- Khopoli, Mumbai chemicals production plant & R&D centre fully operational
- Several strategic partnerships established
- Success in several key tunneling projects where Normet expertise contributed to more sustainable, efficient design methods
- Geographical sales expansion and market share gain recorded across most sales units
- Operating performance improvement

NEW IISALMI TESTING AND DELIVERY CENTER

Normet values



CARING

We work as one to solve all challenges with a positive impact on our people, customers and the environment

COMMITTED

We listen, understand and are committed to delivering maximum value

COURAGEOUS

We are passionate about high performance that generates a sustainable future

Performance of the financial year

Normet's operating model is designed with Business Lines and Sales Area's supported by corporate functions:

BUSINESS LINES:

- Equipment
- Services and
- GCCT (Ground Control and Construction Technologies)

SALES AREAS:

- APAC
- China
- India
- Eurasia
- EMEA
- Latin America and
- North America.

CORPORATE FUNCTIONS:

- Finance & IT
- HR
- Legal

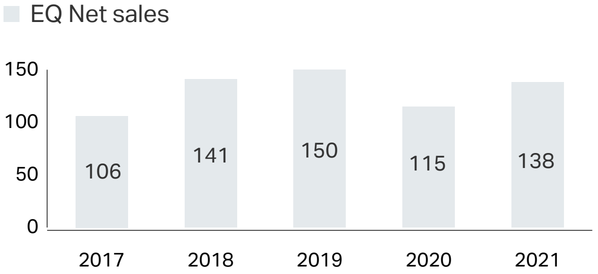
Normet posted a strong fiscal result in 2021. The robust fundamentals of the mining and tunnelling industries coupled with an improved global economic sentiment supported an attractive investment environment. We saw increased quotation and proposal activity translating into a higher level of capital equipment orders and improved service and consumable growth.

- Equipment order backlog more than doubled to MEUR 82 from MEUR 35 Dec 2020.
- Revenue growth in 2021 was 18% compared to 2020.
- Operating profit improved by 27% from 2020. Main drivers for stronger profitability were improvements in gross margin and lack of negative currency impacts compared to 2020.
- Operating cash flow and the cash conversion rate improved in 2021. This helped to strengthen the equity ratio from 2019 to 2021. Residual of the hybrid 2017 was reported as equity in 2020 and fully redeemed in 2021.
- Normet entered into a new MEUR 130 facilities agreement with it's lending syndicate in December 2021. The new facility refinanced debt originally expiring in December 2022. The new loan is bullet based and falls due in January 2026.

Normet Group IFRS	2021	2020
Revenue	**359**	**306**
Annual growth	*18%*	*-10%*
EBITDA	**61**	**43**
% of revenue	*17.0%*	*14.2%*
EBITA	**50**	**34**
% of revenue	*13.7%*	*11.1%*
Net profit	**28**	**15**
Interest bearing net liabilities	**42**	**56**
Total assets	**335**	**286**
Gearing %	**32%**	**45%**
Equity ratio %	**40%**	**44%**

Perfomance of Business Lines

EQUIPMENT



Normet's underground Equipment are used in hundreds of mines and tunnel worksites around the globe Fit-to-work cost effective robust equipment for selected underground mining and tunneling processes

Examples of Normet offering:

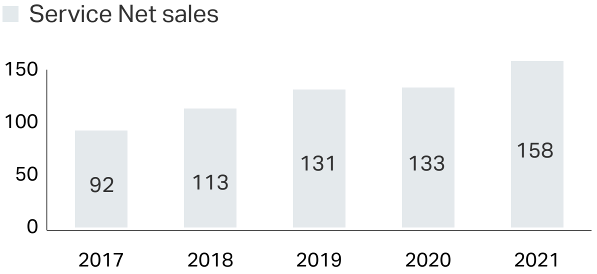
- Concrete spraying
- Concrete transportation
- Charging
- Scaling
- Logistics
- Lifting and installations

Equipment business line's order intake grew rapidly during 2021 reaching record high 178M€ level. To meet the demand, Normet doubled the output capacity, and full year sales grew 19% from 2020 level. Strong demand continues still.

Regardless of significant global disruptions in supply chain, Normet managed to meet well the delivery commitments in 2021 and maintained competitive lead times.

Normet also continued to strengthen R&D and building sustainable future technology and offering base. Besides many new product launches during 2020, we also managed to gain leading position globally with our Battery Electric Offering

SERVICES



Services business line helps underground customers to get the best possible safety, performance, availability and efficiency from their Normet equipment fleet.

Normet has 44 active service locations in 28 countries

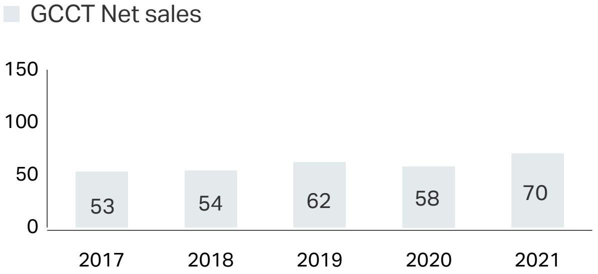
Examples of Normet offering:

- Spare parts and consumables
- Service agreements and Field service
- Scheduled and preventive maintenance
- Training and expertise services
- Rental services
- Digitalization

Service business line's sales grew 19% in 2021 from 2020 thanks to increased customer activity, active fleet growth, and continuous actions to develop and broaden the Service business offering.

Spare parts sales continued strong growth. Other sources for growth are investments in Field Services, Service agreements, Rebuild capacity and rental services, which have proportionally grown faster than traditional service sales. Digital portfolio and connectivity services were significantly expanded during 2021.

GCCT



Normet's Ground Control and Construction Technologies (GCCT) business line develops, produces and supplies underground, tunneling and civil construction customers with construction chemicals and rock reinforcement products and expertise

Examples of Normet offering:

- Concrete admixtures
- Waterproofing
- Injection
- D-Bolt® rock reinforcement element
- Self-Drilling Anchor system

GCCT business line's sales grew 19% in 2021 from 2020.

Rock Reinforcement demand Increased in Canada and Australia through both new project acqui-sitions and expanded product offering.

Indian market share gains continued with 47% increase in sales volume and all 3 production facilities at near 100% capacity.

The high margin Injection Resins chemicals grew by 34% across the globe. Most countries showed higher sales in 2021 vs 2020 driven by a buoyant tunneling market globally.

STRATEGIC FOCUS AREAS 2022

DELIVER CUSTOMER VALUE

BUSINESS GROWTH

SAFETY & SUSTAINABILITY

TECHNOLOGY & INNOVATION

BEST PEOPLE DELIVERING LEADING BUSINESS PERFORMANCE

Financial targets 2021-2024

		FINANCIAL TARGETS 2021-2024	ACHIEVEMENT 2021
1	PROFITABILITY	EBITA > 15%	14%
2	GROWTH	Revenue > 500 EURm	18% to 359 EURm in 2021
3	CAPITAL STRUCTURE	Equity ratio > 35%	40%
4	LEVERAGE	Net debt to EBITA[1)] 1.0x-3.0x	0.8x
5	PAY-OUT POLICY	Annual dividends > 4 EURm	5.1 EURm

[1)] Hybrid bond excluded in debt as considered equity

Development

IN 2021, NORMET EQUIPMENT OFFERING AND R&D FOCUSED ON

7 MAIN DEVELOPMENT AREAS

- New R&D competencies and recruitment to accelerate key development areas
- BEV SmartDrive application/technology development
- New product and platform development
- Project management team development
- Technology development
- India capability development
- Prototype workshop and testing capabilities

New R&D recruitment, main areas of focus were to increase our in-house competencies related to software development, electrical and hydraulic design, electrification and digitalization.

SmartDrive application / technology development, we continued to develop more applications on personnel carriers, lifting and larger size equipment platform products and developing different battery chemistry technology offerings (LTO, LFP, NMC) for different underground applications.

New product and platform development, in 2021 we developed a new L series platform and introduced the latest diesel engine technology Stage V across the entire offering. In addition, we developed XS platform, XL 1100 platform with completely new electrodynamic drive system, Scamec Thor and Spraymec 2000 VC.

Project management team development, we developed the project management team and took steps in professionalizing our project management function and processes.

Technology development, we continued to develop new technologies such as SmartScan® Align, SmartSpray® ProPlus and VR simulators, in addition, in 2021 we developed the Scamec Thor using for the first-time digital twin technology. We were awarded 3 IPR's involving our technology development.

India R&D capability development, local India team's expansion and increase in capabilities. In 2021 we achieved the first designed, sourced, and manufactured product in India, Charmec truck-based charger. In addition, India R&D are leading the development of other global products.

Prototype workshop, In 2021 we completed 5 prototype machine builds. In addition, we have been further developing our testing capabilities and competencies utilising our new state-of-the art testing facility and a local underground test mine in Finland.

Sustainability

We act safely and sustainably

For us at Normet, sustainability means addressing the global issues of resource scarcity and climate change, improving the health and safety of our employees and clients, and ensuring good governance in our operations. We improve underground mining and tunnelling processes by using our expertise and technology to create value for our clients and society.

We have set the bar high. Our goal is to exceed mining and tunnelling industry standards and, by doing that, set an example for others. We do this by extending the life of used resources to enable the more efficient use of materials, optimizing our current processes to improve energy efficiency and the use of water, improve the management of wastewater, and reduce the amount of cement in production. This way we will also cut the carbon footprint of tunnelling and mining projects.

In addition to our ambition of building a more environmentally sustainable mining and tunnelling industry, the safety of our employees and clients is key. Tunnels and mines are places where there is no room for error. To ensure safety at the workplace, we strive for zero accidents through building a culture of responsibility.

We continuously develop and introduce new sustainable and safe solutions for underground mining. In tunnelling, we are re-setting our approach and aim to be seen as the industry benchmark bringing end-to-end solutions for a low carbon, high efficiency sprayed concrete processes.

14 MATERIAL TOPICS ALIGNED WITH THE INTERNATIONAL FRAMEWORK

ENVIRONMENTAL	SOCIAL	GOVERNANCE
CARBON EMISSIONS	OCCUPATIONAL HEALTH & SAFETY	BUSINESS ETHICS
INNOVATION & COLLABORATION	EMPLOYEE ENGAGEMENT	DATA SECURITY
CIRCULARITY	DIVERSITY	
ENERGY EFFICIENCY		
WASTE & WASTEWATER MANAGEMENT		

AIR QUALITY

SUPPLY CHAIN SUSTAINABILITY
COMMUNITY INVOLVEMENT
SUSTAINABLE TRAINING

STEP 1: START 7 PRIORITIES

ENVIRONMENTAL	SOCIAL	GOVERNANCE
CARBON EMISSIONS	OCCUPATIONAL HEALTH & SAFETY	BUSINESS ETHICS
INNOVATION & COLLABORATION	EMPLOYEE ENGAGEMENT	DATA SECURITY
CIRCULARITY	DIVERSITY	
ENERGY EFFICIENCY		
WASTE & WASTEWATER MANAGEMENT		

AIR QUALITY

SUPPLY CHAIN SUSTAINABILITY
COMMUNITY INVOLVEMENT
SUSTAINABLE TRAINING

Sustainability

Where are we now?

Normet is continuously developing and introducing new sustainable and safe solutions for under-ground mining and tunnelling.

In our own operations, we have been successful in decreasing the number and rate of injuries. By building a culture of responsibility, the number of lost time injuries (measured by Lost Time Injury Frequency Rate, LTIFR) was at 4.7 in 2021, which is a considerable drop for four consecutive years in a row (2020: 5.7, 2019: 6.7). However, the work is not done as we strive to decrease the number to zero.

In addition to our own operations, it is important for us to positively impact our supply network. All new suppliers are required to adhere to our Supplier Code of Conduct. These requirements are in line with Normet's internal Code of Conduct and are the basis for continuous improvement for greater sustainability. Our goal is that 100% of our suppliers will have signed the conduct by the end of 2022.
An example of our sustainable offering is our SmartDrive battery electric vehicles. SmartDrive provides improved performance with zero local emissions, which results in savings in ventilation and cooling. They also eliminate fuel and fuel transportation costs and have lower equipment maintenance costs. We will continue developing products and services with positive environmental impact.

Building the foundation for sustainability

To strengthen our sustainability work, in 2021 we identified our most material topics by reviewing and analyzing our external and internal stakeholder expectations and industry-wide priorities. The material topics were prioritized and validated internally. In 2022, the work continues in setting baselines, goals and KPI's.

The 14 material topics are carbon emissions, innovation and collaboration, circularity, energy efficiency, air quality, water and wastewater management, occupational health and safety, employee satisfaction, diversity, supply chain sustainability, community involvement, business ethics and data security. For Normet education and training also play an intrinsic role. This is why sustainability training was included in the key topics included in the sustainability work.

THESE FORM THREE PRIORITIES:

1. Cutting carbon emissions of our own operations and value chain in accordance with the Paris agreement;
2. Increasing innovation and collaboration through materials and products and by creating long-term partnerships, and;
3. Building an inspirational work environment with greater employee satisfaction.

Systematic sustainability management is needed to meet all topics outlined in the materiality analysis. That is why we have created a roadmap that sets clear goals for 2022 and beyond. In 2022 we will, for example, establish a greenhouse gas reporting baseline and introduce sustainability in corporate risk management procedures.

This roadmap will be supplemented by business specific plans in 2022. The aim is to guide Normet's business to decrease negative and increase positive impact. Normet's sustainability roadmap will be aligned with globally recognised sustainability frameworks.

Normet aims to report according to the Global Reporting Initiative (GRI) in order to facilitate better reporting quality and content and aid comparison between different companies in the industry.

At Normet, we stay ahead of the curve and do more for safety and sustainability every day.

Other notes

Personnel

On average, the number of personnel totaled 1,577 (1,475) in the year of 2021. Of Normet's total number of employees, 31% (32) were located in Finland and 69% (68) elsewhere in the world.

Investments

In 2021, the Group's investments totaled MEUR 18.6 (2020: MEUR 14.8). The most significant individual investments were made in R&D expenses, ERP projects and the increase in the Group's leased equipment inventory.

Normet decided in 2021 to discontinue R&D capitalization from the beginning of 2022.

Changes in Group structure

During the financial year, Normet Conecto Oy merged into its parent company Normet Oy.

Share capital and shares

The company's share capital is divided into 656,100 shares. Normet Group Oy does not own any own shares on 31 December 2021. The company has only one class of shares.

Financing

In March 2017, Normet Group Oy issued a bond treated as equity, in other words hybrid bond, in the amount of MEUR 30. The annual interest rate in accordance with the agreement was 7.625%. March 2021, Normet Group Oy redeemed the rest of the bond, which amounted to MEUR 16.2.

In September 2020, Normet Group Oy issued a bond treated as equity (hybrid bond) in the amount of MEUR 35. The annual interest in accordance with the agreement is 7.5%.

In Normet Group Oy, the loans are recognized in non-current liabilities and on the consolidated statement of financial position, they are recognized in shareholders' equity. The hybrid bond has no finite maturity date, but the company has the right, not an obligation, to redeem the loans after four years. Hybrid bond interests are paid annually and are treated on the consolidated statement of financial position according to their nature in the same manner as dividends. They are also recognized in the shareholders' equity and as a liability when the decision on the payment has been made. In Normet Group Oy, interests are recognized in profit or loss for the financial year. The hybrid bonds have a lower priority position than the other debt obligations of the Group.

In December 2021 the Group signed a new MEUR 130 four-year financing agreement. According to this agreement MEUR 70 debt was raised in December 2021 to refinance existing loans and becomes due for bullet payment in January 2026. Loan has variable interest rate. The financing agreement also includes credit commitment up to MEUR 20 which can be raised by December 23, 2022. As of December 31, 2021, the whole amount of MEUR 20 remained unspent. New facility includes also MEUR 40 revolving credit facility. On 31.12.2021, the group had approximately MEUR 55.7 of undrawn credit facilities at its disposal.

Governance

During financial year 2021, the members of the Board of Directors of Normet Group Oy were Aaro Cantell, Anna Hyvönen, Lars Engström, Harri Kerminen, Mikko Keto and Tom Melbye. Aaro Cantell served as the Chairman of the Board of Directors.

On 26 April 2021, Board of Directors decided to form a MA committee. The MA Committee is responsible for assisting and providing guidance and recommendations

Other notes

to the Board of Directors of the Company in relation to merger and acquisition related topics. Members of the committee are Aaro Cantell (chair), Lars Engström and Tom Melbye.

On 31 December 2021, Normet's Leadership Team consisted of Edoardo Santamaria, CEO; Ville Pasanen, CFO; Kari Hämäläinen, Senior Vice President – Equipment Business Line; Riku Helander, Senior Vice President – Services Business Line; Alan Pengelly, Senior Vice President – Ground Control and Construction Technologies; Neil Fitzmaurice, Senior Vice President – APAC; Subhasis Mohanty, Vice President - India; Jukka Kurhinen, Senior Vice President – Eurasia; Jaakko Koppinen, Vice President – EMEA; Greg Hallett, Senior Vice president – North America; Marcelo Anabalon, Senior Vice President – Latin America; Daniel Yang, Vice President – China; Kimmo Karihtala, General Counsel; and Niina Pesonen, Vice President, Human Resources.

Ernst & Young Oy was the Group's auditor with Antti Suominen, Authorised Public Accountant, as the principal auditor.

At the Annual General Meeting on 26 April 2021, decisions falling under the Annual General Meeting's authority were made. The Annual General Meeting decided to pay a dividend and return of capital of EUR 6.09 per share in total for the year 2020. The total amount paid was EUR 4,000,000.

Related party transactions

The Group offers executive board a facility to borrow related to share subscription of Normet Oy. Facility is repayable within four years from the date of disbursement. Such loans are unsecured, and the interest rate is 2%. Normet Group have loan receivables from the executive board amounting to MEUR 0.9 (MEUR 0.9 on 31 December 2020).

Chairman of the board and principal owner of Normet Group Oy subscribed 128,864 new B shares of Normet Oy in directed share issue in accordance with resolution of extraordinary general meeting held on 16 November 2021. The full subscription price was entered in the paid-in capital.

Significant events after the end of the reporting period, near-term outlook and possible uncertainties

Overview

Demand and order backlog have remained strong in the first months of 2022. The global demand prospects remain uncertain due to COVID, component shortage and geo-political situation. The Russian military actions in Ukraine and the consequent sanctions have caused significant uncertainty related to Russia, to the functionality of the Russian financial and payment system, and to the Russian ruble exchange rate. We expect the market to remain unstable and continue to fluctuate. However, this should not impact the Group's capacity to continue its business activities. The Group's liquidity has remained strong and no changes are expected. Revenue from Russia market area was approximately 10 % of Normet group total revenue in 2021.

Management has prepared scenarios based on anticipated development of various external factors and will deploy necessary mitigation actions promptly to maintain profitability in line with strategic targets.

Liquidity and equity ratio

The company has evaluated several possible scenarios. Based on the scenarios, conclusion is that the Group will remain capable of operating and that the covenants of the financial instruments will not be breached.

Group's debt financing include financial covenants which are tied to, e.g. the Group's net debt-to-EBITDA ratio and equity ratio. These covenants do not directly restrict the use of capital but may affect the Group's financing in the future or, accordingly, require negotiations on some aspects with the financing entity.

The Group's cash flow is being constantly monitored, and the required corrective action is taken without delay to ensure the company's liquidity. In March 2021, Normet Group Oy redeemed the outstanding share of EUR 16.2 million of the

Other notes

EUR 30 million hybrid bond issued on 22 March 2017. At the time of signing of the financial statements, the company has approximately MEUR 55.7 of undrawn credit facilities at its disposal.

The Group operates globally, and its business operations are associated with risks arising from exchange rate fluctuations, which are generated by cash flows from sales and financing activities. The Group uses the operational technique for hedging certain trade receivables denominated in foreign currency but does not apply hedge accounting in accordance with IFRS.

Foreign exchange risk related to the intra-Group loan receivables is reduced by the fact that the receivables are allocated between several geographical areas.

Board of Directors' proposal on the use of profit

Normet Group Oy's distributable funds amount to EUR 5,690,631.58. No such material changes have occurred in the company's financial position after the end of the financial year that would compromise the solvency of the company in the manner referred to in section 13 subsection 2 of the Limited Liability Companies Act.

The Board of Directors proposes to the Annual General Meeting of Normet Group Oy that a dividend amounting to profit for the financial year EUR 4,452,952.69 and capital return amounting to EUR 347,047.31 from unrestricted equity reserve be paid. The dividend and capital return total to EUR 4,800,000.00, which is 7.32 EUR per share.

CONSOLIDATED FINANCIAL STATEMENTS
(IFRS)

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

Consolidated statement of comprehensive income

EUR thousand	Note	1.1.-31.12.2021	1.1.-31.12.2020
REVENUE	1.1	**359,325**	**305,541**
Materials, supplies and subcontracting	1.2	-179,148	-152,709
Personnel costs	2.1	-80,341	-68,522
Depreciation and impairments	5.4	-25,483	-15,602
Other operating expenses and income, net	1.3	-38,638	-40,945
OPERATING PROFIT		**35,714**	**27,764**
Financing income	1.4	14,899	15,328
Financing expenses	1.4	-17,480	-22,688
Share of profit/loss accounted for using the equity method	6.2	-204	-220
PROFIT/LOSS BEFORE TAX		**32,930**	**20,183**
Tax on income from operations	3.1	-5,022	-5,136
Profit/loss from continuing operations		**27,907**	**15,047**

EUR thousand	Note	1.1.-31.12.2021	1.1.-31.12.2020
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plan	2.4	233	353
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	7.7	985	-2,523
Other comprehensive income for the period, net of tax		**1,218**	**-2,170**
Total comprehensive income		**29,125**	**12,877**
Owners of the parent company		27,293	14,536
Non-controlling interests in net income		614	511
		27,907	**15,047**
Owners of the parent company		28,458	12,426
Non-controlling interests		667	451
		29,125	**12,877**

Consolidated balance sheet

EUR thousand	Note	31.12.2021	31.12.2020
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	5.2	18,614	24,973
Goodwill	5.1	11,011	10,676
Property, plant, equipment	5.3	35,857	32,084
Right-of-use assets	5.5	9,244	9,853
Investments accounted for using the equity method	6.2	4,417	4,971
Other non-current financial assets	7.2	53	7
Non-current trade and other receivables	4.4	2,934	3,230
Deferred tax asset	3.4	14,280	9,710
NON-CURRENT ASSETS		**96,409**	**95,503**
CURRENT ASSETS			
Inventories	4.3	111,684	94,339
Trade receivables and other receivables	4.4	81,296	69,711
Tax Receivable, income tax	4.4	2,952	2,453
Cash and cash equivalents	7.5	42,255	24,134
CURRENT ASSETS		**238,187**	**190,637**
ASSETS		**334,597**	**286,139**

EUR thousand	Note	31.12.2021	31.12.2020
EQUITY AND LIABILITIES			
Owners of the parent company			
Share capital		3,423	3,423
Share premium		3,350	3,350
Unrestricted equity reserve		3,206	3,906
Hybrid bond		34,666	50,476
Reserves		263	223
Translation differences		-3,622	-4,067
Retained earnings		85,526	65,142
Owners of the parent company	7.7	**126,812**	**122,452**
Non-controlling interests	7.7	**2,059**	**2,192**
EQUITY		**128,871**	**124,644**
NON-CURRENT LIABILITIES			
Non-current liabilities, interest-bearing	7.2, 7.5	76,268	63,321
Non-current interest-free liabilities	7.5	15,019	11,257
Non-current provisions	4.6	250	361
Liabilities from defined benefit plan	2.4	3,005	3,178
Deferred tax liability	3.4	2,290	2,273
NON-CURRENT LIABILITIES		**96,833**	**80,390**
CURRENT LIABILITIES			
Current interest-bearing liabilities	7.2, 7.5	7,840	16,754
Trade Payables and Other Liabilities	4.5	93,219	58,538
Tax liability, income tax	4.5	6,854	4,889
Current provisions	4.6	979	925
CURRENT LIABILITIES		**108,892**	**81,105**
LIABILITIES		**205,725**	**161,495**
EQUITY AND LIABILITIES		**334,597**	**286,139**

Consolidated statement of cash flows

EUR thousand	1.1.-31.12.2021	1.1.-31.12.2020
Cash flow from operating activities		
Profit for the period	27,293	15,047
Depreciation, amortisation and impairment	25,483	15,602
Share of profit/loss accounted for using equity method	204	220
Other items without cash flow impact	-1,481	1,911
Financial income and expenses	2,581	5,986
Taxes	5,022	5,136
Change in provisions	155	-1,502
Other adjustments	-6	2
Operating income before change in net working capital	**59,252**	**42,403**
Change in inventories	-17,586	11,961
Change in interest-free current receivables	-9,444	4,580
Change in interest-free current liabilities	39,051	-17,024
Change in net working capital	**12,021**	**-483**
Financial expense	-5,327	-3,516
Dividends received	0	1
Financial income	454	313
Income taxes paid	-3,555	-4,574
Net cash from operating activities	**62,844**	**34,143**

EUR thousand	1.1.-31.12.2021	1.1.-31.12.2020
Cash flow from investing activities		
Purchase of tangible and intangible assets	-22,767	-13,789
Proceeds from sale of tangible and intangible assets	142	537
Net cash used in investing activities	**-22,626**	**-13,252**
Cash flow from financing activities		
Share issue	2,073	0
Acquisition of own shares	0	-221
Proceeds from loans	74,555	14,000
Loan repayments	-70,000	-36,867
Repayment of lease liabilities	-4,337	-4,634
Hybrid bond repayments	-15,743	-13,800
Proceeds from hybrid bond	0	35,000
Hybrid bond interest and expenses	-4,317	-3,849
Dividends paid	-5,360	-8,903
Net cash from financing activities	**-23,130**	**-19,275**
Change in cash flows	**17,089**	**1,616**
Cash and cash equivalents, at beginning	**24,134**	**26,856**
Change in cash flows	17,089	1,616
Effects of exchange rate fluctuations on cash held	1,078	-4,334
Cash and cash equivalents, at end	**42,255**	**24,134**

Consolidated statement of changes in equity

EUR thousand	Share capital	Share premium	Paid in capital	Hybrid bond	Reserves	Translation difference	Retained earnings	Total	Non-controlling interest	Total equity
Balance at January 1, 2021	**3,423**	**3,350**	**3,906**	**50,476**	**223**	**-4,067**	**65,141**	**122,452**	**2,192**	**124,644**
Dividends paid to equity holders							-4,157	**-4,157**	-204	**-4,361**
Return of equity to shareholders			-700					**-700**		**-700**
Share issue			2,040					**2,040**		**2,040**
Other changes			-2,039	-67	40		875	**-1,192**	-595	**-1,787**
Hybrid bond repayments				-15,743				**-15,743**		**-15,743**
Hybrid bond interests and costs							-3,860	**-3,860**		**-3,860**
Profit for the period							27,293	**27,293**	614	**27,907**
Other comprehensive income						445	233	**678**	53	**731**
Total comprehensive income						**445**	**27,526**	**27,971**	**-132**	**27,839**
Balance at December 31, 2021	**3,423**	**3,350**	**3,206**	**34,666**	**263**	**-3,622**	**85,525**	**126,812**	**2,059**	**128,871**

EUR thousand	Share capital	Share premium	Paid in capital	Hybrid bond	Reserves	Translation difference	Retained earnings	Total	Non-controlling interest	Total equity
Balance at January 1, 2020	**3,423**	**3,350**	**3,906**	**29,543**	**223**	**-2,153**	**64,187**	**102,478**	**1,732**	**104,210**
Dividends paid to equity holders							-10,787	**-10,787**		**-10,787**
Other changes							-2,794	**-2,794**	7	**-2,786**
Hybrid bond repayments				-13,735				**-13,735**		**-13,735**
Proceeds from hybrid bond				34,668				**34,668**		**34,668**
Profit for the period							16,706	**16,706**	511	**17,217**
Other comprehensive income						-1,914	-2,170	**-4,084**	-59	**-4,143**
Total comprehensive income						**-1,914**	**14,536**	**12,622**	**458**	**13,081**
Balance at December 31, 2020	**3,423**	**3,350**	**3,906**	**50,476**	**223**	**-4,067**	**65,141**	**122,452**	**2,192**	**124,644**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Notes to the consolidated financial statements

About the Group

Normet provides advanced and technically innovative solutions for mining, tunnel, and construction business processes. Normet's Underground operation are comprised of business operations (3), sales areas (7) and Group support units (3). The business operations include equipment, services and ground control and construction technologies. The sales areas include Asia Pacific, China, India, Eurasia, Europe, Middle East as well as Latin America and North America. The Group support units are finance, personnel administration, and IT.

Normet Group Oy is a Finnish private limited company with domicile in Iisalmi and registered address Keilaranta 19, 02150 Espoo, Finland. Normet Group Oy and its subsidiaries form Normet Group (hereinafter referred to as "Normet" or "Group"). Normet Group Oy is fully owned by Cantell Oy and part of Cantell Group.

Accounting principles for financial statements

Normet's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), applying the approved IAS and IFRS standards as well as SIC and IFRIC interpretations in effect on 31 December 2021. The consolidated financial statements are presented in euros, which is the functional and reporting currency of the parent company and they are based on historical cost basis unless otherwise stated in the accounting principles. The information of the consolidated financial statements is presented in thousands of euros. The information of the parent company is presented in euros.

New IFRS standards and IFRIC interpretations and changes to the existing standards and interpretations

The changes in the IFRS standards effective from periods beginning 1 January 2021 included mainly amendments or improvements to current standards and did not have material impact on Normet financial statements. Other standards issued that are effective from periods on or after 1st of January 2022 mainly include amendments and improvements to current standards that are not expected to have a material impact on the Group's consolidated financial statements.

Principles of consolidation

The consolidated financial statements include the parent company Normet Group Oy and all subsidiaries over which the parent controls, and associates. Control refers to the right to control the company's financial and business policies to benefit from its operations. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. The mutual shareholding between Group companies has been eliminated with the acquisition method. The acquisition cost has been allocated for the funds identified for the asset acquired, at the time of the acquisition, at their fair value, if the fair value can be measured reliably. Deferred taxes are recognised from the acquisition cost allocations pursuant to the valid tax rate. The remaining share has been marked as goodwill in the balance sheet. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, noncontrolling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to the consolidated financial statements

Foreign currency translation

Transactions in currencies other than the entity's functional currency (foreign currencies) are recognized by the Group entities at their respective functional currency rates prevailing at the date of the transaction. At the end of each reporting period, foreign currency monetary items are retranslated at the functional currency spot exchange rate in effect at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

In the consolidated financial statements, profit and loss accounts of subsidiaries outside the Euro area will be converted into euros according to the financial year's average rate and the balance sheets will be converted according to the rate on the closing date. The average rate difference caused by the different currency rates of the comprehensive income statement and the balance sheet have been recognised in the other items in the statement of comprehensive income. The exchange differences arising from eliminations of foreign subsidiaries and converting of equity items accumulated after acquisition will be recognized in other comprehensive income. Rate differences caused by such monetary items that are part of a net investment into a foreign unit will be recognised in the other comprehensive income and then recognised again in the profit and loss account once the foreign unit has been relinquished.

Government grants

Government grants are presented for the period in which the requirements for the grant are met. The grant is recognised in the profit and loss account as a deduction of expenses to be covered while the corresponding expenses are recorded as profit or loss. The grants allocated to activated product development projects are presented in the balance sheet as adjustments of acquisition costs and they are recognised as income in the form of reduced depreciation during the economic useful life of the intangible right.

Critical accounting estimates and sources of uncertainty

The preparation of IFRS financial statements requires Group management to make certain estimates, assumptions and judgements in applying the accounting principles that affect the reported amounts of assets and liabilities as well as income and expenses. These assumptions, estimates and judgments are based on management's historical experience, best knowledge about the events and other factors, such as expectations on future events, which the Company assess to be reasonable in the given circumstances. Although these estimates and judgments are based on the management's best understanding of current events and circumstances, actual results may differ from the estimates.

The COVID-19 pandemic has caused Normet to review the estimates and assumptions used in the preparation of the consolidated financial statements. The possible impact of the situation caused by the COVID-19 pandemic on the relevant factors in each estimate have been considered. The impact of the COVID-19 pandemic on estimates in the financial reporting rely on management's best judgement.

1 Group performance

1.1 Revenue

Despite COVID-19 related market volatility and component availability challenges Normet Group's revenue increased by 18 % in 2021 compared to previous financial year and totaled MEUR 359.3 (MEUR 305.5 in 2020).

Accounting policy

The Normet Group's revenue consist of sales of goods and services. The sales of goods include underground construction equipment, spare parts as well as construction chemicals. The sale of services include equipment maintenance, equipment leasing and sale of used equipment.

Revenue is recognized at an amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer. The transaction price is usually fixed but may also include variable considerations such as buy-back obligations, rights to return or discounts. In the equipment deliveries that include a buy-back provision and in which the buy-back provision is very likely to be exercised, part of the selling price is transferred to non-current and current liabilities (portion corresponding to the buy-back value). The corresponding amount of the cost of sales is transferred back to inventories. These items are reversed on the balance sheet after buy-back obligation has expired. Other variable considerations are estimated using the most likely value method if not yet realised at the end of the reporting period. When calculating the revenue, the total invoice value is adjusted with reductions and indirect taxes of sales. The exchange rate differences related to sales in foreign currency are recognised in the sales adjustment items.

The Group's typical customer contracts for the sale of goods and services constitute only one performance obligation. The Group recognizes revenue when it satisfies an identified performance obligation by transferring promised goods or service to the customer. Goods and services are generally considered to be transferred when the customer obtains the control to it. Control means that the customer can direct the use of and obtain benefit from the good and service and prevent others from

REVENUE BY REGION

EUR thousand	1.1.-31.12.2021	1.1.-31.12.2020
EMEA, CIS and Mongolia	121,851	115,152
America	72,756	57,421
Asia Pacific and India	164,719	132,968
Total	**359,325**	**305,541**

REVENUE BY BUSINESS LINE

EUR thousand	1.1.-31.12.2021	1.1.-31.12.2020
Equipment	137,922	115,483
GCCT	69,801	58,426
Service	158,452	132,977
Elimination	-6,851	-1,345
Total	**359,325**	**305,541**

REVENUE BREAKDOWN

EUR thousand	1.1.-31.12.2021	1.1.-31.12.2020
Sale of goods	268,772	231,884
Sale of services	90,553	73,657
Total	**359,325**	**305,541**

EXCHANGE DIFFERENCES INCLUDED IN THE REVENUE

EUR thousand	1.1.-31.12.2021	1.1.-31.12.2020
Foreign exchange gain and loss, realised	-236	-1,098
Foreign exchange gain and loss, unrealised	1,487	233
Total	**1,252**	**-865**

1 Group performance

directing the use of and receiving the benefits from them. Thus, customer has sole possession of the right to use the good or service for the remainder of its economic life or to consume the good or service in its own operations.

Accounting estimates and considerations

In many respects, the recognition of revenue requires judgements and estimates. Judgement is used, for example, to identify function obligations recognisable as income in situations where the processing of product and services to be delivered either together or separately is not unambiguous. This applies especially in situations where the products and services to be delivered do not by themselves form a functional product. It is also typical of customer agreements that they contain changing price elements. At each reporting date, management reassesses the transaction price, which requires significant judgement as it affects the timing of the revenue recognition.

1 Group performance

1.2 Cost of sales

PROCUREMENT AND PRODUCTION

EUR thousand	1.1.-31.12.2021	1.1.-31.12.2020
Materials, supplies and subcontracting	162,750	139,998
External services	16,399	12,710
Total	**179,148**	**152,709**

EXCHANGE DIFFERENCES INCLUDED IN SALES

EUR thousand	1.1.-31.12.2021	1.1.-31.12.2020
Foreign exchange gain and loss, realised	-1,827	-604
Foreign exchange gain and loss, unrealised	1,251	-2,600
Total	**-576**	**-3,204**

1 Group performance

1.3 Other operating income and expenses

OTHER OPERATING INCOME AND EXPENSES

EUR thousand	1.1.-31.12.2021	1.1.-31.12.2020
Rental income	12	54
Gain on disposal of tangible and intangible assets	142	537
Other operating income	878	1,549
Total	**1,032**	**2,141**

OTHER OPERATING EXPENSES

EUR thousand	1.1.-31.12.2021	1.1.-31.12.2020
Non-statutory employee benefits	1,503	1,213
Rents	1,613	1,378
Other expenses	34,731	36,790
Sales and marketing costs	1,947	1,393
Change in provision for bad debt	-124	2,311
Total	**39,669**	**43,086**

1 Group performance

1.4 Financial income and expenses

Exchange rate gains and losses include exchange rate differences on loans and other receiva-bles. Hedge accounting is not applied by Normet.

FINANCIAL INCOME

EUR thousand	1.1.-31.12.2021	1.1.-31.12.2020
Interest income	454	313
Dividend income	0	1
Foreign exchange gain	14,445	15,014
Total	**14,899**	**15,327**

FINANCIAL EXPENSES

EUR thousand	1.1.-31.12.2021	1.1.-31.12.2020
Interest on borrowings from others	2,874	1,867
Interest of right-of-use assets	401	416
Foreign exchange loss	14,213	19,477
Other items	-9	927
Total	**17,479**	**22,688**

2 Personnel

2.1 Personnel expenses

EUR thousand	1.1.-31.12.2021	1.1.-31.12.2020
Salaries and fees	66,407	57,064
Share-based payments	1,847	1,911
Variable pension expenses, defined contribution plans	2,198	1,774
Pension expenses, defined contribution plans	4,069	2,628
Pension expenses, defined benefit plans	208	387
Other variable employee benefits	2,465	2,149
Other indirect employee costs	3,148	2,609
Total	**80,341**	**68,522**

In full year 2021, the Group had an average of 1577 employees (1475).

2 Personnel

2.2 Share-based payments

Normet has incentive scheme initiated in 2018 in which options are granted and incentive scheme initiated in 2019 in which synthetic options are granted. The schemes are for the company's key personnel. Incentive schemes include performance targets and employment requirements.

Accounting policy

The Group has incentive plans which include incentives paid in cash and in shares. Holder of the option decides will the payments be made in cash or shares. Synthetic options are paid in cash. The benefits granted in accordance with the incentive plan are measured at expected cost at execution date and accounted as cost through the vesting period. In arrangements where the payment is made in cash, the liability and the change in its fair value are recognised as a liability on an accrual basis. The impact of these arrangements on the financial results is shown under the cost of employee benefits. The shares include redemption clause, which is why liabilities related to the schemes are presented in non-current other payables in financial statements.

The cost determined at the time of granting the options is based on the Group's estimate of the amount of options that are expected to become vested at the end of the vesting period. The Group updates the assumption of the final amount of options annually. Changes in the estimates are entered through profit or loss. The fair value of option arrangements is determined by evaluating the shareholders' equity on the date when the option is exercised, less potential equity loans multiplied by a factor in accordance with the option program conditions. The non-market criteria, like profitability or increase in sales, are not considered in measuring the fair value of the option but are considered when estimating the final number of options.

When the option rights are exercised, the actual cost of the option is recognized against the option liability in the balance sheet.

2 Personnel

Main terms and conditions of the share-based plan

The Group has a long-term incentive scheme established in 2018, according to which participants will be granted options. Based on the vesting period, the scheme is divided into three different programs, which are 2018A, 2018B and 2018C. Each program 1/3 has a performance condition and for 2/3 there is only a service condition. The exercise price of the arrangement is € 8.88 per share. It is possible for the option holder to subscribe for shares or demand payment in cash equal to the value of the option. The options granted are options entitling to the B shares of the Group's main operating company, Normet Oy. The shares are subject to a redemption clause, due to which the amortized cost of the option program and any share subscriptions are recorded in non-current liabilities in the consolidated financial statements.

The Group also has a long-term incentive plan established in 2019, according to which participants will receive synthetic options. Based on the earning period, the plan is divided into three different programs, which are 2019A, 2019B and 2019C. For the plan, 1/3 has a performance condition and for 2/3 there is only a service condition. The exercise price of the arrangement is € 8.88 per share. The synthetic options covered by the arrangement are paid in cash.

The earnings periods of both 2018 and 2019 incentive plans will end gradually between 30 April 2021 and 2023, after which the options will be available until 30 June 2024.

The exercise price of the above incentive plans will be adjusted in accordance with the terms of the plan. The Board of Directors of Normet Group Oy decides separately on adjustments in accordance with the terms.

The probable exercise price of the option arrangements is determined by estimating the equity at the time the option is exercised, less any equity loans multiplied by a factor in accordance with the option program conditions. Forecasted changes in equity have been discounted using the weighted average cost of capital before taxes (WACC).

There were 159,360 outstanding options on December 31, 2021 (157,860 on December 31, 2020).

The adjusted exercise price of the options in the financial year 2021 was € 9.48 per share. The adjusted subscription price paid in cash for the shares subscribed for with the options was € 6.35 per share, resulting in a value of € 15.83 per share.

The accrued liability recognized in the balance sheet for the option arrangements was MEUR 3.8 at 31.12.2021. Cost for the financial year is disclosed in note 2.1 Personnel expenses.

Program	Number of options 31.12.2021	Number of options 31.12.2020	Vested options 2021	Excercised options 2021	Debt in balance sheet 31.12.2021 (EUR thousand)
2018A	38,922	38,922	25,948	5,230	1,076
2018B	39,659	38,909			981
2018C	39,659	38,909			741
2019A	13,711	13,711	9,140		379
2019D	13,711	13,711			339
2019C	13,698	13,698			256
Total	**159,360**	**157,860**	**35,088**	**5,230**	**3,772**

2 Personnel

2.3 Employment benefits for the executive management

The executive management comprises the parent company's Board of Directors and the Group's Executive Board. The remuneration paid or payable based on the work performed consists of the following:

REMUNERATION PAID TO EXECUTIVE TEAM MEMBERS

EUR thousand	1.1.-31.12.2021	1.1.-31.12.2020
Salary, bonuses and other short-term employee benefits	3,104	3,239
Share-based payments	1,345	1,320
Total	**4,448**	**4,559**

The composition of Normet's Executive Board changed during the 2021 and 2020 financial years. The remuneration of the Executive Board members who resigned from the Board is included in the key management employment benefits for the period they were members of the Board. Normet Group Oy have loan receivables from the Executive Board amount to MEUR 0.9 (MEUR 0.9 on 31 December 2020). Normet had no loans, liabilities or commitments from persons belonging to Normet's related parties at the end of financial year 2021 or 2020.

2 Personnel

2.4 Defined benefit plans

Accounting policy

The Group's pension plans comply with the local regulations and practices. The plans are classified either as defined contribution plans or defined benefit plans.

Defined contribution plans are post-employment benefit arrangements under which the Group pays fixed contributions into a separate entity with 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 and prior periods. Group's contributions to the defined contribution plans are charged directly in the year to which these contributions concern.

A defined benefit plan is a pension plan under which the Group itself has the obligation to pay retirement benefits and bears the risk of change in the value of plan liability and assets. The liability recognised on the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of reporting period less fair value of plan assets. The defined benefit obligation regarding each significant plan is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate or government bonds with approximating terms to maturity and that are denominated in the currency in which the benefits are expected to be paid. The applied discount rates are determined in each country by an external actuary.

Actuarial gains and losses related to remeasurements of a defined benefit plan and the effect of the asset ceiling, if any, are recognised directly in the statement of comprehensive income. Interest and all other expenses related to defined benefit plans are recognised directly through profit or loss. If a plan is amended or curtailed, the portion of the changed benefit related to past service by the employees, or the gain or loss on curtailment, is recognised directly in the statement of income when the plan amendment or curtailment occurs.

Accounting estimates and considerations

The estimate of the obligations amount of each defined benefit pension plan is based on the actuarial estimates concerning, among other things, the future pay rises, discount interests and profits from funded assets. The changes in these assumptions may significantly affect the pension obligations and pension costs.

The present value of pension obligations depends on several factors which are defined actuarially, using several financing and demographical assumptions, and changes in them affect the accounting value of the pension obligations. The discount rate is the most important of all the financing assumptions used in the defining of the net expenses (or profits) caused by pensions. The appropriate discount rate is determined at the end of each year and it is used to calculate the present value for the estimated future cash flows required to fulfil the pension obligations. The yield in country and corporate level high-quality bonds defines the appropriate discount rate at the reporting date. These bonds are denominated in the currency in which the benefits are paid and have a maturity close to the length of the vesting period. Other key assumptions concerning pension obligations include monetary assumptions, such as the expected increases in salaries and pensions, and demographical assumptions, such as life expectancy.

The Group has various post-employment benefit plans around the world. Pension arrangements are made in accordance with local regulations and practices in line with the defined contribution pension plans or defined benefit pension plans.

The defined benefit pension plans determine the amount of pension to be paid and the benefits to be paid for disability and at termination of employment. The pension benefits are usually based on the length of employment and the level of final salary. The calculations for defined benefit obligations and assessment of the fair value of assets at the end of the reporting period have been made by qualified actuaries.

2 Personnel

The Group has defined benefit pension plans in Switzerland, Finland, and Indonesia. The most significant plans are in Switzerland. The defined benefit plans have been organized through insurance companies. The major pension plans are funded, and the assets of these plans are segregated from the assets of the Group. The subsidiaries meet the funding requirements, and the assets have been invested in various investments in accordance with the local regulations.

These defined benefit plans expose the Group to actuarial risks, such as inflation risk, interest rate risk, expected retirement age and market risk.

SUMMARY OF THE IMPACT OF POST-EMPLOYMENT BENEFITS IN THE FINANCIAL STATEMENTS

EUR thousand	2021	2020
Present value of unfunded obligations	2,689	2,599
Present value of funded obligations	3,963	4,009
Fair value of plan assets	3,654	3,438
Pension obligations in the balance sheet	**3,005**	**3,178**
Defined benefit pension plans and other post-employment benefits expenses	406	615
Expenses in the income statement	**406**	**615**
Change in value of the defined benefit pensions plans and other post-employment benefits	-283	-387
Amounts recognised through other comprehensive income	**-283**	**-387**

Expected contributions to defined benefit plans during the next financial period are MEUR 0.1 (0.1). The duration of the most significant defined benefit obligation at the end of the reporting period was 12.8 (14.4) years.

BREAKDOWN OF ASSETS AND LIABILITIES BY GEOGRAPHICAL AREA

EUR thousand	Finland	Switzerland	Other countries
Present value of plan obligations:			
2021	2,936	3,611	576
2020	2,843	3,640	530

BREAKDOWN OF ASSETS

EUR thousand	2021	2020
Qualifying insurance policy	352	307
Other assets	3,302	3,118
Total	**3,654**	**3,425**

The assets do not include the company's own instruments or other assets in its use.

DEFINED BENEFIT PLANS: ACTUARIAL ASSUMPTIONS USED IN CALCULATION

	Finland	Switzerland	Other countries
Discount rate 2021 (2020)	0,85 % (0,35 %)	0,50 % (0,20 %)	6,18 % (8,0 %)
Future salary increase assumption 2021 (2020)	n/a	1,0 % (1,0 %)	6,0 % (6,0 %)
Pension increase assumption 2021 (2020)	0.00	0.00	0.00

The discount rate has been determined separately for each plan. The discount rate is based on a yield of corporate bonds with an 'AA' and 'AAA' credit rating that are denominated in the same currency and have a duration that approximates the plan duration.

2 Personnel

CHANGES IN THE DEFINED BENEFIT PLANS DURING THE FINANCIAL YEAR

EUR thousand	Present value of plan assets	Fair value of plan assets	Total
1.1.2021	**7,014**	**3,432**	**3,582**
Current service cost	511	0	511
Interest expense (+) / income (-)	53	8	46
Past service cost	-64	0	-64
Remeasurement of value:			
Return on plan assets, excluding interest recognised in profit and loss	0	-130	130
Actuarial gains (-) and losses (+) arising from changes in demographic assumptions	-187	0	-187
Actuarial gains (-) and losses (+) arising from changes in financial assumptions	-291	0	-291
Experience gains (-) and losses (+)	64	0	64
Actuarial gains (-) and losses (+) recognised in income statement	-145	0	-145
Foreign exchange gains (-) and losses (+)	213	151	62
Contributions by employer	0	248	-248
Contributions by plan participants	65	65	0
Benefits paid	-170	-126	-44
Other	58	0	58
31.12.2021	**7,122**	**3,648**	**3,475**

CHANGES IN THE DEFINED BENEFIT PLANS DURING THE FINANCIAL YEAR 2020

EUR thousand	Present value of plan assets	Fair value of plan assets	Total
1.1.2020	**7,658**	**3,948**	**3,711**
Current service cost	576	0	576
Interest expense (+) / income (-)	66	9	57
Remeasurement of value:			
Return on plan assets, excluding interest recognised in profit and loss	0	3	-3
Actuarial gains (-) and losses (+) arising from changes in demographic assumptions	-31	0	-31
Actuarial gains (-) and losses (+) arising from changes in financial assumptions	76	0	76
Experience gains (-) and losses (+)	-430	0	-430
Actuarial gains (-) and losses (+) recognised in income statement	48	0	48
Foreign exchange gains (-) and losses (+)	-25	23	-48
Contributions by employer	0	315	-315
Contributions by plan participants	93	94	-1
Benefits paid	-953	-960	7
Other	-66	0	-66
31.12.2020	**7,014**	**3,432**	**3,582**

2 Personnel

SENSITIVITY ANALYSIS OF THE KEY ACTUARIAL ASSUMPTIONS RELATED TO THE MOST SIGNIFICANT DEFINED BENEFIT LIABILITY 2021

EUR thousand	2021	Change
0,25 % -point increase in the used variable rate would impact defined benefit liability as follows:		
Discount rate	3,499	11
Future salary increase assumption	3,619	-15
Pension increase assumption	0	0
0,25 % -point decrease in the used variable rate would impact defined benefit liability as follows:		
Discount rate	3,730	-38
Future salary increase assumption	3,602	-11
Pension increase assumption	0	0
Increase of life expectancy by one year	**3,672**	**-13**
Decrease of life expectancy by one year	**3,549**	**-11**

SENSITIVITY ANALYSIS OF THE KEY ACTUARIAL ASSUMPTIONS RELATED TO THE MOST SIGNIFICANT DEFINED BENEFIT LIABILITY 2020

EUR thousand	2020	Change
0,25 % -point increase in the used variable rate would impact defined benefit liability as follows:		
Discount rate	3,488	-151
Future salary increase assumption	3,634	-5
Pension increase assumption	0	0
0,25 % -point decrease in the used variable rate would impact defined benefit liability as follows:		
Discount rate	3,767	128
Future salary increase assumption	3,613	-26
Pension increase assumption	0	0
Increase of life expectancy by one year	**3,685**	**46**
Decrease of life expectancy by one year	**3,560**	**-79**

The tables above summarise the results of the sensitivity analysis prepared separately for each plan, and for each relevant actuarial variable, by an external actuary. The sensitivity analysis has been prepared for one variable at a time while holding all other variables constant. Regardless of the actual volatility of the given variable, for presentation purposes the analysis has been prepared by assuming a fixed change in the key variable as indicated in tables. Consequently, the purpose of the analysis is not to quantify possible or expected changes in the defined benefit obligation but to illustrate the sensitivity of the value of obligation to these variables, the fluctuation of which may deviate from the figures presented in practice.

The sensitivity analysis above assesses only the pension liability's sensitivity to given variables without considering the plan assets. Although the changes in the discount rate create the most significant risk to the plan based on the sensitivity analysis, in practice, the interest rate sensitivity is partly offset by the plan assets that include investments in bonds. The assets correspond to the cumulated plan payments made to the insurance company or fund. The assets are the responsibility of the insurance company or fund and part of the investment assets of the insurance company or fund. The amount of the pension liability is determined based on the current best estimate of the life expectancy. If the assumed life expectancy proves to be underestimated, the recognised plan liability will also be insufficient. Uncertainty regarding the reliability of this estimate is also a risk to the plan.

3 Income taxes

Accounting policy

Income taxes in the statement of income comprise the Group companies' taxes based on the taxable income, prior period adjustments and changes in deferred taxes. The tax effect of items recognised in the consolidated statement of comprehensive income is also recognised directly in the consolidated statement of comprehensive income. Income tax based on taxable income for the period is calculated based on taxable income using the income tax rate effective in each country.

Deferred tax assets or liabilities are calculated on the temporary differences between carrying value and taxable value using tax rates that have been enacted or substantively enacted by the end of each reporting period. The most significant temporary differences arise from defined benefit pension plans, provisions, intercompany elimination of inventory margin, depreciation of tangible assets and loss carryforwards. Deferred taxes are recognised for investments in subsidiaries and associates, but only to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax liabilities are recognised in full in the balance sheet and the tax assets to the extent that it is probable that it can be utilised in future years against taxable income. Recognition criteria for deferred tax assets are reviewed in this respect at end of each reporting period.

3 Income taxes

Accounting estimates and considerations

The Group is subject to income taxes in several jurisdictions and the computation of the Group´s income tax expense and income tax liabilities require judgement and estimation. Income tax positions are regularly evaluated by the management to identify situations when there might be uncertainty due to tax regulation being subject to interpretation. Provisions for these uncertain tax positions are recognised when it is considered more likely than not that the positions will be challenged by the tax authorities. The provision recognised is based on the estimation of the amount of the final taxes to be paid to the tax authorities.

3.1 INCOME TAXES IN THE INCOME STATEMENT

EUR thousand	31.12.2021	31.12.2020
Tax on income from operations	-8,892	-6,066
Tax for previous accounting periods	120	1,658
Change in deferred tax asset	4,136	222
Change in deferred tax liability	6	-466
Income tax	-4,630	-4,652
Other direct tax	-392	-485
Total	**-5,022**	**-5,136**

3.2 EFFECTIVE TAX RATE RECONCILIATION

EUR thousand	31.12.2021	31.12.2020
Profit before taxes	32,930	20,183
Tax calculated at the domestic corporation tax rate of 20.0%	-6,586	-4,037
Effect of different tax rates of foreign subsidiaries	549	1,110
Tax from previous years	120	1,658
Tax free income and undeductible expenses	-2,855	-3,139
Change in deferred taxes	4,142	-244
Other items	-392	-485
Total	**-5,022**	**-5,136**
Effective tax rate %	**15.3 %**	**25.4 %**

3.3 TAXES ASSOCIATED WITH OTHER ITEMS IN THE STATEMENT OF COMPREHENSIVE INCOME

	1.1.-31.12.2021			**1.1.-31.12.2020**		
EUR thousand	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Actuarial profit (+) / losses (-) of defined benefit plans	242	-9	233	394	-42	352
Other OCI-items	**242**	**-9**	**233**	**394**	**-42**	**352**

3 Income taxes

3.4 Deferred taxes

Other temporary differences contain timing differences that are caused by the allocation of costs, advances received and unrealised rate differences which are not tax-deductible before they are realised.

The deferred tax claims and liabilities have been offset at the juridical company level when there is the lawfully enforceable right to offset the receivables based on the period's taxable income against the liabilities based on the period's taxable income.

A deferred tax liability on undistributed profits of subsidiaries located in countries where distribution generates tax consequences is recognised when it is likely that earnings will be distributed in the near future.

Accounting estimates and considerations

Estimates in the tax liabilities and receivables are mainly related to the measuring of the deferred tax receivables related to tax losses. A deferred tax receivable is recognised for unused tax losses and other temporary differences only to the extent it is likely that taxable income will be created. Tax receivables are not recognised for such tax losses that contain uncertainties.

DEFERRED TAX ASSETS

EUR thousand	31.12.2021	31.12.2020
Inventories	7,115	3,662
Intangible and tangible assets	2,654	1,897
Provisions	1,520	1,518
Unused tax losses	0	160
Pension liabilities	1,186	223
Other items	1,805	2,250
Total	**14,280**	**9,710**
Tax expense reported in the statement of profit or loss	**4,136**	**222**

The tax losses, for which no deferred tax assets are recognized due to the uncertainty of the utilization of the losses, amounted to MEUR 42.2 at the end of 2021 (MEUR 31.1).

DEFERRED TAX LIABILITIES

EUR thousand	31.12.2021	31.12.2020
Inventories	62	165
Intangible and tangible assets	1,805	343
Other items	297	1,764
Total	**2,163**	**2,273**
Tax expense reported in the statement of profit or loss	**6**	**-466**

4 Operational assets and liabilities

4.1 NET WORKING CAPITAL

EUR thousand	31.12.2021	31.12.2020
Inventories	111,684	94,339
Trade receivables	61,434	54,822
Other non-interest-bearing receivables	22,940	18,770
Accounts payable	-55,297	-37,084
Other non-interest bearing liabilities	-25,130	-15,760
Advances received	-12,238	-5,500
Total	**103,394**	**109,587**

4.2 CAPITAL EMPLOYED

EUR thousand	31.12.2021	31.12.2020
Net working capital	89,685	99,810
Intangible assets	29,625	35,649
Property, plant, equipment	35,857	32,083
Right-of-use assets	9,244	9,854
Non-current investments	4,470	4,978
Interest-bearing receivables	681	1
Cash and cash equivalents	42,255	24,134
Income tax payables and receivables, net	-3,903	-2,436
Interest payables, net	-583	-137
Total	**207,331**	**203,936**

4 Operational assets and liabilities

4.3 Inventories

Accounting policy

The inventory stock obsolescence provision is based on the best estimate of slow-moving and obsolete inventory at the balance sheet date. The estimates are based on frequent review and evaluation of inventory ageing and composition. Inventories are recognized on the balance sheet using the weighted average price method and measured at the lower of acquisition cost and likely selling price. As a rule, the acquisition cost of inventory includes variable direct costs.

Inventories include an amount equivalent to the buy-back value of equipment deliveries insofar as it is highly likely (>10%) that the Group needs to buy back the equipment. The corresponding amount is recognised on the balance sheet in non-current and current liabilities.

The value of inventories includes impairment due to obsolescence. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale.

Accounting estimates and considerations

The amount of inventory impairments caused by obsolete and excessive stock is based on the management's best estimate on the closing date. The estimate is based on the analysis of the expiration of the inventories, circulation rate and structure when compared to the anticipated future use. Normet has taken into account the impacts of the COVID-19 pandemic when defining the obsolescence provision.

INVENTORIES

EUR thousand	31.12.2021	31.12.2020
Raw materials and consumables	54,086	47,495
Work in progress	16,680	11,278
Finished goods	36,089	30,758
Equipment related to buy backs	4,549	4,603
Advance payments for inventory	282	206
Total	**111,684**	**94,339**

The inventories contain a total of MEUR 6.0 of obsolescence provision at the end of the financial year (MEUR 5.7).

4 Operational assets and liabilities

4.4 Trade receivables and other non-interest-bearing receivables

Accounting policy

Trade receivables and other receivables are originally recognised in their fair value, after which they are measured at their amortised cost. The trade receivables represent the Group's absolute right to the purchase price (which means that only the passing of time affects it until the purchase price has to be paid). The credit loss provisions of trade receivables are estimated based on the Group's credit loss history, which is adjusted with the current information and reasonable and reliable predictions. The effect of the provisions is recognised as a cost in the income statement.

Accounting estimates and considerations

Estimated expected credit loss provisions are based on management's best judgement. Management judgement includes past years' experience and a forward-looking understanding of the client's payment behavior and economic situation. Assessing whether it is probable that the consideration from contracts with customers will be collected requires judgement and might impact the timing and amount of revenue recognition.

TRADE RECEIVABLES

EUR thousand	31.12.2021	31.12.2020
Trade receivables, gross	61,434	54,822
Bad debt allowances for current trade receivables from others (-)	-3,760	-3,883
Trade receivables net	**57,675**	**50,939**

AGEING ANALYSIS OF TRADE RECEIVABLES

EUR thousand	31.12.2021	Expected credit losses
AR not due yet	47,534	340
AR 1-90 days due	10,027	482
AR 91-360 days due	2,314	1,380
AR over 360 days due	1,559	1,559
Total	**61,434**	**3,760**

Credit risk included in Normet's receivables and the recoverability of contract assets has been evaluated under the uncertainty caused by the COVID-19 pandemic. There has not been any significant indication of change in customer payment behavior, and therefore same principles have been applied for expected credit loss recognition as in the Financial statements 2020. The collection of trade receivables is highlighted, and the risk related to the availability of recoverable assets is not deemed to have grown significantly. On the closing date, the Group had not received significant cancellations. Order cancellations and postponements have remained very close to the Group's normal level.

CREDIT LOSS PROVISION OF TRADE RECEIVABLES

EUR thousand	31.12.2021	31.12.2020
Accumulated provision at beginning of year	3,883	2,153
Write-offs	-144	-430
Change in provision	21	2,160
Accumulated provision at end of year	3,760	3,883

The balance sheet values of trade receivables are almost equal to their fair values. Due to the Group's extensive and diverse customer base, trade receivables are only subject to a small credit loss risk. Credit losses recognized from the customer contracts for the financial year totaled MEUR 0.1 (MEUR 0.4).

4 Operational assets and liabilities

4.5 Trade payable and other liabilities

OTHER RECEIVABLE

	31.12.2021			31.12.2020		
EUR thousand	Non-current	Current	Total	Non-current	Current	Total
Loan receivables	0	681	681	0	1	1
Prepaid expenses and accrued income	0	5,734	5,734	0	5,174	5,174
Income tax receivable	0	2,952	2,952	0	2,453	2,453
Other receivables	2,987	17,206	20,193	3,236	13,596	16,832
Non-interest-bearing receivables total	**2,987**	**26,574**	**29,561**	**3,236**	**21,224**	**24,460**

ACCOUNTS PAYABLE AND OTHER LIABILITIES

	31.12.2021			31.12.2020		
EUR thousand	Non-current	Current	Total	Non-current	Current	Total
Accounts payable	0	55,297	55,297	0	37,084	37,084
Other payables						
Accrued interests	0	6,854	6,854	0	4,889	4,889
Accrued personnel costs	3,953	8,134	12,087	3,958	12,124	16,083
Advances received	0	12,238	12,238	0	5,500	5,500
Buy back liabilities	4,815	578	5,394	5,242	522	5,764
Interest payable	0	583	583	0	137	137
Dividends payable	0	48	48	0	91	91
Other payables	8,407	15,786	24,194	4,171	2,886	7,057
Other payables total	**17,175**	**44,222**	**61,398**	**13,372**	**26,148**	**39,520**

4 Operational assets and liabilities

4.6 Provisions

Accounting policy

Provisions are recognised in the balance sheet when the Group has a current legal or constructive obligation as a result of past events, and it is probable that fulfilling the obligation requires a financial performance or causes a financial loss. In addition, a reliable estimate of the amount of the obligation must be feasible. Provisions are accounted for using the best estimate for the costs required to settle the obligation at the end of the reporting period. In case the time value of money is significant, the provision is stated at present value of the expected costs. Changes in provisions are recognised in the income statement in the same batch in which the provision was originally recognised.

Provisions for warranties cover the estimated costs to repair or replace products still under warranty at the end of the reporting period. Provision for warranty is calculated based on historical experience of levels of repairs and replacements.

Accounting estimates and considerations

The amount of the provision to be recognised is the closing day's best estimate of the cost needed to fulfil the obligation. The estimate of the event's financial impact requires the company management to use judgement based on previous similar events and, in some cases, the statements of an outside expert. The provisions are reviewed regularly and corrected when necessary to correspond with the best estimate at the time of reviewing. The expenses to be realised may deviate from the estimate.

PROVISIONS

	31.12.2021			31.12.2020		
EUR thousand	Non-current	Current	Total	Non-current	Current	Total
Warranty provision	34	979	1,013	37	925	962
Other provisions	217	0	217	323	0	323
Total	**250**	**979**	**1,229**	**361**	**925**	**1,286**

The warranty cost provision covers the costs related to the repairing or replacing of products during their warranty period. Provisions subject to warranty are defined based on the historical realised warranty costs of standard products and services.

The section 'other provisions' contains the provisions for quality errors, legal proceedings and loss-making agreements, in the extent the loss exceeds the balance sheet value of the unfinished work or partial recognition of revenue.

5 Intangible and tangible assets

5.1 Goodwill

Accounting policy

Goodwill corresponds to the part of the acquisition cost that exceeds the Group's share of the fair value of the acquired company's net identifiable assets at the time of the acquisition. Goodwill is measured at cost less impairment. Impairment losses are recognised in the income statement.

In case of a potential impairment, the Group tests the goodwill that has indefinite economic useful life at least once a year. Additionally, signs of impairment are assessed at regular intervals. The impairment need is reviewed at the level of the units generating cash. If the recoverable amount is less than the carrying amount of the asset, the impairment is recognised on the balance sheet as a cost. The recoverable amount is either the cash-generating unit's fair value after depreciations arising from transfer-related expenses or its value in use, whichever is larger. The value in use is determined as the present value of the corresponding cash flows. The applied discount rate reflects the market's opinions of money's time value and special risks related to the asset. The impairment loss recognised for the goodwill cannot later be reversed.

Accounting estimates and considerations

The key assumptions made by the management in the future developments relate to market and profitability outlooks. Key factors affecting profitability are sales volume and cost efficiency. The estimates are based on the results of previous years and contain the management's expectations related to future development of selling prices, business structure, costs, market shares and volumes. The effects of COVID-19 are expected to continue in the first half of 2022.

Goodwill is reviewed for potential impairment whenever there is an indication that the current value may be impaired, or at least annually. Impairment testing of goodwill is carried out by allocating goodwill to the lowest cash generating unit levels which generate independent cash flows. These levels have been identified according to the operative business model. Due to the way the company is managed and organised, it is not possible to define independent cash flows for lower level divisions.

The determination of the value-in-use uses estimates about future market development, such as growth and profitability and other key factors. Of the factors that are the basis for the estimates, the ones with the most significant effects are the growth of sales in a market area, business result, economical useful life of assets, future investment needs and discount rate. Changes of these assumptions may significantly affect the estimated cash flows to be recovered in the future. When reviewing signs of impairment, Normet management has used significant judgement. The amount recoverable from the operating segments have been compared to their book value. The overall economic impact of the COVD-19 pandemic cannot be estimated now, since the effects depend on the duration and severity of the pandemic in different geological areas. They depend on the measures used to control the virus, which in turn defines how fast different areas recover. Therefore, estimating the market development, growth and other influencing factors is challenging in the current situation. The projections used in the estimation of the goodwill's present value are based on the management's best estimate under the circumstances.

5 Intangible and tangible assets

Impairment testing of goodwill

The recoverable amounts of the cash generating units are determined based on value-in-use calculations. The future cash flow projections used in the calculations are based on the strategic plans approved by the top management and the Board of Directors. The cash flow projections cover five years, on which the terminal value is defined as the value of the last projection period. Cash flows beyond the forecast period are projected by using a two percent long-term growth rate that is based on a prudent estimate about the long-term growth rate of the industries.

ALLOCATION OF GOODWILL

EUR thousand	31.12.2021	31.12.2020
Goodwill is allocated to the following ' cash-generating units:		
Equipment	880	974
Service	1,748	1,705
GCCT	8,383	7,996
Total	**11,011**	**10,676**

The discount rate used in the calculations is the weighted average cost of capital (WACC) before taxes determined for each business area that reflects the total cost of equity and debt and the market risks related to the segments in question. The components of WACC are risk-free interest rate, market risk premium, comparable peer industry beta, net gearing and credit risk premium. After-tax discount rate (WACC) used for the Equipment business area was 9 (2020: 11) per cent, for Service 10 (12) per cent, and for GCCT 10 (10).

There are no indications of impairment of goodwill after the annual impairment testing performed during Q4 2021. There have been no impairments in goodwill in 2021 or 2020.

TESTED BOOK VALUES OF GCCT BUSINESS

EUR thousand	31.12.2021	31.12.2020
Fixed assets	8,118	7,046
Net working capital	16,063	17,236
Goodwill	8,383	7,996
Total	**32,564**	**32,278**

Based on impairment testing performed book values exceed discounted cash flows in GCCT business by MEUR 34.9 at year-end 2021 (MEUR 13.5). The growth rate of the projection period of the GCCT unit's sales is 5.3 %. The annual growth of the sales margin is consistent with the annual growth of sales.

5 Intangible and tangible assets

Sensitivity analysis

The Group has compiled a sensitivity analysis in which the sensitivity of impairment tests is tested with the changes in central assumptions. The central variables are revenue, profitability and discount interest.

According to the equipment business unit's impairment testing, the discount interest's growth of 28.5 per cent or the revenue being 27.6 per cent less than budgeted or the relative profitability weakening by 13.3 per cent in the projection period would cause the recoverable amount to be equal to the accounting value, but would not lead to recognition of impairment.

According to the service business unit's impairment testing, the discount interest's growth of 28.6 per cent or the revenue being 15.2 per cent less than budgeted or the relative profitability weakening by 7.9 per cent in the projection period would cause the recoverable amount to be equal to the accounting value, but would not lead to recognition of impairment.

According to the GCCT business unit's impairment testing, the discount interest's growth of 8.3 per cent or the revenue being 5.8 per cent less than budgeted or the relative profitability weakening by 3.3 per cent in the projection period would cause the recoverable amount to be equal to the accounting value, but would not lead to recognition of impairment.

5 Intangible and tangible assets

5.2 Other intangible assets

Accounting principles

Intangible assets are recognized in the balance sheet at historical cost if the acquisition cost can be measured reliably and it is probable that the future economic benefits attributable to the asset will flow to the Group.

Other intangible assets include patents, trademarks, licenses, software and capitalised development costs. They are stated in the balance sheet at historical cost less accumulated depreciation and amortisation and any provisions for impairment.

Intangible assets with a finite useful life are recognised as expenses with straight-line amortisation through profit and loss over their known or expected useful life. The Group does not have intangible assets with an indefinite useful life.

Intangible assets with finite useful life are recognised as expenses with straight-line amortisation through profit and loss over the useful life as follows:

- capitalized development costs 3 years
- patents and trademarks 10 years
- other intangible assets 7-10 years

The useful life of the assets is reviewed and adjusted, if necessary, at the end of each reporting period. Amortisation of intangible assets begins when the asset is available for use, i.e. when it is at the site and in the condition necessary for it to operate in the manner intended by management.

Development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to reliably measure the expenditure during development.

Expenses related to the deployment of new technology or development of a new product generation are activated and depreciated during the economic useful life of 3 years. When determining the economic useful life, the expiry of technology and typical life cycle of products will be considered. The depreciations begin once the product can be utilized commercially or the asset is available for use. The maintenance and insignificant improvements of existing products are recognized directly as expenses. Government grants related to research and development operations are recognized in the profit and loss account as a deduction of expenses to be covered while the corresponding expenses are recognized as profit or loss.

Accounting estimates and considerations

Assessing the probability of expected future economic benefits and the useful lives of intangible assets require management judgement. The estimated useful lives and the residual values are reviewed at least at the end of each reporting period, and if they differ significantly from previous estimates, the amortisation periods are adjusted accordingly. Also, assessing any indication of impairment requires management judgement.

5 Intangible and tangible assets

INTANGIBLE ASSETS 2021

EUR thousand	Development costs	Immaterial rights	Other intangible assets	Advance payments for intangible assets	Goodwill	Consolidated goodwill	Total
Cost 1.1.2021	**23,238**	**7,465**	**18,281**	**2,907**	**11,310**	**29,895**	**93,095**
Translation differences	0	28	18	0	-32	868	881
Additions	4,042	1,417	584	1,507	0	0	7,550
Reclassifications	1,254	0	0	-1,312	0	0	-58
Cost 31.12.2021	**28,533**	**8,911**	**18,883**	**3,102**	**11,278**	**30,762**	**101,468**
Cumulative amortisation and impairment 1.1.2021	**-10,344**	**-6,428**	**-10,147**	**0**	**-8,080**	**-22,449**	**-57,447**
Translation differences	0	-28	80	0	15	-515	-448
Cumulative amortisation on disposals	0	-5	0	0	0	0	-5
Amortisation	-3,081	-151	-6,017	0	0	0	-9,250
Impairment	-3,694	-1,000	0	0	0	0	-4,695
Cumulative amortisation and impairment 31.12.2021	**-17,119**	**-7,612**	**-16,083**	**0**	**-8,065**	**-22,964**	**-71,844**
Carrying amount 1.1.2021	12,894	1,037	8,135	2,907	3,231	7,445	35,649
Carrying amount 31.12.2021	**11,415**	**1,298**	**2,799**	**3,102**	**3,213**	**7,798**	**29,625**

5 Intangible and tangible assets

INTANGIBLE ASSETS 2020

EUR thousand	Development costs	Immaterial rights	Other intangible assets	Advance payments for intangible assets	Goodwill	Consolidated goodwill	Total
Cost 1.1.2020	**19,425**	**7,293**	**15,293**	**4,589**	**11,990**	**30,747**	**89,338**
Translation differences	0	-62	0	0	-680	-853	-1,595
Additions	3,812	234	2,989	-1,682	0	0	5,353
Cost 31.12.2020	**23,238**	**7,465**	**18,281**	**2,907**	**11,310**	**29,895**	**93,095**
Cumulative amortisation and impairment 1.1.2020	**-8,434**	**-6,363**	**-7,057**	**0**	**-8,627**	**-22,872**	**-53,354**
Translation differences	0	62	2	0	547	423	1,034
Amortisation	-1,385	-126	-3,091	0	0	0	-4,602
Impairment	-525	0	0	0	0	0	-525
Cumulative amortisation and impairment 31.12.2020	**-10,344**	**-6,428**	**-10,147**	**0**	**-8,080**	**-22,449**	**-57,447**
Carrying amount 1.1.2020	10,991	930	8,236	4,589	3,363	7,875	35,984
Carrying amount 31.12.2020	**12,894**	**1,037**	**8,135**	**2,907**	**3,231**	**7,445**	**35,649**

5 Intangible and tangible assets

5.3 Tangible assets

Accounting policy

Land, buildings, machinery and equipment form significant part of the tangible fixed assets. They are measured at historical cost less accumulated depreciation and any impairment losses. The acquisition cost of self-constructed assets includes materials, direct labour and a proportionate share of variable overheads of production when their amount is substantial. Depreciation is recognised on a straight-line basis estimated over the estimated economic useful life as follows:

- machinery and equipment 3–10 years
- buildings 10–40 years
- land and water areas are not depreciated

Ordinary maintenance and repair costs are expensed in the period they are incurred. The cost of major renovations and improvement projects are recognised in the balance sheet if it is probable that the increased economic benefits will flow to the Group in the future. Renovation and improvement projects are depreciated using a straight-line method over the expected useful life. Capital gains and losses are included in the statement of comprehensive income under the operating profit.

Accounting estimates and considerations

Estimating whether the expected corresponding financial benefit is likely or what is the economic useful life of the tangible asset requires management judgement. The estimated economic useful lives and net book values are reviewed at the end of each reporting period, at minimum, and if they significantly differ from the previous estimates, the write-off period is changed correspondingly. Assessing whether there are signs of impartment also requires management judgement.

5 Intangible and tangible assets

TANGIBLE ASSETS 2021

EUR thousand	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Cost 1.1.2021	**638**	**18,657**	**50,420**	**341**	**4,503**	**74,557**
Translation differences	6	15	662	6	18	706
Additions	0	3,723	12,109	-1	923	16,755
Disposals	0	-1,134	-3,122	-252	-53	-4,561
Reclassifications	0	0	208	0	-4,375	-4,167
Cost 31.12.2021	**643**	**21,261**	**60,285**	**93**	**1,015**	**83,298**
Cumulative amortisation and impairment 1.1.2021	**0**	**-8,195**	**-34,117**	**-162**	**0**	**-42,473**
Translation differences	0	-37	-475	0	0	-512
Cumulative amortisation on disposals and reclassifications	0	-32	2,559	162	0	2,689
Amortisation	0	-775	-6,370	0	0	-7,145
Cumulative amortisation and impairment 31.12.2021	**0**	**-9,039**	**-38,402**	**0**	**0**	**-47,441**
Carrying amount 1.1.2021	638	10,462	16,303	178	4,503	32,084
Carrying amount 31.12.2021	**643**	**12,222**	**21,882**	**93**	**1,015**	**35,857**

5 Intangible and tangible assets

TANGIBLE ASSETS 2020

EUR thousand	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Cost 1.1.2020	**636**	**17,545**	**52,060**	**337**	**3,061**	**73,639**
Translation differences	2	-39	-2,309	-30	-28	-2,404
Additions	0	1,758	6,171	34	1,469	9,432
Disposals	0	-644	-4,999	0	0	-5,644
Reclassifications	0	37	-503	0	0	-466
Cost 31.12.2020	**638**	**18,657**	**50,420**	**341**	**4,503**	**74,557**
Cumulative amortisation and impairment 1.1.2020	**0**	**-8,347**	**-34,611**	**-172**	**0**	**-43,130**
Translation differences	0	63	1,412	9	0	1,484
Cumulative amortisation on disposals and reclassifications	0	589	4,199	0	0	4,788
Amortisation	0	-784	-5,135	0	0	-5,919
Impairment	0	283	20	0	0	303
Cumulative amortisation and impairment 31.12.2020	**0**	**-8,195**	**-34,117**	**-162**	**0**	**-42,473**
Carrying amount 1.1.2020	636	9,198	17,448	165	3,061	30,508
Carrying amount 31.12.2020	**638**	**10,462**	**16,303**	**178**	**4,503**	**32,084**

5 Intangible and tangible assets

5.4 Depreciation, amortisation and impairment

Accounting policy

The balance sheet values of both the intangible and tangible assets being depreciated and the investments into associates and joint ventures are reviewed for impairment every time events and changes in circumstances show that income equal to the asset's balance sheet value can no longer be recovered. If there are such signs of impairment, the recoverable profit of the asset is estimated. Recoverable profit is the higher of either the fair value minus the asset's trade costs or the present value of the predicted cash flows generated by the use and selling of the asset. The impairment loss is recognised in the income statement if the recoverable profit falls below the balance sheet value of the asset. Impairment losses are cancelled if the recoverable profits increase later.

Accounting estimates and considerations

Assets not measured at fair value are tested for impairment every time there is indication of a possible decrease in value. External sources include a significant decline in market value that is not the result of the passage of time, normal use of the assets or increase in interest rate. Internal sources of information include evidence of obsolescence of, or physical damage to, assets. If the balance sheet value of the asset exceeds the amount recoverable from its use or sale, the impairment loss is recognised immediately so that the accounting amount is equal to the amount recoverable.

DEPRECIATION

EUR thousand	1.1.-31.12.2021	1.1.-31.12.2020
Tangible assets		
Machinery and equipment	6,340	5,135
Buildings and structures	775	784
Other tangible assets	0	6
Intangible assets		
Development costs	3,081	1,385
Immaterial rights	151	126
Other intangible assets	6,017	3,091
Right-of-use assets		
Machinery and equipment	853	1,075
Buildings and structures	3,573	3,354
Total	**20,790**	**14,957**

IMPAIRMENTS

EUR thousand	1.1.-31.12.2021	1.1.-31.12.2020
Buildings and structures	0	146
Development costs	3,694	499
Immaterial rights	1,000	0
Total	**4,694**	**645**

5 Intangible and tangible assets

5.5 Leases

Accounting policy

At the start of the agreement, the Group assesses whether the agreement is a lease agreement or if it contains a lease agreement. In other words, does the agreement grant the right to control the use of an identified asset against compensation for a certain period.

Leases, Group as lessee

The Group has leased machinery, equipment, and real estate. Those lease agreements in which the risks and rewards of ownership do not essentially transfer to the Group are regarded as right-of-use agreements whose lease liabilities are recognised in the balance sheet. The related costs are processed as amortisation of the right-of-use assets and interest expenses. The Group applies one recognition and measuring method for all leases, except for leases of assets that are short-term and of low value. The Group recognises the lease liability to perform lease payments, and the right of use asset that represents the right to use the asset leased. The Group recognises right-of-use assets on the first day of the lease (meaning that the asset is then available). Right-of-use assets are measured to the acquisition expense minus the depreciations and impairment losses that is adjusted with the results of the reassessment of the lease liabilities. The acquisition expense of the right-of-use assets contains the amount of recognised lease liabilities, possible starting costs and lease payments paid before the starting date, and the lease incentives received are deducted from it. Right-of-use assets that consist primarily of the leasing of premises and vehicles, are typically depreciate using a straight-line method during either the lease term or the estimated useful life, whichever of them is shorter. Right-of-use assets are subject to possible impairment.

Changing lease payments that do not depend on an index or multiplier are recognised as costs for the period in which the payment is paid. When calculating the present value of lease payments, the group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in lease term, a change in the fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term and insubstantial lease agreements

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption to equipment that are considered of low value. Lease payments on short term leases and lease of low value assets are recognized as an expense over the lease term.

Judgment in determining the lease term

The Group has various lease agreements for office equipment, vehicles and premises with varying terms and renewal rights. The Group determines the lease term as the non-cancellable term of the lease together with any periods covered by an option to extend or early terminate the lease if it is reasonably certain to be exercised. The Group uses judgment especially for the use of extension options as well as when defining the lease term for open end lease agreements so that they are based on the business requirements, factors that create an economic incentive and real estimated useful life time of the underlying asset.

Leases, Group as lessor

The Group leases machinery and equipment to its customers under right-of-use agreements with varying terms. In these agreements, the risks and rewards incidental to ownership of an asset remain with the lessor. The leased asset is recognised on the balance sheet according to the nature of the asset.

5 Intangible and tangible assets

Accounting estimates and considerations

Those lease agreements in which the risks and rewards of ownership do not essentially transfer to the Group are regarded as right-of-use agreements whose lease liabilities are recognised in the balance sheet. The consideration based on the management's realistic expectations is used when defining the lease term. This applies especially to the cases in which a building's lease includes the ending and continuing option or if the lease term is indefinite.

The activated leases of the Group primarily concern office spaces, vehicles and production equipment and devices. In the Normet Group, the COVID-19 pandemic has only slightly affected the rental commitments based on the IFRS16 standard and their payments.

NORMET AS A LESSEE 2021

2021 EUR thousand	Buildings, right -of-use assets	Machinery and equipment, right -of-use assets	Total
Cost 1.1.2021	13,711	3,034	16,745
Translation differences	365	31	396
Additions	2,997	190	3,187
Cost 31.12.2021	17,073	3,255	20,328
Cumulative amortisation and impairment 1.1.2021	-5,286	-1,626	-6,912
Translation differences	-142	104	-38
Cumulative amortisation on disposals and reclassifications	8	285	293
Amortisation	-3,621	-805	-4,426
Cumulative amortisation and impairment 31.12.2021	-9,041	-2,043	-11,084
Carrying amount 1.1.2021	8,425	1,409	9,834
Carrying amount 31.12.2021	**8,032**	**1,211**	**9,244**

NORMET AS A LESSEE 2020

2020 EUR thousand	Buildings, right -of-use assets	Machinery and equipment, right -of-use assets	Total
Cost 1.1.2020	14,363	3,398	17,761
Translation differences	-483	-127	-611
Additions	1,657	260	1,917
Disposals	-1,825	-433	-2,258
Reclassifications	0	-64	-64
Cost 31.12.2020	13,711	3,034	16,745
Cumulative amortisation and impairment 1.1.2020	-3,203	-1,023	-4,226
Translation differences	111	40	151
Cumulative amortisation on disposals and reclassifications	1,160	391	1,550
Amortisation	-3,354	-1,033	-4,387
Cumulative amortisation and impairment 31.12.2020	-5,286	-1,626	-6,912
Carrying amount 1.1.2020	11,160	2,375	13,535
Carrying amount 31.12.2020	**8,425**	**1,409**	**9,834**

5 Intangible and tangible assets

MATURITY OF LEASE LIABILITIES

EUR thousand	31.12.2021	31.12.2020
within 1 year	4,017	3,734
1-5 years	5,405	6,954
over 5 years	140	423
Total	**9,561**	**11,111**

The cash flow of leases in which the Normet Group is the lessee amounted to MEUR -4.3 in the financial year 2021 (MEUR -4.6).

LEASE LIABILITIES

EUR thousand	31.12.2021	31.12.2020
Lease liabilities 1.1.	**11,111**	**14,629**
Additions	2,787	1,117
Lease payments	-4,338	-4,634
Lease liabilities 31.12.	**9,561**	**11,111**

ITEMS RECOGNISED IN THE INCOME STATEMENT

EUR thousand	31.12.2021	31.12.2020
Depreciation expense on right-of-use assets	4,426	4,429
Rental expense relating to leases of short-term assets	776	335
Rental expense relating to leases of low-value assets	58	616
Interest expense on lease liabilities	401	416
Total	**5,661**	**5,796**

NORMET AS A LESSOR

EUR thousand	31.12.2021	31.12.2020
within 1 year	1,463	624
1-5 years	42	766
over 5 years	66	0
Total	**1,572**	**1,390**

Revenue for the financial year includes MEUR 6.1 (5.4) lease income from right-of-use asset agreements.

6 Consolidation

6.1 Acquisitions and business disposals

There were no acquisitions or business disposals in Normet Group in 2021. Normet Conecto Oy merged to its parent company Normet Oy.

In June 2020 Farmi Forest Oy's business was sold to Ferrum Fennica Oy. Normet Group recognized loss amounting to MEUR 0.6 from the transaction in 2020.

6.2 Associated companies

Accounting policy

Investments in associates over which Normet exercises significant influence but not control are accounted using the equity method. An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The financial statements information of the Group's associate is included in the consolidated financial statements using the equity method. In this method, the consolidated financial statements present the Group's share of the associate's net identifiable assets in investments. Any premium over net assets paid to acquire an interest in an associate or joint venture is recognized as goodwill within the same line as the underlying investment. The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss as share of profit of an associate and in the statement of profit or loss.

SHARES IN ASSOCIATES

EUR thousand	31.12.2021	31.12.2020
Cost 1.1.	4,971	5,117
Translation differences	-350	74
Share of result	-204	-220
Cost 31.12.	**4,417**	**4,971**
Carrying amount 1.1.	4,971	5,117
Carrying amount 31.12.	**4,417**	**4,971**

Investments in associates and joint ventures

The Group has investments in the following associates and joint ventures:
- Kingnor Mining Equipment Co Ltd, China, 49.0%

Normet owns 49 (31 December 2020: 49) per cent of Kingnor Mining Equipment Co. Ltd. The ownership is classified as an associate as Normet has considerable influence on the company due to the share of ownership and seats on the Board of Directors. Hubei JCHX Mining Services Co. Ltd, a subsidiary of JCHX Mining Management Co. Ltd listed on the Shanghai Stock Exchange in China owns 51% of Kingnor Mining Equipment Co. Ltd.

The key figures in Kingnor Mining Equipment Co Ltd.'s financial statements 2021 were as follows:
- revenue MEUR 5.9
- profit for the financial year MEUR -1.0
- total assets MEUR 18.9
- shareholders' equity MEUR 11.2

Consolidation

6.3 Subsidiaries

Accounting policy

Acquisitions of subsidiaries are accounted for using the acquisition method according to which the acquired company's identifiable assets, liabilities and contingent liabilities are measured at fair value on the date of acquisition. The excess of the consideration transferred for the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Acquisition-related costs are recognised as expenses.

The subsidiaries acquired during the financial period are included in the consolidated financial statements from the date the Group gained control until the date the Group ceases to control the subsidiary. The distribution of profit for the financial year to the owners of the parent company and non-controlling interests is presented in the income statement and the equity attributable to non-controlling interest is presented as a separate item on the balance sheet.

Intra-Group transactions, receivables, liabilities and unrealised margins as well as internal profit distributions are eliminated in the preparation of consolidated financial statements. The accounting principles of the subsidiaries have been changed, where necessary, to ensure consistency with the principles adopted by the Group.

Subsidiaries owned by the parent company	Location	Parent company's share
Normet Oy	Finland	95.48

Investments accounted for using the equity method	Location	Group's share, %
Kingnor Mining Equipment Co Ltd (associate company)	China	49

The Group has branch in India.

Subsidiaries owned by the group	Location	Group's share, %
Normet Global Oy	Finland	100
Normet LLC	Russia	100
LLP Norservice	Russia	100
Normet International Ltd	Switzerland	100
Normet Shanghai Trading Ltd	China	100
Normet Asia Pacific Pty Ltd	Australia	100
Normet Americas Inc	USA	100
Normet Mongolia LLC	Mongolia	100
Normet Chile Ltda	Chile	100
Normet do Brasil Ltd	Brazil	100
Normet Canada Ltd	Canada	100
PT Normet Indonesia	Indonesia	100
Normet Scandinavia Ab	Sweden	100
Normet India Private Limited	India	100
Normet UK Ltd	UK	100
Normet Taiwan Co. Ltd	Taiwan	100
Normet Hong Kong Ltd	China	100
Normet Singapore PTE Ltd	Singapore	100
TAM Holding AG	Switzerland	100
TAM Indonesia Ltd	Indonesia	100
PT TAM International Indonesia	Indonesia	100
Normet Mexico Ltd SA de C.V	Mexico	100
Normet Africa Ltd	South Africa	100
Normet Norway AS	Norway	100
Dynamic Rock Support Pty Ltd	South Africa	100
Normet Colombia S.A.S	Colombia	100
Normet Underground Technologies Sdn Bhd	Indonesia	100
Normet DOHA LLC	Qatar	100
Normet Zambia Ltd	Zambia	49
Normet Middle East General Trading LLC/ Normet Dubai	UAE	100
Normet Peru	Peru	49
Normet Japan G.K.	Japan	100

7 Capital structure and financial instruments

7.1 Financial risk management

The Board of Directors of the Group's parent company approves the general principles of risk management. The management of the Group together with business units are responsible for their realisation. Financial risk management has been centralised in the financial management.

The Group is exposed to several financial risks in its normal course of business. The main financial risks relate to currency risks, credit risks and liquidity risks. The objectives of the treasury function are to secure sufficient funding for business operations, to provide business units with financial services, to minimise the costs of financing, to manage financial risks (currency, interest rate, liquidity and funding, credit, counterparty and operational risks) and to regularly provide management with information on the financial position and risk exposures of the Group.

Currency risk

Due to its international operations, the Group is exposed to risks arising from foreign exchange rate fluctuations. The most significant currencies for the Group are the Australian dollar (AUD), Chilean peso (CLP), Indian rupee (INR), Mongolian togrog (MNT) Norwegian krone (NOK), Canadian dollar (CAD), the United States dollar (USD) and Russian rouble (RUB). Currency risks arise from commercial transactions, monetary items in the balance sheet and net investments in foreign subsidiaries.

The Group's fixed-price equipment sales contracts are usually hedged by using foreign exchange forward contracts. Hedge accounting is not applied by Normet. The change in the fair value of foreign exchange forward contracts is recognised in revenue to compensate for the change in the value of the corresponding receivable.

The currency risk sensitivity analysis is based on an aggregate Group level currency exposure, which is composed of all assets and liabilities denominated in foreign currencies. The sensitivity analysis does not include the translation difference due to the shareholders' equities of foreign subsidiaries whose functional currency is not euro.

CURRENCY RISK

EUR thousand Change in FX Rate	2021 Change +/-10 %	2020 Change +/-10 %
AUD	2,511	2,827
CAD	585	584
CLP	1,880	1,749
INR	1,121	1,222
MNT	50	18
NOK	681	298
RUB	217	255
USD	778	873

The table above presents the appreciation and depreciation of Normet's most important currencies in relation to all other currencies as other factors remain unchanged. A change rate of +/- 10 % is used. The change rate used is +/- 10% to the debt capital. The sensitivity analysis is based on assets and liabilities of the parent company and each subsidiary denominated in foreign currencies at the end of the reporting period. The effects of currency derivatives, which offset the effects of changes in exchange rates, are also considered in the sensitivity analysis.

Credit risk

The Group is exposed to credit risk from its commercial receivables. The business units are responsible for the management of commercial credit risk in accordance with policies approved by the Group's management. The Group generally has no significant concentrations of credit risk, since it has a broad clientele distributed geographically across the globe. The commercial credit risk is considered low as the trade receivable portfolio is diversified and the Group's historical credit loss frequency is low. The age distribution of the trade receivables is presented in Note Trade receivables.

7 Capital structure and financial instruments

Interest rate risk

The Group is exposed to interest rate risk relating to its long-term loan portfolio. Normet does not hedge the interest rate risk of variable rate loans.

SENSITIVITY ANALYSIS

EUR thousand	2021	2020
Increase in percent	1 %	1 %
Effect on proft after tax	-560	-741
Variable rate loans	-700	-927
Share of fixed rate loans of total, %	**0 %**	**0 %**

The interests related to the Group's main financial agreement are included in the sensitivity analysis. The analysis only considers the impact of the interest increasing, since the reference interest rate pursuant to the credit agreement has in the reviewed financial years been 0. The interests of other loans have no significant impact on the sensitivity. The hybrid bond is not included in the sensitivity analysis.

Loan covenants

The company's borrowing arrangements include security instruments and covenants. The company's borrowing arrangements also involve pledge restrictions. At the end of the reporting period, the Group has interest-bearing liabilities amounting to MEUR 70 whose conditions included covenants related to the relationship of equity ratio and net liability and operating profit.

Liquidity and funding risk

The Group management constantly evaluates and monitors the financing required by the operations to ensure adequate reserves of liquid funding for financing the operations and repaying loans when due. The Group utilises short-term credit limits to control the liquidity risk.

The objective of funding risk management is to avoid an untenably large proportion of loans or credit facilities maturing at a time when refunding is not economically or contractually feasible. The risk is minimised by balancing the repayment schedules of loans and credit facilities as well as by retaining flexible credit facility agreements. The repayments of interest-bearing liabilities during the next 12 months do not include liabilities arising from foreign subsidiaries' overdraft facilities.

LIQUIDITY AND FUNDING RISK

EUR thousand	31.12.2021	31.12.2020
Cash and cash equivalents	42,255	24,134
Binding long-term undrawn credit facility	57,625	35,725
Interest-bearing liabilities payable within the next twelve months	0	-8,000
Liquidity position	**99,880**	**51,859**

In December 2021, the Group signed a four-year financing agreement. According to the agreement, MEUR 70 debt instrument will be paid with one instalment in January 2026. Loan has variable interest rate.

The financing agreement also includes credit commitment up to MEUR 20 which can be raised by December 23, 2022. As of 31 December 2021, the whole amount of MEUR 20 remained unspent.

7 Capital structure and financial instruments

7.2 Financial assets and liabilities by category

Accounting principle

Financial assets

The Group's financial assets are classified according to the following categories: financial assets measured at amortised cost, financial assets measured at fair value through profit or loss, and financial assets recognised at fair value through other comprehensive income. Financial assets are classified according to their cash flow characteristics and the business model they are managed in and accounted for at settlement date. Financial assets are presented as non-current when their maturity exceeds one year.

Financial assets measured at amortised cost

Non-derivative assets with fixed or determinable payments that are not quoted in an active market are classified as financial assets at amortized cost. Trade receivables and other receivables are included in this category. Trade and other receivables are initially measured at fair value and later at amortised cost less impairment. A simplified model is applied to trade receivables, in which the loss allowance is measured at the estimate of the lifetime expected credit losses of the receivables. Impairments and allowances are recognised in the statement of income under other operating costs. Bad debts are written off when an official announcement of liquidation or bankruptcy confirming that the receivable will not be collected is received or when it can otherwise be reasonably assessed that the value of the receivable has been lost.

Financial assets measured at fair value through profit or loss

Financial assets at fair value through profit or loss include derivatives that are not eligible to hedge accounting. Realised and unrealised gains and losses from changes in fair values of derivatives are recognised in the statement of income in the period in which they have arisen, and the change in value is presented consistently with the hedged item, with regard to trade receivables, in revenue.

Financial assets measured at fair value through profit or loss also include investments in other companies. The shares are initially measured at cost and then at fair value. Profits or losses arising from changes in the fair value and from gains arising from sales as well as impairments of shares are included in financial income and expenses. In practice, the acquisition cost of shares is regarded as their fair value

Financial assets at fair value through other comprehensive income

Normet has no financial assets at fair value through other comprehensive income.

Financial liabilities

The Group's financial liabilities are classified either into financial liabilities recognised at amortised cost or financial liabilities recognised at fair value through profit or loss. Financial liabilities are classified as current unless the Group has the unconditional right to defer the payment of the debt to at least 12 months from the end of the financial period. Financial liabilities (or parts thereof) are only de-recognised once the debt has extinguished, i.e. once the contractually specified obligation is discharged, cancelled, or expired.

Financial liabilities recognised at amortised cost

The loans raised by the Group are included in financial liabilities recognised at amortised cost. They are measured at their initial recognition at fair value using the effective interest rate method. After the initial recognition, loans are measured at amortised cost. Interests on loans are expensed through profit or loss over the maturity of the debt using the effective interest rate method.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include derivatives that are not eligible for hedge accounting. Realised and unrealised gains and losses from changes in fair values of derivatives are recognised in the statement of income in the period in which they have arisen, and the change in value is presented consistently with the hedged item, with regard to trade receivables, in revenue.

7 Capital structure and financial instruments

EUR thousand	Measured at amortised cost	Fair value through profit and loss	Fair value through OCI	Balance sheet values	Fair value
Non-current financial assets 31.12.2021					
Held to maturity investments	53	0	0	53	53
Non-current trade receivables	467	0	0	467	467
Non-current loan receivables	10	0	0	10	10
Other non-current receivables	1,974	0	0	1,974	1,974
Total	**2,504**	**0**	**0**	**2,504**	**2,504**
Current financial assets 31.12.2021					
Trade receivables	57,675	0	0	57,675	57,675
Other receivables	17,206	0	0	17,206	17,206
Cash and cash equivalents	42,255	0	0	42,255	42,255
Total	**117,135**	**0**	**0**	**117,135**	**117,135**
Non-current financial liabilities 31.12.2021					
Loans from financial institutions	70,724	0	0	70,724	70,724
Lease liabilities	5,545	0	0	5,545	5,545
Total	**76,268**	**0**	**0**	**76,268**	**76,268**
Current financial liabilities 31.12.2021					
Loans from financial institutions	2,022	0	0	2,022	2,022
Lease liabilities	4,017	0	0	4,017	4,017
Accounts payable	55,297	0	0	55,297	55,297
Derivative liabilities	0	542	0	542	542
Total	**61,336**	**542**	**0**	**61,878**	**61,878**

7 Capital structure and financial instruments

EUR thousand	Measured at amortised cost	Fair value through profit and loss	Fair value through OCI	Balance sheet values	Fair value
Non-current financial assets 31.12.2020					
Held to maturity investments	7	0	0	7	7
Non-current trade receivables	1,058	0	0	1,058	1,058
Non-current loan receivables	13	0	0	13	13
Other non-current receivables	2,153	0	0	2,153	2,153
Total	**3,230**	**0**	**0**	**3,230**	**3,230**
Current financial assets 31.12.2020					
Trade receivables	50,939	0	0	50,939	50,939
Other receivables	13,596	0	0	13,596	13,596
Cash and cash equivalents	24,134	0	0	24,134	24,134
Total	**88,670**	**0**	**0**	**88,670**	**88,670**
Non-current financial liabilities 31.12.2020					
Loans from financial institutions	55,832	0	0	55,832	55,832
Lease liabilities	7,377	0	0	7,377	7,377
Total	**63,209**	**0**	**0**	**63,209**	**63,209**
Current financial liabilities 31.12.2020					
Loans from financial institutions	13,019	0	0	13,019	13,019
Lease liabilities	3,734	0	0	3,734	3,734
Accounts payable	37,084	0	0	37,084	37,084
Derivative liabilities	0	201	0	201	201
Total	**53,837**	**201**	**0**	**54,039**	**54,039**

7 Capital structure and financial instruments

7.3 Fair value hierarchy

Accounting principles

Financial instruments measured at fair value are classified according to the following fair value hierarchy: instruments measured using quoted prices in active markets (level 1), instruments measured using inputs other than quoted prices included in level 1 observable either directly or indirectly (level 2), and instruments measured using inputs that are not based on observable market data (level 3). Financial instruments measured at fair value include financial assets and liabilities at fair value through profit or loss.

EUR thousand	2021		2020	
	Level 2	**Level 3**	**Level 2**	**Level 3**
Financial assets				
Other investments		53		
Interest-bearing investments, non -current	10		7	
Other receivables, non-current	2,441		2,153	
Financial liabilities				
Interest-bearing debt, non-current	76,268		70,698	
Derivatives	542		201	

7 Capital structure and financial instruments

7.4 Cash and cash equivalents

Accounting principles

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, and other cash investments. The other cash investments include short-term, highly liquid investments, whose value fluctuates only slightly. Cash equivalents have a maturity of up to three months on the date of acquisition. Credit accounts related to bank accounts are included in current financial liabilities.

CASH AND CASH EQUIVALENTS

EUR thousand	31.12.2021	31.12.2020
Cash and cash equivalents	42,255	24,134
Total	**42,255**	**24,134**

7 Capital structure and financial instruments

7.5 Reconciliation of interest bearing debts

INTEREST-BEARING NET DEBT RECONCILIATION

EUR thousand	31.12.2021	31.12.2020
Non-current interest bearing liabilities	70,724	55,832
Lease liabilities	9,561	11,111
Current interest bearing liabilities	3,823	13,019
Cash equivalents	-42,255	-24,134
Total	**41,854**	**55,828**

CHANGES IN LIABILITIES DUE TO FINANCING

EUR thousand	Loans from financial institutions	Lease liabilities	Total
1.1.2021	68,851	11,111	79,962
Cash flow from financing activities	-70,000	-4,337	-66,824
New contracts	74,555	3,467	73,467
Foreign exchange rate impact	-660	-680	-775
31.12.2021	**72,745**	**9,561**	**85,830**
1.1.2020	91,923	13,499	105,422
Cash flow from financing activities	-24,281	-3,011	-27,293
New contracts	0	-405	-405
Foreign exchange rate impact	1,209	1,029	2,238
31.12.2020	**68,851**	**11,111**	**79,962**

MATURITY ANALYSIS ON FINANCIAL LIABILITIES

31.12.2021 EUR thousand	Balance Sheet total	Less than 1 year	1-5 years	More than 5 years
Loans from financial institutions	72,745	2,022	70,724	0
Other liabilities	1,801	1,801	0	0
Lease liabilities	9,561	4,017	5,405	140
Trade Payables and Other Liabilities	65,223	65,223	0	0
Derivatives liabilities	542	207	0	0
Total	**149,331**	**73,063**	**76,128**	**140**

31.12.2020 EUR thousand	Balance Sheet total	Less than 1 year	1-5 years	More than 5 years
Loans from financial institutions	68,851	13,019	55,832	0
Other liabilities	112	112	0	0
Lease liabilities	11,111	3,734	6,954	423
Trade Payables and Other Liabilities	37,565	37,565	0	0
Total	**117,640**	**54,431**	**62,785**	**423**

7.6 DERIVATIVES

31.12.2021 EUR thousand	Nominal value	Positive market value	Negative market value	Net market value
Forward exchange contracts	22,704	33	-576	-542

31.12.2020 EUR thousand	Nominal value	Positive market value	Negative market value	Net market value
Forward exchange contracts	22,380	221	-422	-201

7 Capital structure and financial instruments

7.7 Equity

Accounting principles

Expenses related to the issue or acquisition of instruments treated as equity are presented as shareholders' equity deductions. The acquisition and transfer of own shares are presented as adjustments to shareholders' equity.

Normet Group Oy's fully paid share capital registered in the trade register was at the end of 2020 and 2021 EUR 3,423,000.00. The shares have no par value. The company did not hold any own shares. Each share entitles the holder to one vote at the General Meeting.

The share premium account includes those subscriptions over the nominal value that were decided on during the validity of the old Finnish Companies Act.

The unrestricted equity reserve includes other equity investments and share subscriptions to the extent that there has been no express decision to record them in share capital. After the Finnish Limited Liabilities Act 624/2006 entered into force on 1 September 2006, the subscription price of a new share is to be credited in full to the reserve for invested unrestricted equity as provided in the share issue decision.

The dividend proposed to the Annual General Meeting by the Board will not be deducted from the distributable funds before the Annual General Meeting's decision.

The foreign currency translation differences include mainly translation differences arising from the translation of financial statements of the foreign subsidiaries.

Normet has incentive scheme started in 2018 in which options are granted and incentive scheme started in 2019 in which synthetic options are granted. The schemes are for the company's key personnel. Incentive schemes include performance targets and employment requirements.

EQUITY

EUR thousand	31.12.2021	31.12.2020
Share capital	3,423	3,423
Share premium	3,350	3,350
Unrestricted equity reserve	3,206	3,906
Hybrid bond	34,666	50,476
Reserves	263	223
Translation differences	-3,622	-4,067
Accumulated earnings	85,527	65,151
EQUITY	**126,813**	**122,462**
Non-controlling interests	**2,059**	**2,192**

Granted options give right to subscribe Normet Oy's B-shares. Normet Oy is the principial operative company of Normet Group. The shares include redemption clause, which is why liabilities related to the schemes are presented in non-current other payables in financial statements. The liability at financial statements date was 3.8 MEUR. Cost of the incentive schemes is recognised as employee benefit expense in the statement of income over the service period required in the scheme. Incentive rights settled with cash the expense is recognised against liabilities. In accordance with articles of association, dividends are paid to Normet Oy B-shares according to dividend payments to external shareholders of Normet Group.

In addition to above mentioned schemes, Normet key personnel own Normet Oy B-shares. The shares include redemption clause, which is why liabilities related to the schemes are presented in non-current other payables in financial statements. The liability at financial statements date was 4.6 MEUR.

7 Capital structure and financial instruments

Hybrid bond

Hybrid bond that is unsecured and ranked below other debt obligations is recognised in the equity. The holder of the bond does not have the rights belonging to shareholders and it does not dilute the company shareholders' ownership. Normet is not obligated to redeem the new hybrid bonds at a particular time and the holders of the hybrid bond cannot demand that Normet redeem the new hybrid bond. Interest expenses are recognised on transaction basis, adjusted with tax effect for the previous financial years' result. In the calculation of the share-specific result, the hybrid bond's interest and transaction costs are included in the result of the financial year.

In March 2017, Normet Group Oy issued a bond treated as equity (= hybrid bond) in the amount of MEUR 30 whose interest rate pursuant to the agreement is 7.625%. In March 2021, Normet Group Oy redeemed the remaining capital of the bond worth MEUR 16.2.

In September 2020, Normet Group Oy issued a bond treated as equity (= hybrid bond) in the amount of MEUR 35 whose interest rate pursuant to the agreement is 7.5%.

Hybrid bond that is unsecured and ranked below other debt obligations is recognised in the equity. In Normet Group Oy, the loans mentioned above are recognised in non-current liabilities and on the consolidated balance sheet in the Group equity. The hybrid bond has no finite maturity date, but the company has the right, not an obligation, to redeem the loan after four years. Hybrid bond interests are paid annually and are treated on the consolidated statement of financial position according to their nature in the same manner as dividends. They are also recognised in the shareholders' equity and as a liability when the decision on the payment has been made. In Normet Group Oy, interests are recognised in profit or loss for the financial year. The hybrid bonds have a lower priority position than the other debt obligations of the Group.

MANAGEMENT OF CAPITAL

EUR thousand	31.12.2021	31.12.2020
Equity	128,871	124,644
Assets	334,597	286,139
Advances received	12,238	5,500
Equity ratio	**40.0 %**	**44.4 %**

Management of capital

The Group's capital management seeks to ensure, with the help of an optimal capital structure, the viability of the company's normal business operations and increase shareholder value to obtain the best possible returns. An optimal capital structure also ensures smaller capital costs.

Equity ratio is key indicator when evaluating capital structure of the group. Equity ratio is calculated by dividing total equity by the balance sheet total less received advances. The Hybrid bond is included in total equity. The key figure values are presented in the table below.

Dividends

The Board of Directors proposes to the Annual General Meeting of Normet Group Oy that a dividend amounting to profit for the financial year EUR 4,452,952.69 and capital return amounting to EUR 347,047.31 from unrestricted equity reserve be paid. The dividend and capital return total to EUR 4,800,000.00, which is 7.32 EUR per share

In 2021 Normet Oy paid group contribution amounting to MEUR 1.0 to Cantell Oy. In addition, Normet Group paid dividend and return of capital to shareholders 4.2 MEUR in total.

8 Other notes

8.1 Contingent liabilities

Accounting principles

Due to the nature of the business, there are legal claims and disputes based on various grounds pending against Normet around the world. The management believes that the outcome of these disputes will not have a material effect on the Group's financial position.

CONTINGENCIES

EUR thousand	31.12.2021	31.12.2020
Loans from financial institutions secured by real estate mortgages, business mortgages and pledges	70,000	63,000
Promises of credit and credit limit secured by real estate mortgages, business mortgages and pledges	55,725	35,725
Finance guarantee limit secured by real estate mortgages, business mortgages and pledges	4,275	4,275
Bank guarantee limit secured by real estate mortgages, business mortgages and pledges	20,000	20,000
Total	**150,000**	**123,000**
Credit limit in use	2,457	3,771
Bank guarantee limit in use	14,349	9,779
Total	**16,806**	**13,549**
Securities provided		
Real estate mortgages	20,000	20,000
Other mortgage	169,000	73,000
Pledged securities	19,926	19,926
Other	14,260	10,782
Total	**223,186**	**123,708**
Current repurchase obligations	578	1,381
Repurchase obligations maturing in 1-5 years	4,815	4,701
Total	**5,394**	**6,082**

8 Other notes

8.2 Audit fees

The following remuneration was paid to auditors and accounting firms for audits based on applicable legislation and for other services.

In 2021, the AGM appointed the audit firm Ernst & Young Oy as Normet Group's auditor.

GROUP AUDIT FEES FOR AUDIT AND NON-AUDIT SERVICES

EUR thousand	31.12.2021	31.12.2020
Audit	538	678
Tax services	146	321
Other non-audit services	48	57
Total	**731**	**1,056**

8 Other notes

8.3 Related party transactions

Accounting principles

The Group's related party is a person or an entity that is related to the entity that prepares the financial statements. The parties are related if one party has control, joint control, or significant influence on the decision making of the other party. The Group's related parties are the Group's parent company (Normet Group Oy) and its subsidiaries, members of the Board of Directors and Executive Board including the parent company's CEO and close family members, and all the entities under the control of those belonging to the related parties.

Sales and purchases between related parties are made in accordance with the normal terms of sale.

Normet Oy has share-based payment arrangement for key management. Accrued liability related to share-based plan and key management shareholding on balance sheet was MEUR 8.4 on December 2021. Management remuneration and share-based payments are disclosed in note Personnel expenses.

The Group offers executive board a facility to borrow related to share subscription of Normet Oy. Facility is repayable within four years from the date of disbursement. Such loans are unsecured, and the interest rate is 2%. Normet Group have loan receivables from the executive board amounting to MEUR 0.9 (MEUR 0.9 on 31 December 2020).

Chairman of Normet Group Oy Board of Directors and main owner of Normet Group subscribed 128,864 new Normet Oy B-shares in directed share issue in accordance with resolutions of extraordinary general meeting held on 16 November 2021. Subscription price was recorded in unrestricted equity reserve.

RELATED PARTY TRANSACTIONS WITH COMPANIES

EUR thousand	31.12.2021	31.12.2020
Sale of goods and services to associated companies	0	226
Purchases of goods and services from associated companies	2,008	1,157
Purchases of goods and services from other related parties	587	527
Contributions given to the related party companies	1,000	0

RELATED PARTY RECEIVABLES AND LIABILITIES

EUR thousand	31.12.2021	31.12.2020
Accounts receivable from associated companies	318	803
Loan receivable from associated companies	1,635	1,466
Other receivables from related party companies	170	78
Accounts payable to associated companies	391	446
Loan receivable from executive management members	872	912

8.4 Events after the balance sheet date

Demand and order backlog have remained strong in first months of 2022. The global demand prospects remain uncertain due to COVID, component shortage and geo-political situation. The Russian military actions in Ukraine and the consequent sanctions have caused significant uncertainty related to Russia, to the functionality of the Russian financial and payment system, and to the Russian ruble exchange rate. We expect the market to remain unstable and continue to fluctuate. However, this should not impact the Group's capacity to continue its business activities. The Group's liquidity has remained strong and no changes are expected. Revenue from Russia market area was approximately 10 % of Normet group total revenue in 2021.

Management has prepared scenarios based on anticipated development of various external factors and will deploy necessary mitigation actions promptly to maintain profitability in line with strategic targets.

PARENT COMPANY FINANCIAL STATEMENTS (FAS)

PARENT COMPANY FINANCIAL STATEMENTS (FAS)

Normet Group Oy income statement

EUR thousand	Note	1.1.-31.12.2021	1.1.-31.12.2020
REVENUE	1	**4,662,248.46**	**5,039,966.34**
Other operating income		6,158.83	105,238.49
Material and services	2	-0.33	-15,279.60
Personnel expenses	3	-5,763,890.91	-3,886,650.26
Depreciation, amortisation and impairment	4	-6,846,479.07	-3,027,477.62
Other operating expenses	5	-9,476,893.63	-8,098,026.46
OPERATING PROFIT (LOSS)		**-17,418,856.65**	**-9,882,229.11**
Financing income and expenses	6	6,038,013.17	-3,996,218.57
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		**-11,380,843.48**	**-13,878,447.68**
Appropriations	7	15,914,891.56	8,023,574.91
Income taxes	8	-81,095.39	24,226.07
PROFIT/LOSS FOR THE PERIOD		**4,452,952.69**	**-5,830,646.70**

Normet Group Oy balance sheet

EUR thousand	Note	1.1.-31.12.2021	1.1.-31.12.2020
ASSETS			
NON-CURRENT ASSETS			
Intangible assets		6,893,409.69	11,581,630.47
Tangible assets		94,783.68	119,338.16
Investments		19,926,173.42	19,926,173.42
Non-current receivables		1,045,595.23	32,895,595.23
NON-CURRENT ASSETS	10	**27,959,962.02**	**64,522,737.28**
CURRENT ASSETS			
Current receivables		30,403,008.15	18,276,649.76
Cash and bank		12,632.02	6,018.48
CURRENT ASSETS	11	**30,415,640.17**	**18,282,668.24**
ASSETS		**58,375,602.19**	**82,805,405.52**
EQUITY AND LIABILITIES			
EQUITY			
Share capital		3,423,000.00	3,423,000.00
Share premium		3,350,000.00	3,350,000.00
Unrestricted equity reserve		1,232,672.40	1,932,672.40
Retained earnings		5,006.49	9,135,653.19
Profit/loss for the period		4,452,952.69	-5,830,646.70
EQUITY	9	**12,463,631.58**	**12,010,678.89**
APPROPRIATIONS		**140,912.84**	**990,804.40**
LIABILITIES			
Non-current liabilities		35,000,000.00	51,312,432.84
Current liabilities		10,771,057.77	18,491,489.39
LIABILITIES	11	**45,771,057.77**	**69,803,922.23**
EQUITY AND LIABILITIES		**58,375,602.19**	**82,805,405.52**

Normet Group Oy statement of cash flows

EUR thousand	1.1.-31.12.2021	1.1.-31.12.2020
Cash flow from operating activities		
PROFIT (LOSS) BEFORE TAXES	**-11,380,843.48**	**-13,878,447.68**
Depreciation, amortisation and impairment	6,846,479.07	3,027,477.62
Unrealised foreign exchange gains and losses	-59,952.37	33,691.53
Financial income and expenses	-5,978,060.80	3,996,574.61
Operating cash flow before working capital changes	**-10,572,377.58**	**-6,820,703.92**
Working capital changes		
Increase/decrease in trade and other receivables	338,523.18	-1,203,449.49
Increase/decrease in trade payables	-6,881,586.10	1,872,141.38
Cash flows from operations before financing items and taxes	**-17,115,440.50**	**-6,152,012.03**
Interest paid	-4,877,371.60	-3,636,696.58
Interest received	16,885.10	18,368.79
Other financing intems	-52,778.69	-534,181.29
Income taxes paid	-81,095.39	-112,552.97
Net cash from operating activities	**-22,109,801.08**	**-10,417,074.08**

EUR thousand	1.1.-31.12.2021	1.1.-31.12.2020
Cash flows from investing activities		
Purchase of tangible and intangible assets	-2,133,703.81	-1,489,314.98
Net cash used in investing activities	**-2,133,703.81**	**-1,489,314.98**
Cash flows from financing activities		
Repayment of current borrowings	0.00	-1,011,198.93
Proceeds from non-current borrowings	0.00	35,000,000.00
Repayment of non-current borrowings	-16,200,000.00	-13,815,702.69
Dividends received	-4,000,000.00	-8,587,320.00
	4,000,118.43	0.00
Group contribution received and paid	40,450,000.00	0.00
Net cash used in financing activities	**24,250,118.43**	**11,585,778.38**
Net change in cash and cash equivalents	**6,613.54**	**-320,610.68**
Cash and cash equivalents, opening amount	6,018.48	326,629.16
Net increase/decrease in cash and cash equivalents	6,613.54	-320,610.68
Cash and cash equivalents	12,632.02	6,018.48

Accounting principles for the parent company's financial statements

Basis of preparation

The parent company financial statements have been prepared in accordance with the accounting legislation (FAS) in force in Finland. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), applying the approved IAS and IFRS standards as well as SIC and IFRIC interpretations in effect on 31 December 2021. The parent company financial statements, balance sheet, cash flow statement and Notes are in euros.

Measurement of non-current assets

Intangible and tangible assets are included in the balance sheet at acquisition cost less depreciation and amortisation according to plan. According to the general classification rule, the acquisition cost includes variable costs associated with procurement and production.

Depreciation and amortisation according to plan are calculated using a straight-line method based on the useful life of intangible and tangible assets. Depreciation of an asset is carried out as of the month when it became available for use. Depreciation and amortisation periods are as follows:

- Intangible rights 5–10 years
- Other intangible assets 5–10 years
- Machinery and equipment 3–8 years
- Other intangible assets 5–10 years

Items denominated in foreign currency and the measurement of financial instruments

Items denominated in foreign currencies are translated into euros at the exchange rate on the closing date. The difference between the exchange rate at the end of the reporting period and the historical exchange rate is recorded in revenue.

Recognition of pensions

Pension costs are presented in compliance with the local legislation of each country. Pension liabilities have been covered in full. The pension coverage of the parent company's personnel is provided by an external pension insurance company.

Accumulated appropriations

Change in depreciation difference is an appropriation. The change of the difference of planned accounting depreciations is presented as an appropriation in the income statement, and the accrued difference of the planned accounting depreciations is presented in the balance sheet as an accumulated appropriation adjustment.

Notes to the income statement

1 REVENUE BY REGION

EUR thousand	31.12.2021	31.12.2020
EMEA, CIS and Mongolia	2,431,071.20	660,229.01
America	715,706.65	1,322,649.48
Asia Pacific and India	1,515,470.61	3,057,087.85
Total	**4,662,248.46**	**5,039,966.34**

2 MATERIAL AND SERVICES

EUR thousand	31.12.2020	31.12.2020
Purchases during the period	0.33	15,279.60
Total	**0.33**	**15,279.60**

3 PERSONNEL

EUR thousand	31.12.2021	31.12.2020
Salaries and fees	4,857,651.79	3,336,359.35
Pension expenses	790,806.20	447,628.07
Other employee benefit	115,432.92	102,662.84
Total	**5,763,890.91**	**3,886,650.26**
The number of personnel on average	45	41

4 DEPRECIATION, AMORTISATION AND IMPAIRMENT

EUR thousand	31.12.2021	31.12.2020
Depreciation, intangible assets	5,818,333.95	2,991,341.68
Depreciation, tangible assets	28,145.12	36,135.94
Impairment, immaterial rights	1,000,000.00	0.00
Total	**6,846,479.07**	**3,027,477.62**

5 OTHER OPERATING EXPENSES

EUR thousand	31.12.2021	31.12.2020
Non-statutory employee benefits	98,526.05	81,949.70
Rents/leases	215,836.84	244,745.45
Other expenses	9,162,530.74	7,771,331.31
Total	**9,476,893.63**	**8,098,026.46**

6 FINANCING INCOME AND EXPENSES

EUR thousand	31.12.2021	31.12.2020
Other interests and financing income, external	17,289.37	18,490.81
Interest on borrowings from Group entities	-1,024,088.69	-776,977.44
Internal dividend income	10,000,000.00	0.00
Interests and other financial expenses, external	-2,955,187.51	-3,237,731.94
Total	**6,038,013.17**	**-3,996,218.57**
Exchange rate gains	404.27	122.02
Exchange rate losses	-1,718.26	-6,920.72
Total	**-1,313.99**	**-6,798.70**

7 APPROPRIATIONS

EUR thousand	31.12.2021	31.12.2020
Group contributions received	15,065,000.00	8,600,000.00
Change in cumulative accelerated depreciation	849,891.56	-576,425.09
Total	**15,914,891.56**	**8,023,574.91**

8 INCOME TAXES

EUR thousand	31.12.2021	31.12.2020
Other direct tax	-81,095.39	24,226.07
Total	**-81,095.39**	**24,226.07**

9 Changes in equity

EUR thousand	Share capital	Share premium	Unrestricted equity reserve	Treasury shares	Accumulated earnings	Total
EQUITY 1.1.2021	3,423,000.00	3,350,000.00	1,932,672.40	-2,580,508.80	5,885,515.29	12,010,678.89
Dividend distribution					-3,300,000.00	-3,300,000.00
Return of capital			-700,000.00		0.00	-700,000.00
Profit/loss for the period					4,452,952.69	4,452,952.69
EQUITY 31.12.2021	**3,423,000.00**	**3,350,000.00**	**1,232,672.40**	**-2,580,508.80**	**7,038,467.98**	**12,463,631.58**

EUR thousand						
EQUITY 1.1.2020	3,423,000.00	3,350,000.00	1,932,672.40	-2,580,508.80	22,503,481.99	28,628,645.59
Dividend distribution				0.00	-10,787,320.00	-10,787,320.00
Profit/loss for the period				0.00	-5,830,646.70	-5,830,646.70
EQUITY 31.12.2020	**3,423,000.00**	**3,350,000.00**	**1,932,672.40**	**-2,580,508.80**	**5,885,515.29**	**12,010,678.89**

Normet Group Oy's distributable funds amount to EUR 5,690,631.58. No such material changes have occurred in the company's financial position after the end of the financial year that would compromise the solvency of the company in the manner referred to in section 13 subsection 2 of the Limited Liability Companies Act.

The Board of Directors proposes to the Annual General Meeting of Normet Group Oy that a dividend amounting to profit for the financial year EUR 4,452,952.69 and capital return amounting to EUR 347,047.31 from unrestricted equity reserve be paid. The dividend and capital return total to EUR 4,800,000.00, which is 7.32 EUR per share. In 2020 Normet Group Oy paid dividends and capital return amounting to EUR 4,000,000.00 or EUR 6.10 per share, to its shareholders.

DISTRIBUTABLE FUNDS

	31.12.2021	31.12.2020
Unrestricted equity reserve	1,232,672.40	1,932,672.40
Retained earnings	5,006.49	9,135,653.19
Profit/loss for the period	4,452,952.69	-5,830,646.70
Total	**5,690,631.58**	**5,237,678.89**

10 Classification of non-current assets

INTANGIBLE ASSETS

EUR thousand	31.12.2021	31.12.2020
Immaterial rights		
Cost 1.1.	897,990.40	934,645.76
Additions	1,351,432.66	145,705.00
Impairments	-1,000,000.00	0.00
Cost 31.12.	**1,249,423.06**	**1,080,350.76**
Cumulative amortisation and impairment 1.1.	-617,830.83	-732,762.84
Depreciation	-95,324.43	-61,316.91
Cumulative amortisation and impairment 31.12.	**-713,155.26**	**-794,079.75**
Carrying amount 31.12.	**536,267.80**	**286,271.01**
Other intangible assets		
Cost 1.1.	17,908,501.01	14,966,478.06
Additions	583,670.53	2,942,022.95
Cost 31.12.	**18,492,171.54**	**17,908,501.01**
Cumulative amortisation and impairment 1.1.	-9,520,048.29	-6,590,023.52
Depreciation	-5,716,898.08	-2,930,024.77
Cumulative amortisation and impairment 31.12.	**-15,236,946.37**	**-9,520,048.29**
Carrying amount 31.12.	**3,255,225.17**	**8,388,452.72**
Advance payments for intangible assets		
Cost 1.1.	2,906,906.74	4,508,431.74
Additions	195,009.98	-1,601,525.00
Cost 31.12.	**3,101,916.72**	**2,906,906.74**
Carrying amount 31.12.	**3,101,916.72**	**2,906,906.74**
Intangible assets	**6,893,409.69**	**11,581,630.47**

TANGIBLE ASSETS

EUR thousand	31.12.2021	31.12.2020
Machinery and equipment		
Cost 1.1.	210,926.09	207,814.06
Additions	3,590.64	3,112.03
Cost 31.12.	**214,516.73**	**210,926.09**
Cumulative amortisation and impairment 1.1.	-91,587.93	-55,451.99
Depreciation	-28,145.12	-36,135.94
Cumulative amortisation and impairment 31.12.	**-119,733.05**	**-91,587.93**
Carrying amount 31.12.	**94,783.68**	**119,338.16**

INVESTMENTS

EUR thousand	31.12.2021	31.12.2020
Investments in Group companies		
Cost 1.1.	19,926,173.42	19,926,173.42
Carrying amount 31.12.	**19,926,173.42**	**19,926,173.42**
Investments	**19,926,173.42**	**19,926,173.42**
NON-CURRENT ASSETS	**26,914,366.79**	**31,627,142.05**

11 Other notes to the balance sheet

NON-CURRENT RECEIVABLES

EUR thousand	31.12.2021	31.12.2020
Non-current group contribution receivables	985,000.00	32,835,000.00
Other receivables	60,595.23	60,595.23
Total	**1,045,595.23**	**32,895,595.23**

CURRENT RECEIVABLES

EUR thousand	31.12.2021	31.12.2020
Trade receivables from group companies	3,198,932.76	3,660,458.02
Other receivables from group companies	25,065,000.00	12,600,118.43
Trade receivables	188,779.20	188,779.20
Other receivables	1,087,850.18	979,243.59
Accruals	862,446.01	848,050.52
Total	**30,403,008.15**	**18,276,649.76**

MATERIAL ITEMS IN ACCRUED CREDITS AND DEFERRED CHARGES

EUR thousand	31.12.2021	31.12.2020
Interest receivable from group companies	0.00	190,791.29
Accrued receivable from group companies	0.00	411,254.94
Tax receivable	440,281.27	399,696.63
Othre accrued receivable	422,164.74	448,353.89
Total	**862,446.01**	**1,450,096.75**

In March 2017, Normet Group Oy issued a bond treated as equity (= hybrid bond) in the amount of MEUR 30 whose interest rate pursuant to the agreement is 7.625%. Normet Group Oy intends to redeem the remaining capital of the bond worth MEUR 16.2.

In September 2020, Normet Group Oy issued a bond treated as equity (= hybrid bond) in the amount of MEUR 35 whose interest rate pursuant to the agreement is 7.5%.

NON-CURRENT LIABILITIES

EUR thousand	31.12.2021	31.12.2020
Hybrid bond	35,000,000.00	51,200,000.00
Other liabilities, external	0.00	112,432.84
Total	**35,000,000.00**	**51,312,432.84**

CURRENT LIABILITIES

EUR thousand	31.12.2021	31.12.2020
Current internal trade payables, interest-free	59,462.43	48,914.24
Accruals and deferred income, internal	6,830,504.81	15,203,952.48
Trade payables, external	1,355,420.47	762,409.17
Other liabilities, external	158,415.27	143,142.30
Accruals and deferred income, external	2,367,254.79	2,333,071.20
Total	**10,771,057.77**	**18,491,489.39**

SUBSTANTIAL ITEMS IN ACCRUED EXPENSES

EUR thousand	31.12.2021	31.12.2020
Current interest liabilities, interest-free	668,835.62	1,629,961.65
Accrued employee expenses, interest-free	805,786.67	691,840.12
Other current accrued liabilities on expenses, interest-free	892,632.50	11,269.43
Total	**2,367,254.79**	**2,333,071.20**

11 Commitments and contingent liabilities

COMMITMENTS AND CONTINGENT LIABILITIES

EUR thousand	31.12.2021	31.12.2020
Debt secured by mortgages/shares		
Bank guarantee limit secured by real estate mortgages, business mortgages and pledges	20,000,000.00	24,000,000.00
Total	**20,000,000.00**	**24,000,000.00**
Limits in use total		
Bank guarantee limit in use	14,348,967.97	9,778,654.43
Total	**14,348,967.97**	**9,778,654.43**
Pledged securities		
Pledged securities provided for loans from financial institutions	19,926,173.42	19,926,173.42
Total	**19,126,173.42**	**19,926,173.42**
Lease liabilities		
Current lease liabilities	219,895.56	223,753.00
Lease liabilities maturing in 1-5 years	26,106.68	231,245.00
Subsequent lease liabilities	0.00	14,757.00
Total	**246,002.24**	**469,755.00**

SIGNATURE TO THE FINANCIAL STATEMENTS AND THE BOARD OF DIRECTORS’ REPORT & THE AUDITOR’S NOTE

Signature to the financial statements and the Board of Directors’ report

In Espoo, on 31 March 2022

Aaro Cantell
Chairman of
the Board of Directors

Lars Engström
Member of
the Board of Directors

Harri Kerminen
Member of
the Board of Directors

Tom Melbye
Member of
the Board of Directors

Mikko Keto
Member of
the Board of Directors

Anna Hyvönen
Member of
the Board of Directors

Edoardo Santamaria
CEO

The Auditor's note

An auditor’s report has been issued today
on the audit conducted.

In Helsinki, on 5 April 2022

Ernst & Young Oy
Authorised Public Accountant Firm

Antti Suominen
Authorised Public Accountant

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Espoo, Finland
Domicile: Iisalmi

Defining the future underground