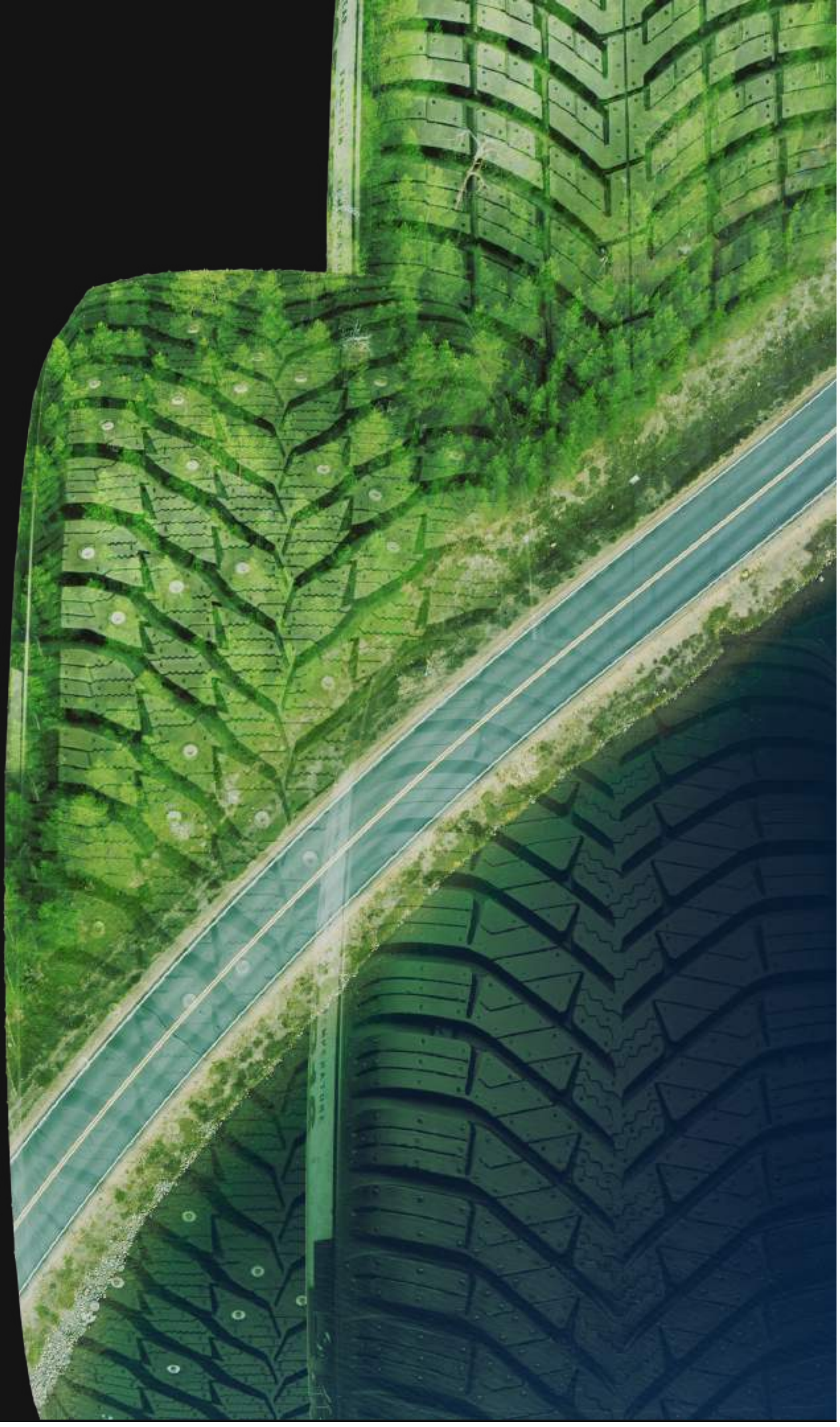
blackdonuts

REPORT OF THE BOARD OF DIRECTORS & FINANCIAL STATEMENTS

2022



PERFECTING THE TIRE INDUSTRY

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01:

CEO'S REVIEW

CEO's review

Black Donuts Engineering Inc.'s operations started in the beginning of 2011, and after more than 12 years of operation, we can proudly say that we have served most of the significant players in the field. The number of personnel has grown substantially and the company has already accumulated 900 person-years of industry experience.

Almost 100% of sales consist of service exports and the degree of domestic production of services is almost 100%. At the same time, we enable the opportunity for other Finnish companies to participate in industry projects.

Black Donuts' know-how is widely recognized and we have designed almost 50 tire factories and more than 1000 different products. In addition to industry players, the customer base consists of new parties who want to become tire manufacturers. Our special strength is a unique view of all tire industry as a whole and always offer customers the best possible turnkey solution exactly for their needs.

Sustainability is a difficult thing to implement, but an easy word to say. From the beginning, our operations have been striving for truly sustainable solutions and acting as an enabler for customers in this area. Most of our own R&D expenses are allocated to bringing new sustainable solutions to the market with the aim of being a significant force for change in improving the industry's sustainability.

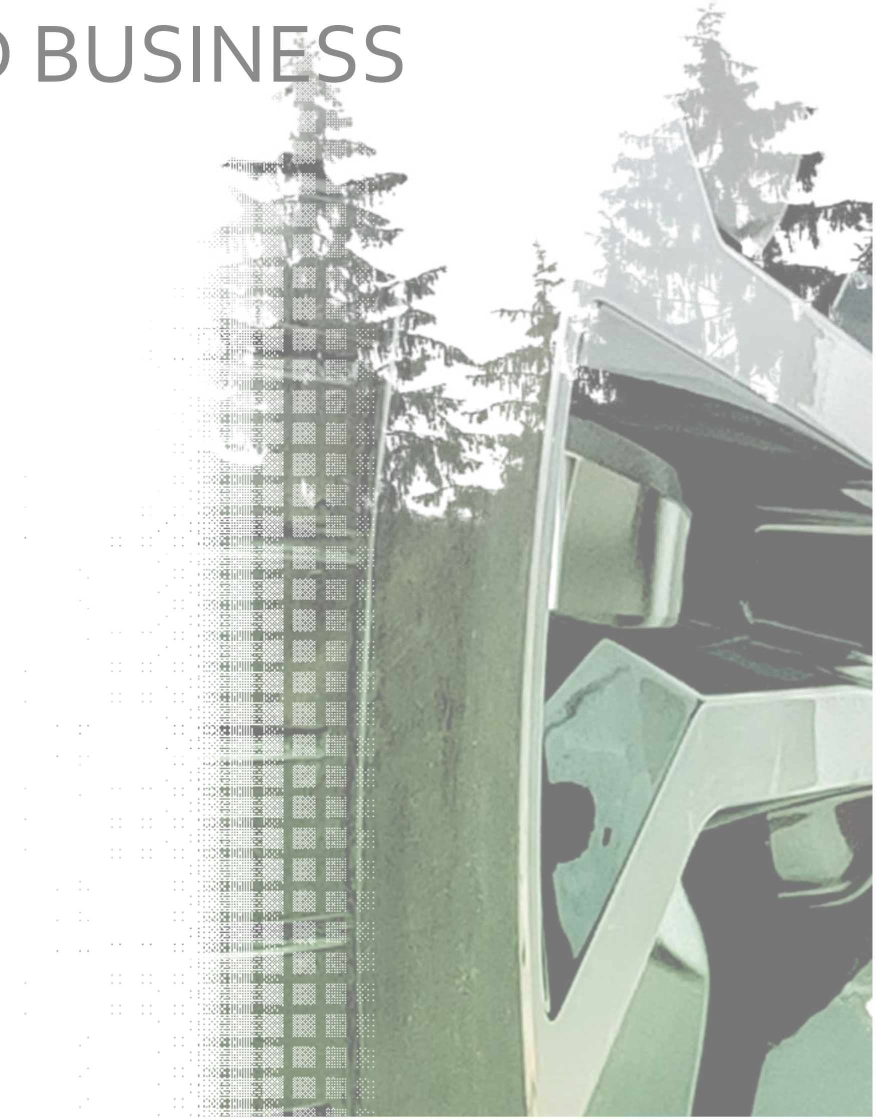
KAI HAUVALA
Founder & CEO

02:

REPORT OF THE BOARD OF DIRECTORS

1.1. – 31.12.2022

BLACK DONUTS GROUP'S STRATEGY AND BUSINESS ACTIVITIES BRIEFLY



From the beginning, the purpose of Black Donuts Group's activities has been to provide customers with significant additional value with high-quality and sustainably manufactured tire products and their cost-efficient production process.

The Group's operations focus on the targets of sustainable development and the ability to enable the realization of these targets particularly in customer projects. As part of these principles, the Group invested in sustainable business model, product and production innovations. The Group's management is developed continuously in accordance with the principles of good governance.

PERFECTING THE TIRE INDUSTRY

Fellowship | Simplicity | Responsibility | Continuous Development

blackdonuts

BECOME THE PREFERRED TECHNOLOGY PROVIDER AND ESG PARTNER IN THE INDUSTRY

WHY: ESG IMPACT

We can bring with transparency the best practices to anyone, aiming at the best for sustainability, beyond customer specifications. Design to value being part of our DNA, along with our unique combined product + process approach, we choose to minimize over-design so as to maximize sustainability of tires.

HOW: BLACK DONUTS TECHNOLOGY®

We have a unique recipe to change how the tire industry works, the most talented engineers and the best partners for everything from machinery to robotics and from materials to software. We have a unique view of all tire industry as a whole, giving us the widest experience, and allowing us to offer the most impactful innovations. This is what we call the Black Donuts Technology ®.

WHAT: SUSTAINABLE TIRES

We set up the best and efficient processes to produce the most sustainable tires, closer to their market, with cleaner energy. We are a unique ESG partner for our clients.

Black Donuts Group serves its customers holistically:

- from the design and product development of a tire product and its parts to testing,
- from the manufacturing development and extension of an existing tire to the design, building development and starting of production of new tire plants,
- from the development of new sustainable business model, product, and manufacturing innovations to their productionization to meet the customers' needs, and
- the digitalization of manufacturing to meet the special requirements of the industry.

The Group offers its services globally to both existing tire manufacturers as well as new companies aiming to produce tires, and other stakeholders, such as manufacturers of raw materials and suppliers of production equipment.

BLACK DONUTS GROUP'S MARKET OPPORTUNITY AND CONTRIBUTION TO SUSTAINABILITY TARGETS

Vehicle tires are manufactured globally at about 2.5 billion tires a year, the global sales being about EUR 247 billion. **There are some 600 tire plants at the moment. About 90% of them are plants that are over 10 years old.** The Tier-1, Tier-2 and Tier-3 tire brands each represent about a third of the global market. The sales of Tier-3 brands increase the fastest and those of Tier-1 the slowest. The share of the production of the five largest manufacturers in the global market is 20–30% and of value 40–45%. The brand portfolios of the large manufactures include several Tier-1, Tier-2 and Tier-3 brands of different price classes. Tire manufacturing is a global industry where the developed countries and Asia are emphasized, whereas the Middle East and Africa are under-represented.

The oldest manufacturing capacity is found in the United States of America. By volume, over 50% of manufacture takes place in China and South-East Asia.

On the general level, the industry is burdened by inefficiency of production and challenges related to circular economy, including waste tires and other waste from the manufacture, the low level of automation in old plants, and product properties that are harmful to the environment.

Typically, 50–60% of the product weight are fossil raw materials. About 10% of microplastics ending up in the seas is caused by the wear of tires.

Sustainable manufacture and product development are the published targets of at least the largest manufacturers. In the medium term, the manufacturers have announced that they will be drawing up strategies targeted at carbon-neutrality, implementing programs targeted to environmentally-friendlier products and production, starting co-operation with various operators to study environmentally-friendlier products, and joining global climate declarations and programs.

The need for new manufacturing capacity has been predicted to increase 3–4% annually in the medium term. Partial factors for this are the need to replace old facilities with modern, cost-effective and environmentally-friendly manufacturing units and, in the past few years, geopolitical reasons. Regulations related to environmental targets and international trade expedite and support the changes. **The global sales of tires are predicted to increase to EUR 304 billion by the year 2026.**

To achieve their sustainability targets, the manufacturers co-operate more than earlier with various parties and benefit from tested solutions suitable for the manufacturing process that are introduced in the market. Reaching their sustainability targets is a competitive advantage for the manufacturer and perhaps even a necessity based on customer demands and regulation.

The position of Black Donuts Group is unique and central as it co-operates both with manufacturers and suppliers of the industry. **Based on the current customer base, the Group has a possibility to have an effect on about 50% of global annual tire production.** The prospects of indirect influencing to the sustainability targets are thus significant, and the demand is expected to increase at a quickening pace due to the innovations the Group has invested in.

BUSINESS TARGETS

Black Donuts Group set medium- and long-term business targets in accordance with its strategy update launched in 2022 in the context of the expected development of the target market:

	Innovation targets	Business targets	Target market development
MEDIUM TERM (4–6 years)	Introduce to the market • new bio-based raw material solutions to replace 20% of currently used fossil raw materials primarily on the tire tread (microplastics) and recycling solutions in non-wearing parts of the tire • new products related to the production of tires to decrease the manufacturing wastage of raw materials and the number of waste tires • new products related to the wear of tires and roads and to the decrease of tire noise that enable meeting the requirements of the tightening regulation	Establishing the growth and profitability of the business on long-term and comprehensive customer partnerships and projects serving the sustainability targets Expanding the partnerships to enable new operators who support sustainable development to enter in the industry	Tire manufacturers have announced to be drawing up strategies targeted at carbon-neutrality, to be implementing programs targeted to environmentally-friendlier products and production, to be starting co-operation with various operators to study environmentally-friendlier products, and to be joining to global climate declarations and programs
LONG TERM (10–12 years)	Creating global business models and supply chains of innovations that enable sustainable tire production and business models of sustainable production	Establishing over 50% of sales on selling new, sustainable innovations introduced to the market	Tire manufacturers' targets for the share of sustainable raw materials in a tire: - 40% by 2030 - even 100% by 2040

2022 OVERVIEW

During the financial year 2022, Black Donuts Group continued as planned to advance its long-term investments and invested in the development of new innovations. Along with the strategy update started in 2022, the Group focused more on sustainable business sections. Black Donuts Group's central position as the enabler of change in the global tire industry is identified both as a competitive advantage and as responsibility to speed up the reaching of the sustainability targets of the industry.

In the financial year 2022, the Group served both emerging tire manufacturers and existing manufacturers. In the latter customer group, the design and construction contracting of new manufacturing units also constituted the most part of the value of total sales. The Group has also purposefully increased the co-operation with the suppliers of machines, software and raw materials in order to target to increasing additional value to the customers as more effective, sustainable and fundable production.

Global crises cast a shadow over financial development in 2022. The war in the Ukraine and the sanctions and limitations resulting from it caused an energy crisis, slowing of project funding, high inflation, and new positioning in the market, and their short-term result was that the production capacity of some tire manufacturers reduced and the supply of traditional raw materials became difficult. Therefore, the number of tires manufactured and the demand for products used in the manufacture as well as the launch of new products and the demand for services related to it decreased slightly.

Climate change and sustainability targets set are considered a globally and significantly changing factor in the industry in the long term, and the demand for services and products enabling sustainable production will increase at a quickening pace.

The impacts of the COVID-19 pandemic in the financial year of 2022 were still visible in the first half-year as travel restrictions and prolongation of customer projects. As the result of the pandemic, the Group was able to create established, effective forms of remote working which have been continuously utilized both internally and with interest groups.

The Group companies **developed business models, product and production** innovations and made new partnerships to commercialize the innovations.

KEY FIGURES / FINANCIAL DEVELOPMENT / NET SALES

THE GROUP'S KEY INDICATORS (EUR 1,000)

	2022	2021	2020
Net sales	11 530	7 578	7 899
Operating profit	897	537	-306
Operating profit %	7,8 %	7,1 %	-3,9 %
Return on investment %	5,2 %	1,8 %	-5,6 %
Equity ratio %*	31,0 %	34,6 %	17,1 %
Average number of personnel	57	56	57

* The amount of equity includes subordinated loans according to the Limited Liability Companies Act.

Net sales
MEUR

11, 5

Operating profit
MEUR

0,897

INCOME

In 2022, the Group's net sales amounted to EUR 11.5 (2021: 7.6) million and operating profit totaled EUR 0.9 (2021: 0.5) million. The net sales increased compared with the reference period due to the new FT pallet sales and increased co-operation with various operators in the tire industry.

The Group's **costs for materials and services** were EUR 4.9 (2021: 2.9) million in the expired financial year. Most of the increase in the costs was created by the production launch and acquisition costs related to the new FT pallet innovation and standard acquisition of services related to customer projects.

The Group's **personnel expenses** were EUR 4.7 (2021: 4.4) million. The turnover of the Group's personnel stayed low and the growth of costs is due to both new recruitments and generally increased wages and salaries.

Depreciations, amortizations and impairments also stayed on a level equaling the reference period being at the end of the financial period EUR 0.5 (2021: 0.5) million and consisting mainly of planned depreciations of development costs and right-of-use assets.

The **other operating expenses** were EUR 2.5 (2021: 1.7) million. The growth compared with the financial year 2021 was principally due to business travelling normalizing to its usual level after the travel restrictions of the COVID-19 pandemic ended.

The **financial expenses** in the financial year were EUR 0.2 (2021: 0.3) million and constituted of business credits granted by financial institutions and an investment company, being principally long-term, equivalent to those in the reference period.

The impacts of the COVID-19 pandemic and the war in the Ukraine on the Group's return were limited and visible mainly in three ways: delivery delays caused by global transport problems thus transferring a part of the implementation of the financial year's orders to the next financial year, prolongation of customer projects due to the travel restrictions in the first half-year of 2022, and prolongation of customers' investment decisions due to the energy crisis, inflation and a tightened financial market. Therefore, the development of net sales fell short of the expected level.

FINANCIAL POSITION AND LIQUIDITY

The consolidated balance sheet total of the financial year ended on December, 31, 2022 was EUR 14.9 (2021: 11.3) million. The equity was EUR 4.4 (2021: 3.8) million. Additionally, the Group had EUR 0.1 million of subordinated loans as referred to in chapter 12 of the Limited Liability Companies Act, the annual interest on which is 5%.

The Group's and parent company's solvency was good during the financial year. The Group's current assets totaled EUR 9.1 (2021: 6.7) million and current liabilities totaled EUR 4.0 (2021: 2.5) million. In addition to standard inventory, the development costs of a factory project treated as an investment were entered to the Group's inventories.

INVESTMENTS

The net investment entered to the Black Donuts Group's inventories and development costs were by December 31, 2022 EUR 3.1 (2021: 1.8) million. In the subsidiaries, the investments in question were entered as expenses of the financial year.

During the 2020 financial year, **Black Donuts Engineering Inc.** launched a factory project in which the company has so far developed an investment-grade factory concept to meet the demand of the company's customers (distributor and wholesaler level) and the expectations of project investors.

In 2022, the project continued with arranging the debt financing share, evaluating the optimal location of the project company, and more detailed specification of project technology, delivery model and customers' product requirements. The factory concept has been developed for sale, and therefore the company has recognized the project in inventories in progress.

Once the factory project is sold, the company intends to continue in the project in a corresponding turnkey supplier role as in its other greenfield customer projects, offering its on-going R&D service also after the project is completed.

The most significant product development investments during the financial year 2022 in Black Donuts Engineering Inc. were related to the development of a tire factory simulation tool and development projects on studded tires, EV winter tires and bio-based raw materials that continued from the previous financial year. New investments started in the financial year 2022 were the productization and commercialization of the FT pallet innovation created during the year and the project plan of the material laboratory centre.

In the financial years 2021 and 2022**, BD Testing Inc.** invested in a tire testing track in Sweden, along which the company's service selection was developed and the growth possibilities of the basic business were strengthened. The investment was realized by leasing the test track for 10 years. At the same time, the company sublet the track to a customer for the equivalent 10-year period. In the financial year 2022, the company moved to new premises thus expanding the testing and research capacity.

In the financial year 2019, **WD Racing Ltd.** started product development investments in new valves and installation methods of valve stems related to its main business. The company submitted to patent applications on these innovations in the financial year 2020, of which one was granted a patent 2022 and the process of the other continues over the financial year 2022.

PERSONNEL

During the financial year 2022, Black Donuts Engineering Oy had on average 46 employees (2021: 46). The number of the Black Donuts Group's employees was on average 57 (2021: 56).

Black Donuts Group's personnel has long experience and versatile know-how on all stages in the life cycle of a tire: from product development and manufacture to optimizing material use and manufacturing processes, tire's recyclability and testing of the finished tire. Our personnel has a total of over 900 years of work experience in the tire industry. **We continuously innovate for a cleaner, greener and more effective future and promote the quicker implementation of sustainable technologies.** The personnel's turnover has stayed low, a third of our personnel has worked for us almost for the Company's whole lifetime.

46

EMPLOYEES
(2021: 46)

900

OVER 900 YEARS
OF WORK EXPERIENCE

INCENTIVE SCHEMES

The Group's key employees have been committed through shareholding arrangements.

SHARES AND SHAREHOLDERS

The total number of Black Donuts Engineering Inc.'s shares is 1,255. At the end of the financial year on December 31, 2022, the Company's equity was EUR 4.1 (2021: 3.4) million.

The company has two series of shares, differing as described in the Articles of Association. Series A and B shares are subject to consent and redemption clauses, and series B shares are subject to the right of redemption as described in the Articles of Association.

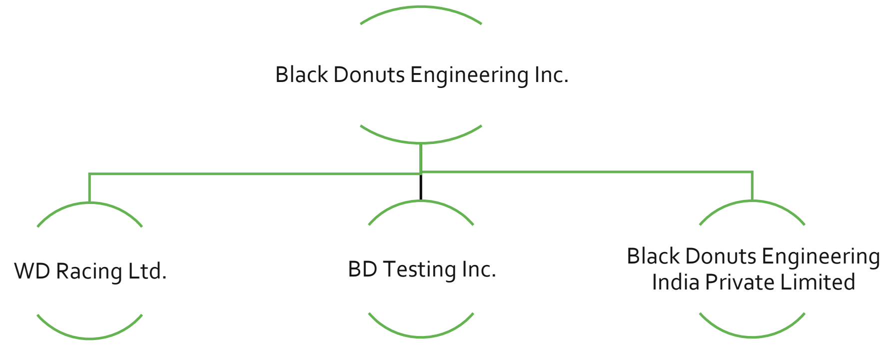
As seen in the table, Global Tire Technologies NV held 87.49% of the series A shares and thus 91.88% of the votes in Black Donuts Engineering Inc. Black Donuts Engineering Inc.'s beneficial holder, Ari Salmivuori, indirectly had 45.7% of the series A shares and 47.2% of the votes. The Company has submitted its beneficial holders to a public register maintained by the Finnish Patent and Registration Office.

The below table shows Black Donuts Engineering Inc.'s shareholders on December 31, 2022:

Series	Number of shares	Number of votes	Shareholder	% of all shares	% of all voting rights
A	1098	2196	Global Tire Technologies NV, BE0832673437	87,49	91,88
A	37	74	Ajanta Oy, FI07816926	2,95	3,1
B	120	120	Fiotop Oy, FI2403635	9,56	5,02
Total	**1255**	**2390**		**100**	**100**

GROUP STRUCTURE

Black Donuts Group's structure is shown below.



Black Donuts Engineering Inc. holds 90% of the shares of WD Racing Ltd. and BD Testing Inc., and 89% of the shares of Black Donuts Engineering India Private Limited. The Company holds 95% of the votes in WD Racing Ltd. and BD Testing Inc., and 89% of the votes in Black Donuts Engineering India Private Limited.

The Company purchased the shares of WD Racing Ltd. and BD Testing Inc. in 2011, after which no changes have occurred in the ownership and votes of these subsidiaries. The Company established Black Donuts Engineering India Private Limited in 2017, after which, no changes have occurred in the ownership and votes of this subsidiary.

RISK FACTORS

Black Donuts Group's key business enablers are its comprehensive know-how and extensive experience on tires and their manufacturing processes as well as the industry as a whole.

The Group's personnel and their unique way of combining various areas of expertise form a significant part of its competitive advantage. The personnel's turnover has been low and, therefore, risk factors related to the number of employees are chiefly related to the challenges in recruiting brought by the Group's growth.

The Group's recognition in the industry, the personnel's job satisfaction and well-being at work and possibilities for versatile modes of work have also supported international recruitments. Additionally, the Group continuously focuses on the personnel's development and on offering tasks corresponding to skill level and interests.

The Group's strategy highlights supporting the innovativeness of employees and putting sustainability targets into practice as key themes. In future, the Group is estimated to also employ specialists outside the industry to develop and productization of new innovations that support the sustainability targets.

The most significant financing risks for the Group are credit risks related to receivables and payments times of long-term projects and to safeguarding liquidity. The management of credit risks is based especially on knowing the customers and their business as well as close co-operation and continuous dialogue with the customers. The Group also strives for maintaining sufficient liquidity for unexpected situations by means of an adequately large credit limit. The aim is to secure operations under diverse market conditions and support the Group's long-term strategic development.

As regards global crises, the prolongation of the war in the Ukraine is considered a possible risk hindering the growth of business particularly due to delivery delays caused by global transport problems, energy crisis, high inflation, and a tightening financial market. The impact of global risks to the Group's operations especially reflects as the slowing down of the customers' investment decisions and the prolongation of the projects.

This risk is reduced by the Group's customers' geographically global locations and the versatility of the customer base.

From the viewpoint of the Group's management, business risks are also controlled through different processes.

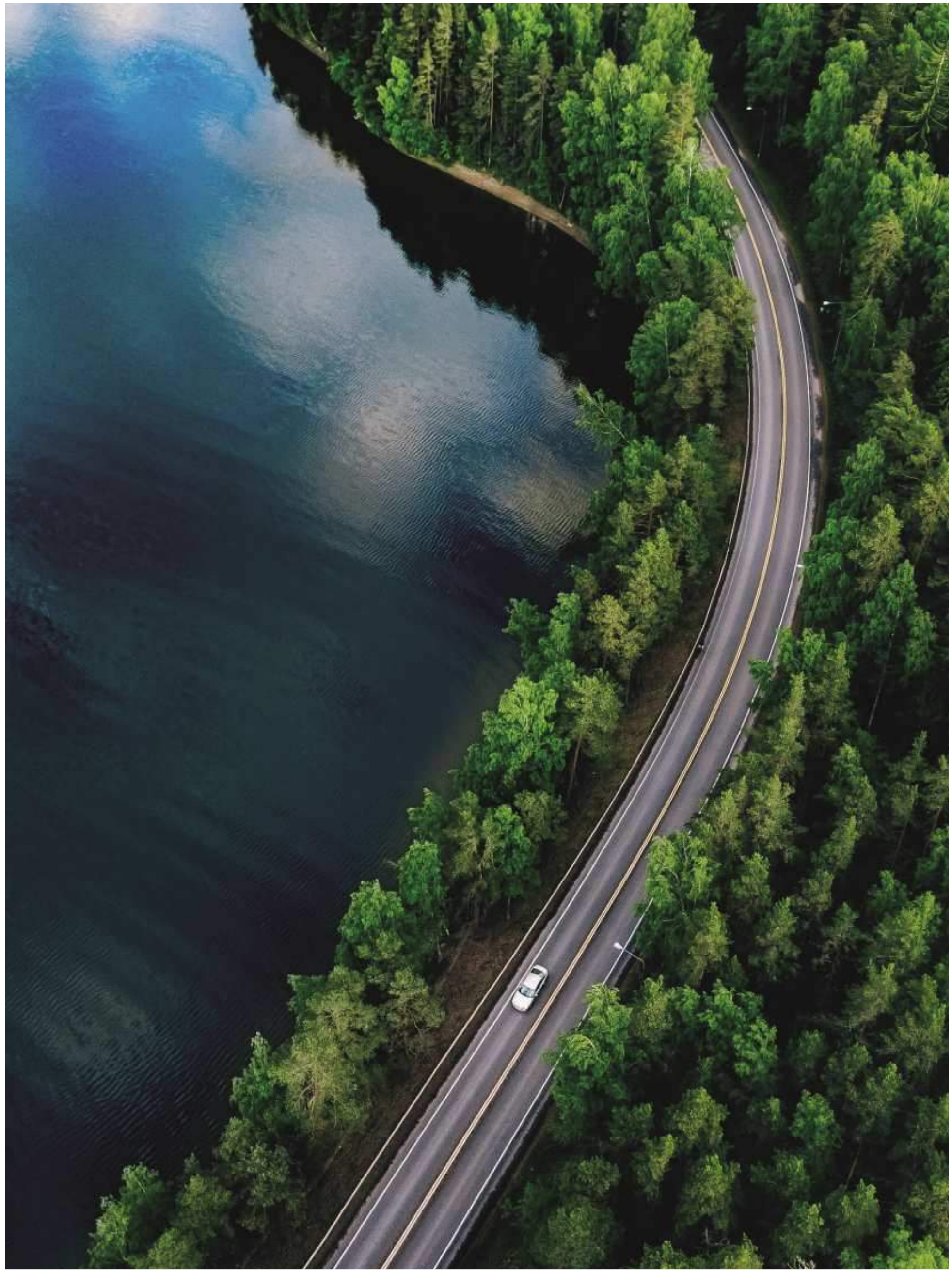
Black Donuts Engineering Inc. has audited quality management and environmental systems in accordance with the ISO 9001 and 14001 standards, a whistleblowing channel, and customer identification processes as well as data safety instructions and Code of Conduct instructions to which the personnel is trained and committed.

OUTLOOK FOR 2023

In the current financial year, the Group will implement the updated strategy that focuses on the development and commercialization of sustainable innovations. The values of sustainable development and sustainable business values will also play a key role in the global tire industry.

Black Donuts Group wants to lead the way in the development of more environmentally-friendly products and production thus creating a competitive advantage to both the Group and its interest groups. Sustainability shows in the Group's operations as well as in services, products and solutions it offers to customer projects.

The prolongation of the war in the Ukraine and the resulting global uncertainty in the financial market, high inflation, and set sanctions and limitations can have an impact on the Group's business activities as factors that slow down growth. However, partially the same risk factors lead to the relocation of manufacturing that is also supported by the emphasized targets of sustainable development. The need for new manufacturing capacity and new products is also more obvious along with the growth in the Tier-3 brand sales.



BOARD OF DIRECTORS' PROPOSAL FOR DISTRIBUTING PROFITS

In the medium term, Black Donuts Engineering Inc. will focus on the productization and commercialization of new, sustainable innovations and the significant growth enabled by them. The Company does not expect to pay dividends in the short term. Black Donuts Engineering Inc.'s distributable retained profit on December 31, 2022 was EUR 2,795,745, of which, the result of the financial year 2022 was EUR 745,242.54. The Board of Directors suggests to the shareholders' general meeting that no dividends are paid from the financial year January 1 – December 31, 2022 and that the profit from the financial year is entered to retained earnings.

BOARD OF DIRECTORS, CEO AND AUDITORS

The Board of Directors and CEO

The members of Black Donuts Engineering Inc.'s Board of Directors on January 1, 2022 were Raif Nisametdin (chair) and Panu Paappanen. An extraordinary general meeting on March 10, 2022 appointed Matti Manner as a new member of the Board of Directors. The Board of Directors elected on March 10, 2022 Manner to be the new chairman. In the ordinary shareholders' meeting on May 27, 2022, Matti Manner, Arto Martonen, Raif Nisametdin, and Panu Paappanen were elected as the members of the Board of Directors. Manner acts as the chairman of the Board.

The Company's CEO is Kai Hauvala.

Auditors

Audit firm Ernst & Young is the Company's and its Finnish subsidiaries' auditor, the auditor in charge being Juha Hilmola, Authorized Public Accountant (KHT). Juha Hilmola is submitted in the auditor register in accordance with the Audit Act.

03:

CONSOLIDATED FINANCIAL STATEMENTS 1.1. – 31.12.2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR	Note	Jan 1 – Dec 31, 2022	Jan 1 – Dec 31, 2021
Net sales	3	11 530 887	7 577 928
Capitalization of development expenses	4	699 874	463 766
	16	689 359	558 835
Change in inventories of finished goods and work in progress			
Other operating income	5	561 948	1 328 971
Materials and services	6	-4 942 999	-2 865 263
Employee benefit expenses	7	-4 650 716	-4 386 637
Depreciation, amortization and impairment	9	-483 048	-450 513
Other operating expenses	8	-2 508 266	-1 690 561
Operating profit (loss)		**897 040**	**536 527**
Financial income	10	14 517	1 322
Financial expenses	10	-217 399	-271 971
Profit (loss) before taxes		**694 157**	**265 877**
Income taxes	11	-13 623	-91 820
Net profit for the financial year		**680 534**	**174 057**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Translation differences		-5 014	7 820
Total comprehensive income for the period		**675 520**	**181 878**
Profit for the financial year attributable to			
Owners of the parent		654 766	171 501
Non-controlling interests		25 768	2 556
		680 534	**174 057**
Comprehensive income attributable to			
Owners of the parent		649 752	159 425
Non-controlling interests		25 768	22 452
		675 520	**181 878**

CONSOLIDATED BALANCE SHEET

EUR	Note	31.12.2022	31.12.2021
ASSETS			
Non-current assets			
Goodwill	13	926 507	926 507
Development expenses	12	1 350 601	830 845
Other intangible assets	12	20 192	26 922
Tangible fixed assets	14	434 341	112 920
Right-of-use assets	15	943 042	352 640
Leasing receivables	15	1 861 752	2 046 197
Non-current receivables	18	266 471	285 862
Non-current assets, total		**5 802 905**	**4 581 894**
Current assets			
Inventories	16	2 831 193	1 671 968
Trade receivables	17	4 918 883	3 597 086
Leasing receivables	15	184 446	172 331
Other receivables	18	753 069	681 819
Cash and cash equivalents	19, 22	446 122	547 629
Current assets, total		**9 133 712**	**6 670 833**
Assets, total		**14 936 617**	**11 252 728**

SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Share capital	21	2 500	2 500
Reserve for invested unrestricted equity	21	5 869 380	5 869 380
Retained earnings		-1 542 667	-2 144 582
Non-controlling interests		67 878	47 990
Equity, total		**4 397 091**	**3 775 288**
Non-current liabilities			
Subordinated loans	20, 23	100 000	100 000
Loans from financial institutions	20, 23	1 420 792	285 083
Other interest-bearing liabilities	20, 23	1 799 150	1 913 195
Loan from government	20, 23	797 114	730 788
Lease liabilities	15, 20, 23	2 273 606	1 884 380
Deferred tax liabilities	20, 23	62 267	65 538
Non-current liabilities, total		**6 452 928**	**4 978 985**
Current liabilities			
Loans from financial institutions	20, 23	66 758	256 800
Loan from government	20, 23	79 616	79 616
Lease liabilities	15, 20, 23	410 403	366 908
Trade payables	20, 23	1 611 384	557 159
Other liabilities	20, 23, 24	1 918 437	1 237 972
Current liabilities		**4 086 598**	**2 498 455**
Liabilities, total		**10 539 526**	**7 477 440**
Shareholders' equity and liabilities, total		**14 936 617**	**11 252 728**

CONSOLIDATED CASH FLOW STATEMENT

EUR	Jan 1 – Dec 31, 2022	Jan 1 – Dec 31, 2021
Cash flows from operating activities		
Profit (loss) for the period	680 534	174 057
Adjustments		
Depreciation and amortization	483 048	450 513
Other non-cash items	208 092	-306 222
Interest and other financial expenses	217 399	271 971
Interest income	-14 517	-1 322
Income taxes	13 623	91 820
Change in working capital		
Change in trade and other receivables	-1 518 407	488 336
Change in inventories	-1 159 225	-374 993
Change in trade payables and other liabilities	1 856 273	-416 579
Change in provisions		
Interest paid	-281 425	-217 257
Interest received	1 409	1 624
Income taxes paid	-31 961	-63 446
Cash flow from operating activities	**454 844**	**98 501**
Cash flows from investing activities		
Investments in tangible and intangible assets	-1 070 632	-553 017
Loans granted	0	-115 344
Repayments of debt	3 000	1 250
Cash flow from investing activities	**-1 067 632**	**-667 111**
Cash flows from financing		
Withdrawal of long-term debt	1 274 838	912 327
Repayments of debt	-382 846	-1 357 589
Rights issue	0	1 478 360
Payments of lease liabilities	-269 420	-219 377
Dividends paid	-111 291	-130 000
Cash flow from financing	**511 280**	**683 721**
Change in cash and cash equivalents	**-101 507**	**115 111**
Cash and cash equivalents at the beginning of the period	547 629	432 518
Change	-101 507	115 111
Cash and cash equivalents at the end of the period	446 122	547 629

STATEMENT OF CHANGES IN EQUITY

EUR	Share capital	Invested unrestricted equity fund	Translation differences	Retained earnings	Non-controlling interests	Equity, total
Equity, January 1, 2022	**2 500**	**5 869 380**	**-21 544**	**-2 123 039**	**47 990**	**3 775 287**
Comprehensive income						
Profit (loss) for the period	0	0		654 766	25 768	680 534
Other comprehensive income						
Translation differences	0	0	-5 014			-5 014
Comprehensive income for the financial year total	**0**	**0**	**-5 014**	**654 766**	**25 768**	**675 520**
Transactions with owners						0
Share issue	0	0				
Dividend distribution	0	0	0	0	0	0
Other changes and adjustments	0	0	0	-47 836	-5 881	-53 717
Transactions with owners, total	**0**	**0**	**0**	**-47 836**	**-5 881**	**-53 717**
Equity, December 31, 2022	**2 500**	**5 869 380**	**-26 558**	**-1 516 109**	**67 878**	**4 397 090**

In calculating the share attributable to non-controlling interests, the group contributions paid by the subsidiaries to the parent company have been taken into consideration.

EUR	Share capital	Invested non-restricted equity fund	Translation differences	Retained earnings	Non-controlling interests	Equity, total
Equity, January 1, 2021	**2 500**	**2 411 640**	**-29 364**	**-2 238 617**	**81 614**	**227 773**
Comprehensive income						
Net profit for the financial year	0	0		171 501	2 556	174 057
Other comprehensive income						
Translation differences	0	0	7 820			7 820
Comprehensive income for the financial year total	**0**	**0**	**7 820**	**171 501**	**2 556**	**181 878**
Transactions with owners						
Share issue	0	3 457 740	0	0	0	3 457 740
Dividend distribution	0	0	0	0	-27 760	-27 760
Other changes and adjustments	0	0	0	-55 923	-8 420	-64 343
Transactions with owners, total	**0**	**3 457 740**	**0**	**-55 923**	**-36 180**	**3 365 637**
Equity, December 31, 2021	**2 500**	**5 869 380**	**-21 544**	**-2 123 039**	**47 990**	**3 775 287**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GROUP BASIC INFORMATION

Black Donuts Engineering Inc. (hereinafter referred to as "BDE" or "the Company") is a Finnish limited liability company established under the laws of Finland in 2010, and its Business ID is 2352555-5. The Company's domicile is in Tampere and its registered address is Myllyhaantie 6, FI-33960 Pirkkala, Finland.

THE BLACK DONUTS GROUP SERVES ITS CUSTOMERS HOLISTICALLY

- from the design and product development of a tire product and its parts to testing,
- from the manufacturing development and extension of an existing tire to the design, building development and starting of production of new tire plants,
- from the development of new sustainable business model, product, and manufacturing innovations to their productionization to meet the customers' needs, and
- the digitalization of manufacturing to meet the special requirements of the industry.

The Group offers its services globally to both existing tire manufacturers as well as new companies aiming to produce tires, and other stakeholders, such as manufacturers of raw materials and suppliers of production equipment.

ACCOUNTING BASIS

The consolidated financial statements for the financial year ended December 31, 2022 have been prepared in accordance with the International Financial Standards (IFRS) and interpretations (IFRIC) in force on December 31, 2022. The financial statements comply with the IFRS standards issued by the International Accounting Standards Board (IASB). The notes to the consolidated financial statements have also been prepared in accordance with the requirements of the Finnish Accounting Act and Limited Liability Companies Act.

The financial statements have been prepared based on original cost, excluding lease liabilities and right-of-use assets, which are discounted to present value.

The Company's financial statements are presented in euros, which is the Company's operating and reporting currency. The figures presented in these financial statements have been rounded off from exact figures, which is why the sums of individual figures may differ from the sum figures disclosed in the tables. Transactions denominated in foreign currencies are translated into the operating currency at the exchange rate of the transaction date.

Black Donuts Group has not yet applied revised standards already published by the IASB whose application is mandatory for financial periods beginning on or after January 1, 2023. The Company will adopt them as of the applicable date of each standard and interpretation, or if the applicable date is not the first day of the financial year, as of the beginning of the financial year following the applicable date, provided that they have been approved for application in the EU. The Company's current estimate is that revised standards will not have a material impact on future financial statements in conjunction with their adoption.

ACCOUNTING POLICIES REQUIRING MANAGEMENT DISCRETION

Preparing IFRS financial statements requires the management to exercise discretion regarding the choice and application of accounting policies. Furthermore, the management has had to make forward-looking accounting estimates and assumptions that may have impacts on the amounts of assets, liabilities, income and expenses recognized in the reporting period, the actual outcomes of which may differ from these estimates.

Discretionary decisions that the management of Black Donuts Engineering has made in applying the accounting policies and that have the biggest impact on the figures presented in the financial statements concern the following areas:

- Recognition of net sales as revenue: determining performance obligations and separate sales prices and revenue recognition over time (Note 3 Net sales)
- Impairment testing of goodwill: forecasts and the parameters used in the projections (Note 13 Goodwill and testing for impairment)
- Accounting for leases: lease term estimates and interest on additional credit (Note 15 Leases)
- Recognition of expected credit losses (Note 17 Trade receivables)

CONSOLIDATION PRINCIPLES

SUBSIDIARIES

The consolidated financial statements cover the parent company Black Donuts Engineering Inc. and all of its subsidiaries over which the parent company has control. Control arises when the Group is exposed, or has rights, to variable returns from its involvement and has the ability to affect those returns through its power over the investee.

Intra-Group shareholding has been eliminated using the acquisition method. Acquired subsidiaries are consolidated in the consolidated financial statements as of the Group obtaining control and divested subsidiaries until control ceases to exist. All intra-Group transactions, receivables, liabilities and unrealized profits and internal distribution of profits are eliminated when preparing the consolidated financial statements. The accounting policies of the financial statements of subsidiaries are modified to correspond with the accounting policies applied in the consolidated financial statements in the consolidation, if necessary.

Non-controlling interests' share of the acquisition is measured at fair value or an amount corresponding to the proportional share of the non-controlling interests of the identifiable net assets or the acquiree. The measurement principles are determined separately for each acquisition. The accounting for goodwill from the acquisition of subsidiaries is described in Note 13. Goodwill and testing for impairment.

The shares of the profit or loss for the financial year to the parent company owners and non-controlling interests is presented in a separate income statement. The shares of comprehensive income attributable to parent company owners and non-controlling interests are disclosed in the statement of comprehensive income. The profit or loss for the financial year and comprehensive income are allocated to the owners of the parent and non-controlling interests, even if this led to the non-controlling interests having a negative share. The share of equity attributable to non-controlling interests is presented as a separate item on the balance sheet under equity. Changes in the parent company's holding in a subsidiary which do not result in losing control are treated as equity transactions.

ITEMS DENOMINATED IN FOREIGN CURRENCIES

The figures concerning the result and financial position of the Group's units are measured in the currency that is the currency in the primary operating environment of each unit ("operating currency"). The consolidated financial statements are presented in euros, which is the operating and reporting currency of the Group's parent company.

Transactions denominated in foreign currencies are measured at the operating currency using the exchange rate of the day of the transaction. Monetary items denominated in foreign currencies have been translated into the operating currency at the exchange rates of the closing date of the reporting period. The gains and losses arising from the translation of transactions and monetary items denominated in foreign currencies are recognized through profit or loss.

The income and expense items on the income statements of foreign Group companies have been translated into EUR according to the average exchange rate of the financial year and balance sheets according to the exchange rates of the closing date of the financial period. The translation of profit for the financial year and comprehensive income at different exchange rates on the statement of comprehensive income causes a translation difference recognized in shareholders' equity on the balance sheet, and the change in it is recognized through other comprehensive income.

NET SALES

The table below presents the breakdown of the Group's net sales by customers' domicile.

Breakdown of net sales by market area		**2022**	**2021**	**2020**
Finland		41 321	953 362	176 359
Europe		6 850 976	2 604 885	2 828 441
Africa		1 276 428	221 760	1 435 139
North America		533 187	1 192 827	1 577 925
Asia		2 828 975	2 605 094	1 880 816
Net sales, total		**11 530 887**	**7 577 928**	**7 898 680**
Breakdown of net sales	**Revenue recognition**	**2022**	**2021**	**2020**
Delivery and design projects	Over time	7 633 947	4 076 751	4 829 947
Component sales	At a point in time	3 401 136	2 702 614	2 386 491
Testing services	Over time	495 804	798 564	682 242
Net sales, total		11 530 887	7 577 929	7 898 680
Share of partially or fully unrecognized performance obligations of delivery and design projects		**2022**	**2021**	**2020**
Less than 1 year		6 551 726	5 427 561	2 694 337
Over 1 year		912 000	1 510 175	2 830 099
		7 463 726	6 937 736	5 524 436

ACCOUNTING PRINCIPLE

Black Donuts Group applies the IFRS 15 Revenue from Contracts with Customers standards. Sales revenue is recognized up to the amount expected to be received from the customer as consideration for the delivery of a product or service. Sales revenue is recognized when control of the product has been transferred or the service has been delivered to the customer. Revenue recognition takes place either at a point in time or over time. These principles are applied following a five-step guideline:

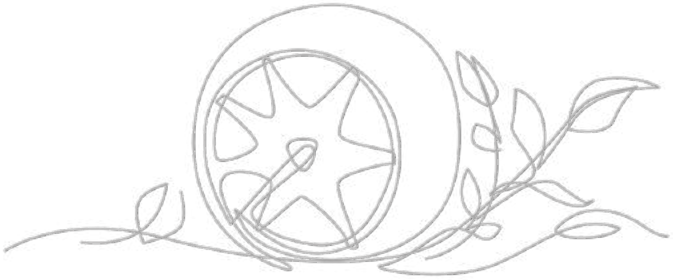
- Identify the contract,
- Identify separate performance obligations,
- Determine the transaction price,
- Allocate transaction price to performance obligations
- Recognize revenue.

The net sales of Black Donuts Group are primarily classified into three categories for revenue recognition:

1. Delivery and design projects, which involve a fixed-price contract with the customer. Revenue is recognized over time based on the percentage of completion, and the percentage of completion is assessed based on output or input.

2. Component sales, in which revenue is recognized at a point in time once the goods have been delivered to the customer.

3. Testing services, which are recognized over time



RECOGNITION OF REVENUE OVER TIME

The Group typically fulfills its performance obligation over time while working in the customer’s project, either because the customer simultaneously obtains benefits from the work performed by Black Donuts Group (testing services), or in most cases, because the outcome of the work is such that there is no alternative use for the performance received (delivery and design projects).

The criteria for revenue recognition over time are met in Black Donuts Group’s delivery and design projects, which are service packages tailored for a specific customer. The contracts of Black Donuts Group with customers often aim at a single outcome from the customer’s point of view, such as a new or revised tire model, production line or production unit. In such cases, the performance obligation is the service package promised in the customer contract or a clearly separable sub-package, and the services and goods and/or separate service packages mentioned in the contracts are considered to aim at fulfilling the service package or sub-package mentioned in the contracts. Black Donuts Group delivers the specified plans, technologies and equipment to the customer as part of the deliveries of service packages. The deliveries may also include consulting, training, testing, installation supervision and other auxiliary services.

In measuring the percentage of completion of projects recognized over time, Black Donuts Group applies a revenue recognition method in which the percentage of completion is measured based on output (achievement of interim objectives) or input. In most cases, the achievement of interim objectives illustrates the service provided the best, because in these cases, the customer has generally approved the delivered service and Black Donuts Group is therefore entitled to receive payment. Prices corresponding to their value are defined for the services in the interim objectives. In the case of fixed-price contracts, the customer pays fixed consideration according to a payment schedule based on work phases, which are generally tied to services defined in the contract. The method is estimated to result in a revenue recognition model that best describes the transfer of control associated with the outputs to the customer. The revenue recognition is based on the value generated for the customer from the delivered products and services.

In on-going projects recognized over time, prepayments are recognized as payments received for liabilities associated with customer contracts. At the end of the reporting period, the payments received are compared to the interim objectives reached, and revenue is recognized pro rata to the services delivered. A receivable associated with customer contracts is recognized to the extent that the recognized amount exceeds the payments received. Due to the recognition method, however, receivables are primarily trade receivables.

In consulting and design projects and testing services that can be charged at agreed hourly rates, sales revenue from the service provided is recognized up to the amount at which Black Donuts Group has the right to charge to the customer.

RECOGNITION OF REVENUE AT A POINT IN TIME

When Black Donuts Group delivers components, equipment or wear or spare parts to customers, sales revenue is recognized when control is transferred to the customer, i.e. usually based on delivery or commissioning.

VARIABLE CONSIDERATION

With regard to contracts involving variable consideration, such as rebates or incentives, the Group always uses the most probable amounts. With regard to projects recognized as revenue based on the percentage of completion, variable consideration is only taken into account when it is probable that it will materialize. In case of an incentive or performance-based success reward, this leads to a positive adjustment to net sales when it is added to the revenue recognition calculation. Correspondingly, negatively changed amounts lead to a negative entry in revenue recognition immediately when they are probable. All variable consideration is regularly assessed and, at the minimum, in conjunction with reporting.

WARRANTIES

The Company's delivery and design projects do not usually include service warranties. The warranty for defects specified in the contracts is limited in duration and in terms of amounts. A warranty provision is recognized in case of a warranty that is only intended to assure the compliance of the product with the agreed functionalities and the customer would not otherwise be able to obtain warranty, i.e. it is not a separate performance obligation.

ACCOUNTING POLICIES REQUIRING MANAGEMENT DISCRETION AND KEY UNCERTAINTIES ASSOCIATED WITH ESTIMATES

Preparing IFRS financial statements requires the management to exercise discretion regarding the choice and application of accounting policies. Furthermore, the management has had to make forward-looking accounting estimates and assumptions that may have impacts on the amounts of assets, liabilities, income and expenses recognized in the reporting period, the actual outcomes of which may differ from these estimates.

The estimates and assumptions are based on historical experience and other justifiable assumptions that are considered to be reasonable at the time of preparing the financial statements. It is possible that the actual outcomes deviate from the estimates used in the financial statements. The uncertainties associated with the estimates and assumptions made which can cause a significant risk of a change in the carrying amounts of assets and liabilities relate to the following items:

The assessment of the criteria for revenue recognition over time requires discretion in determining Black Donuts Group's existing right to payment for the performance provided by the time of review. In addition, discretion is required in recognizing revenue over time, because it is based on expected sales revenue and measurement of the percentage of completion. The amount of variable consideration is estimated based on the most probable amount. In addition, any project loss provisions and changes in the accrual of project expenses are based on management discretion.

CAPITALIZATION OF DEVELOPMENT EXPENDITURE

Capitalized development expenses on the balance sheet are comprised of the following items:

EUR	2022	2021
Personnel expenses	309 319	216 654
Purchases & External services	286 995	167 929
Other expenses	103 561	79 183
Total	**699 874**	**463 766**

OTHER OPERATING INCOME

EUR	2022	2021
IFRS 16 income	5 654	333 644
Public grants	549 183	992 941
Other income	7 111	2 386
Total	**561 948**	**1 328 971**

Other operating income is comprised of public grants and other income, such as internship and employment allowances. Other operating income includes grants that have been received as compensation for previously realized expenses and they are recognized through profit or loss for the period during which the right to receive the grant emerges.

In 2021, as a non-recurring item in other operating income is the book profit in accordance with IFRS16 that was created due to the subletting of the test track in Sweden (see in more detail Note 15 Leases).

MATERIALS AND SERVICES

EUR	2022	2021
Materials, goods and supplies		
Purchases during the financial year	3 025 584	1 642 353
Change in inventories	-506 166	220 142
External services	2 423 581	1 002 768
Total	**4 942 999**	**2 865 263**

The Company's materials and services are comprised of purchases, change in inventories and external services. Expenses are recognized as expenses in accordance with the accrual basis for the financial year of their realization and once the sale associated with them has been recognized.

EMPLOYEE BENEFIT EXPENSES

EUR	2022	2021
Salaries and wages	3 825 952	3 597 366
Pension expenses - defined contribution plans	660 928	624 736
Other social security expenses	163 836	164 535
Total	4 650 716	4 386 637
	2022	**2021**
Group's personnel on average during the financial year	57	56

EMPLOYEE BENEFITS

The expense based on the work performance during the period is recognized through profit or loss and disclosed in employee benefit expenses for the period during which the services associated with the expenses are performed. Expenses based on previous work performance are recognized as expenses through profit or loss at the earlier of when the change or curtailment takes place or the entity recognizes the related restructuring expenses or benefits associated with the termination of employment. Information about management remuneration is disclosed in Note 26 on related-party transactions.

PENSION OBLIGATIONS

The Group currently only has defined contribution pension plans. The payments made are expensed on the income statement for the financial year concerned by them. The Group does not have a legal or factual obligation to make additional payments if the payment recipient is unable to pay the pension benefits concerned.

SHARE-BASED PAYMENTS

The Group has not had share-based payment schemes pursuant to IFRS 2.

OTHER OPERATING EXPENSES

EUR	2022	2021
Premises expenses	87 239	24 188
IT expenses	217 458	195 916
Marketing and communications expenses	220 714	202 397
Travel and entertainment expenses	957 615	448 932
Optional personnel expenses	149 361	90 148
Research and development expenses	232 272	151 651
Administrative services	497 052	494 824
Impairment of trade receivables	120 142	14 205
Other expenses	26 413	68 299
Total	**2 508 266**	**1 690 561**

AUDITORS' FEES

EUR	2022	2021
Ernst & Young Oy		
Audit fee	44 337	28 300
Other fees	15 860	11 000
Total	**60 197**	**39 300**

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

EUR	2022	2021
Development expenses	180 119	181 198
Amortization of other intangible assets	6 731	9 101
Tangible fixed assets	46 111	39 688
Amortization of right-of-use assets	250 087	220 526
Total	**483 048**	**450 513**

FINANCIAL INCOME AND EXPENSES

Financial income EUR	2022	2021
Interest and other financial income	14 517	1 322
Total	**14 517**	**1 322**

Financial expenses EUR	2022	2021
Interest expenses	186 884	262 668
Interest expenses on lease liabilities	23 283	8 575
Other financial expenses	7 232	729
Total	**217 399**	**271 971**

Interest expenses are mainly comprised of interest expenses on financial liabilities and interest expenses from the treatment of leases in accordance with IFRS 16. Other financial expenses are comprised of a guarantee provision and interest on accounts payable. Financial expenses are also discussed in Note 19. Financial risk management.

INCOME TAXES

EUR	2022	2021
Taxes recognized through profit or loss	-14 791	-26 512
Change in deferred taxes	1 168	-65 308
Total	**-13 623**	**-91 820**

Reconciliation of tax expense on the income statement and taxes calculated using the tax rate of the company's home country:

EUR	2022	2021
Profit (loss) before taxes	694 157	265 877
Income tax at Finland's tax rate, 20%	-138 831	-53 175
Non-deductible expenses and tax-exempt income	2 121	-10 606
Difference between foreign tax rates and Finland's tax rate	-265	1 415
Deferred taxes not entered in the result of the financial year	126 228	-29 454
Other items	-2 875	0
Income taxes on the income statement	**-13 623**	**-91 820**

TAXES BASED ON THE TAXABLE INCOME FOR THE PERIOD AND DEFERRED TAXES

The tax expense is comprised of tax based on the taxable income for the period and deferred taxes. Taxes are recognized through profit or loss, except when they are directly associated with items recognized in equity or other comprehensive income. In this case, the tax is also recognized in the items concerned. The Group has not recognized income taxes in other comprehensive income.

The tax based on the taxable income for the period is calculated from the taxable income based on each country's valid tax rate or tax rate that has been practically approved by the closing date. The Group offsets tax assets and liabilities based on the taxable income for the period if and only if the Group has a legally enforceable right to offset the items with each other and the Group intends to intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred taxes are calculated based on temporary differences between the carrying amount and value in taxation. However, deferred tax liabilities are not recognized for the initial recognition of goodwill or it is due to the initial recognition of an asset or liability when it is not a business combination and the transaction will not have an impact on the result of accounting or taxable income at the time of its materialization.

Changes in deferred taxes	**1.1.2022**	**Recognized through profit or loss**	**31.12.2022**
Deferred tax assets			
Right-of-use assets	1 561	-341	1 221
IFRS16 Subletting arrangement	-65 538	3 271	-62 267
Other	32 595	-3 110	29 485
Total	**-31 381**	**-180**	**-31 561**

Changes in deferred taxes	**1.1.2021**	**Recognized through profit or loss**	**31.12.2021**
Deferred tax assets			
Right-of-use assets	1 332	230	1 561
IFRS16 Subletting arrangement	0	-65 538	-65 538
Other	821	31 774	32 595
Total	**2 153**	**-33 534**	**-31 381**

CONFIRMED LOSSES

Tax losses and temporary differences for which no deferred tax asset has been recognized:

EUR	2022	2021
Unused tax losses	2 741 648	2 668 639
Total	**2 741 648**	**2 668 639**

The deferred tax asset from tax losses not recognized is EUR 548 thousand (2021: EUR 534 thousand).

Confirmed losses expire in 10 years. Tax losses expire as follows:

EUR	2022	2021
Expires within five years	0	0
Expires later than within five years	2 741 648	2 668 639
Total	**2 741 648**	**2 668 639**

The unconfirmed tax loss for 2022 for the Group's companies is the total of EUR 631 thousand (2021: EUR - 68 thousand).

INTANGIBLE FIXED ASSETS

EUR

Intangible rights	Goodwill	Development expenses	Other intangible assets	Total
Acquisition cost, January 1, 2022	926 507	4 214 476	294 471	5 435 454
Increase	0	699 874	0	699 874
Acquisition cost, December 31, 2022	926 507	4 914 350	294 471	6 135 329
Accumulated depreciation and amortization, January 1, 2022	0	-3 383 631	-267 549	-3 651 180
Depreciation and amortization for the financial year	0	-180 119	-6 731	-186 850
Accumulated depreciation and amortization, December 31, 2022	0	-3 563 750	-274 280	-3 838 030
Carrying amount January 1, 2022	926 507	830 845	26 922	1 784 274
Carrying amount December 31, 2022	**926 507**	**1 350 600**	**20 191**	**2 297 299**

Intangible rights	Goodwill	Development expenses	Other intangible assets	Total
Acquisition cost, January 1, 2021	926 507	3 750 710	294 471	4 971 688
Increase	0	463 766	0	463 766
Acquisition cost, December 31, 2021	926 507	4 214 476	294 471	5 435 454
Accumulated depreciation and amortization, January 1, 2021	0	-3 202 433	-258 448	-3 460 881
Depreciation and amortization for the financial year	0	-181 198	-9 101	-190 299
Accumulated depreciation and amortization, December 31, 2021	0	-3 383 631	-267 549	-3 651 180
Carrying amount January 1, 2021	926 507	548 277	36 023	1 510 807
Carrying amount December 31, 2021	**926 507**	**830 845**	**26 922**	**1 784 274**

ACCOUNTING PRINCIPLE

The Company’s intangible assets are comprised of goodwill, development expenses and other intangible assets, which are mainly comprised of software and licenses. The principles of recognizing and measuring goodwill are described in Note 13.

Development expenses and other intangible assets are initially recognized on the balance sheet at acquisition cost if the acquisition cost can be reliably determined and it is likely that the expected future benefit from the asset will benefit the Group. The residual value of the asset, economic useful life and amortization method are revised at the minimum at the end of each financial year and, if necessary, adjusted to illustrate the changes in the expectations of economic benefit.

RESEARCH AND DEVELOPMENT EXPENSES

Research expenses are recognized through profit or loss. Development expenses arising form the design of new or significantly improved products are capitalized on the balance sheet as intangible assets when:

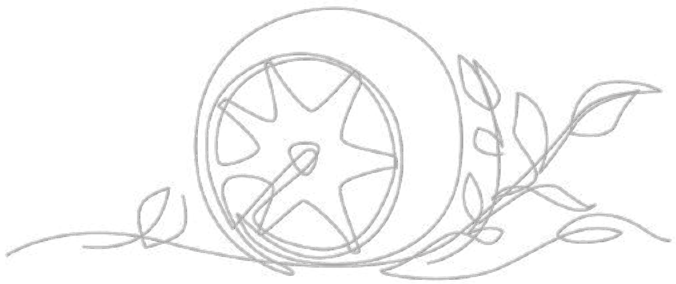
- the expenses of the development phase can be reliably determined
- the completion of the product is technically feasible
- the Group can use or sell the product
- the Group can prove how the product will provide it with probable future economic benefit
- the Group intends to and has the resources for completing the development work and using or selling the product

Capitalized development expenses include the material, labor and testing expenses and any capitalized debt expenses which are directly caused by the completion of the asset for the intended use. Development expenses that have previously been recognized as expenses are not subsequently capitalized.

An asset is amortized starting from when it is ready for use. An asset that is not yet ready for use is tested annually for impairment. After initial recognition, capitalized development expenses are measured at acquisition cost less accumulated depreciation, amortization and impairment. The economic useful life of capitalized development expenses is 5 years, during which the capitalized expenses are amortized using the straight-line method.

OTHER INTANGIBLE ASSETS

Other intangible assets mainly include software and licenses. The amortization periods of other intangible assets with a finite economic useful life are 10–12 years.



GOODWILL AND TESTING FOR IMPAIRMENT

GOODWILL

Goodwill corresponds to the part of acquisition cost that exceeds the Group's share of the fair value of the acquiree's identifiable net assets, liabilities and contingent liabilities at the time of acquisition. Goodwill is not amortized, but tested for any impairment annually and whenever there are indications of possible impairment of value. For this purpose, goodwill is allocated to cash-generating units. Goodwill is measured at original acquisition cost less impairment.

Goodwill is allocated to groups of cash-generating units, representing the value at which the management monitors net sales. Goodwill is allocated to the acquired businesses, and the allocation is presented in the table below.

Allocation of goodwill	2022	2021
Component business	864 723	864 723
Testing services	61 785	61 785
Total	**926 507**	**926 507**

The amount of goodwill on the balance sheet at the end of the financial year totaled EUR 926.5 thousand (2021: EUR 926.5 thousand). The Company has tested the goodwill in accordance with IAS 36.

TESTING FOR IMPAIRMENT

The Group reviews on the closing date of each reporting period whether there are indications of the impairment of an asset. If indications emerge, the recoverable amount of the asset concerned is estimated. In addition, the recoverable amount of the following assets is estimated each year regardless of whether there are indications of impairment: goodwill, intangible assets with an infinite economic useful life and intangible assets in progress.

The need for recognizing impairment is reviewed at the level of cash-generating units, i.e. the lowest unit level that is largely independent of other units and the cash flows of which can be separated and are largely independent of the cash flows of other corresponding units. A cash-generating unit is the lowest level of the Group at which goodwill is monitored for internal management.

The recoverable amount is the higher of the fair value of the asset less costs to sell or value in use. Value in use refers to the estimated future net cash flows available form the asset or cash-generating unit concerned, discounted to their present values. The discount rate used is the pre-tax interest rate that reflects market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount exceeds the recoverable amount. Impairment losses are recognized immediately through profit or loss. The economic useful life of the asset concerned by depreciation and amortization is re-assessed in conjunction with the recognition of the impairment loss. An impairment loss recognized for an asset other than goodwill is reversed if a change has taken place in the estimates used in measuring the recoverable amount of the asset. However, impairment losses are not reversed in excess of the asset's carrying amount had no impairment loss been recognized. In no circumstances are impairment losses recognized for goodwill reversed.

A forecast period of 4 years is used in testing goodwill for impairment. The income from the business operations of cash-generating units stayed on the same level as in the previous year. The business operations and the industry on the whole are expected to return to the pre-COVID-19-pandemic level in 2023. Due to the increased uncertainties in projecting the future, the discount rate has been increased for 2020 and has been kept the same since then. The discount rate has been calculated based on an estimate of the Group's return on equity requirement and the Group's new cost of capital at the time of the financial statements plus a risk premium. The discount rate used in 2020–2022 has been 20% (2019: 15%).

Key assumptions used in testing the goodwill of the component business for impairment	**2022**	**2021**
Duration of the forecast period (years)	4	4
Average annual growth in net sales*	5 %	10 %
Operating margin	7 %	13 %
Growth factor for cash flows after the forecast period	2 %	2 %
Discount rate	20 %	20 %

* In testing for impairment, net sales are projected to return to the level of 2019 in 2023. This is equal to growth of 21% compared to 2022, after which business operations are estimated to grow by 5% annually.

Key assumptions used in testing the goodwill of the testing service business for impairment	**2022**	**2021**
Duration of the forecast period (years)	4	4
Average annual growth in net sales*	5 %	5 %
Operating margin	7,5 %	10 %
Growth factor for cash flows after the forecast period	2 %	2 %
Discount rate	20 %	20 %

* In testing for impairment, net sales are projected to return to the level of 2019 in 2023. This is equal to growth of 6% compared to 2022, after which business operations are estimated to grow by 5% annually.

The table below presents how each of the following changes, with the other factors remaining unchanged, would lead to the unit's carrying amount being equal to its recoverable amount:

Sensitivity analysis of goodwill allocated to the component business	**2022**	**2021**
Projected operating margin	6 %	8 %
Discount rate	23 %	30 %

Sensitivity analysis of goodwill allocated to the testing services business	**2022**	**2021**
Projected operating margin	4 %	-4 %
Discount rate	35 %	294 %

PROPERTY, PLANT AND EQUIPMENT

EUR

Property, plant and equipment	Machinery and equipment	Right-of-use assets	Total
Acquisition cost, January 1, 2022	527 527	1 015 073	1 542 600
Increase	370 758	846 880	1 217 638
Decrease	-3 226	-161 460	-164 686
Acquisition cost, December 31, 2022	895 059	1 700 493	2 595 551
Accumulated depreciation, amortization and impairment, January 1, 2022	-414 607	-662 433	-1 077 040
Accumulated depreciations of deductions and transfers	0	155 069	155 069
Depreciation and amortization for the financial year	-46 111	-250 087	-296 198
Accumulated depreciation, amortization and impairment, December 31, 2022	-460 718	-757 451	-1 218 169
Carrying amount January 1, 2022	112 920	352 640	465 560
Carrying amount December 31, 2022	**434 341**	**943 042**	**1 377 383**

Property, plant and equipment	Machinery and equipment	Right-of-use assets	Total
Acquisition cost, January 1, 2021	438 275	880 633	1 318 908
Increase	89 252	2 112 759	2 202 011
Decrease	0	-1 978 319	-1 978 319
Acquisition cost, December 31, 2021	527 527	1 015 073	1 542 600
Accumulated depreciation, amortization and impairment, January 1, 2021	-374 918	-441 907	-816 825
Depreciation and amortization for the financial year	-39 688	-220 526	-260 214
Accumulated depreciation, amortization and impairment, December 31, 2021	-414 607	-662 433	-1 077 040
Carrying amount January 1, 2021	63 357	438 726	502 083
Carrying amount December 31, 2021	**112 920**	**352 640**	**465 560**

ACCOUNTING PRINCIPLE

Property, plant and equipment is mainly comprised of machinery and equipment and right-of-use assets in accounting for leases in accordance with IFRS 16, which, for the financial years 2022 and 2021, concerned the Company's premises and are presented in more detail in Note 15.

Property, plant and equipment is measured at acquisition cost less accumulated depreciation and impairment losses. The acquisition cost includes expenses incurred directly from the acquisition of the property, plant and equipment asset. The assets are depreciated over their economic useful lives using the straight-line method. Acquired property, plant and equipment assets with an economic useful life of less than 3 years are recognized as annual expenses.

The estimated economic useful lives are as follows:

- Machinery and equipment approx. 10–12 years
- Other tangible assets 10–12 years.

The residual value of the asset, economic useful life and amortization method are revised at the minimum at the end of each financial year and, if necessary, adjusted to illustrate the changes in the expectations of economic benefit.

LEASES

GROUP AS LESSEE

Black Donuts Group is a lessee, and has leased office premises for its use. A contract is considered to be or include a lease if the contract gives right to control over the use of an identified asset for a fixed period against consideration.

Leases are recognized as a right-of-use asset and lease liability. A right-of-use asset is recognized on the balance sheet at an amount corresponding to the lease liability, advances paid and direct costs of the lease. Right-of-use assets are subsequently measured at acquisition cost less accumulated amortization and impairment losses. It is adjusted for certain items due to the remeasurement of the lease liability. The lease liability is equal to the present value of the rent payments on the closing date. Amortization associated with the assets of leases and interest expenses associated with the lease liability are recognized on the income statement.

The Group does not recognize right-of-use assets or lease liabilities on its balance sheet when they are connected to:

- short-term leases (lease term no more than 12 months).

- leases on assets of minor value (new value of each asset a maximum of approximately EUR 5,000).

The Group applies these practical expedients to all asset categories and recognizes the above-mentioned lease expenses as expenses in equal instalments over the lease term.

UNCERTAINTIES ASSOCIATED WITH ASSUMPTIONS AND ESTIMATES

The Group's leases are mainly comprised of business premises, the leases of which are valid until further notice. The management has to assess the likelihood of exercising such an extension option, which correspondingly has an impact on the estimated duration of the lease term and the amounts of right-of-use assets, lease liability, amortization and interest expenses. The Group's management has estimated the interest rate on the additional debt to be 4%.

Additionally, the Group has leased a test track from Sweden with a 10 year lease.

Lease liabilities are reported on the balance sheet line Lease liabilities, broken down into short-term and long-term shares based on the time of maturity

Right-of-use assets on the balance sheet	**2022**	**2021**
Business premises	943 042	352 640
Total	**943 042**	**352 640**

Lease liabilities on the balance sheet	**2022**	**2021**
Long-term	2 273 606	1 884 380
Short-term	410 403	366 908
Total	**2 684 009**	**2 251 288**

Maturity distribution of lease liabilities	**2022**	**2021**
less than 1 year	410 403	366 908
1–2 years	423 035	313 880
2–5 years	870 745	548 231
more than 5 years	979 825	1 022 269
Total	**2 684 009**	**2 251 288**

GROUP AS LESSOR

Since 2021, the Group has sublet a test track in Sweden having leased it from a third party for 10 years. The sublet agreement is classified as a financial leasing agreement based on the right-of-use asset item created from the principal agreement. The Group entered in the financial year 2021 the sales profit of the total of EUR 333,644.20 from the subletting arrangement and the related deferred income tax liability of EUR 66,728.84. There was no variable lease income, that is not included in the value of the net investment of the lease agreement, in the years 2021 and 2022. The variable lease income relates to additional premises that the subletting party can lease annually by a separate decision.

The lease agreement must be classified as a financial leasing agreement if it transfers the risks and benefits characteristic of owning the target asset for all relevant parts.

The Group has the right to terminate the lease agreement of the test track leased from a third party if the subletting agreement were to be terminated or discontinued before 10 years have passed.

Maturity distribution of non-discounted claims for rent	2022	2021
less than 1 year	266 293	261 072
1–2 years	271 619	266 293
2–5 years	847 889	831 264
more than 5 years	1 085 504	1 373 749
Total	2 471 306	2 732 378

Reconciliation of claims for rent	2022	2021
Net investment to claim for rent on December 31	2 046 197	2 218 528
Non-accrued financial income	425 109	513 850
Total	**2 471 306**	**2 732 378**

INVENTORIES

EUR	31.12.2022	31.12.2021
Finished products	1 126 974	620 808
Work in progress	1 704 219	1 014 860
Advance payments	0	36 300
Total	**2 831 193**	**1 671 968**

The finished products item in the inventories consists of components sold by WD Racing Ltd. and Black Donuts Engineering Inc.'s tire racks. During the 2020 financial year, Black Donuts Engineering Inc. launched a factory project in which the company has so far developed an investment-grade factory concept to meet the demand of the Company's customers (distributor and wholesaler level) and the expectations of project investors. In 2022, the project continued with arranging the debt financing share, evaluating the optimal location of the project company, and more detailed specification of project technology, delivery model and customers' product requirements. The factory concept has been developed for sale, and therefore the Company has recognized the project in inventories in progress. Once the factory project is sold, the Company intends to continue in the project in a corresponding turnkey supplier role as in its other Greenfield customer projects, offering its on-going R&D service also after the project is completed.

Inventories are measured at the lower of acquisition cost or probable net realizable value. The acquisition cost is determined using the FIFO method (first in, first out). The acquisition cost of products purchased as finished products includes all costs of purchase, including direct transport, handling and other expenses. The Company does not have manufacturing operations. The acquisition cost does not include the costs of debt. Net realizable value is the estimated selling price obtained in normal business less estimated cost of completing the product and estimated direct costs of sale.

TRADE RECEIVABLES

Trade receivables are recognized on the balance sheet at original invoiced value less any impairment. Impairment losses are recognized immediately through profit or loss. The Group applies the simplified approach defined in IFRS 9 for recognizing expected credit losses, according to which expected lifetime credit losses are recognized for trade receivables and contract assets. The expected credit loss is measured by assessing the impairment of receivables from significant customers individually based on the probability of their insolvency. This is due to the nature of the Company's project business. In addition, any minor receivables whose creditworthiness is at the same level are grouped and assessed together for impairment. The Company recognized a credit loss provision of EUR 25 thousand for the 2022 financial year (2021: EUR 74 thousand).

A trade receivable is derecognized as a final credit loss when no payment is reasonably expected for it. Such situations include the customer's bankruptcy, administration proceedings or circumstances indicating insolvency. The Company has not had major credit losses in recent history. However, the realization of financial risks or other unexpected risks connected to customers' projects cannot be fully excluded.

Realized impairment losses recognized for trade receivables in 2022 amounted to EUR 169 thousand (2021: EUR 14 thousand).

MATURITY DISTRIBUTION OF TRADE RECEIVABLES

Projects ended on December 31, 2022	Not overdue	Less than 30 days overdue	31–60 days overdue	61–180 days overdue	181–364 days overdue	More than 365 days overdue	Total:
Expected loss rate	0 %	0 %	0 %	0 %	0 %	15 %	
Gross-amount book value - trade receivables						138 900	138 900
Deductible item related to loss	0	0	0	0	0	-20 835	-20 835

On-going projects and other trade receivables on December 31, 2022	Not overdue	Less than 30 days overdue	31–60 days overdue	61–180 days overdue	181–364 days overdue	More than 365 days overdue	Total:
Expected loss rate	0 %	0 %	0 %	0 %	0 %	1,5 %	
Gross-amount book value - trade receivables	1 972 437	203 000	4 050	428 050	487 903	288 977	3 384 417
Gross-amount book value - assets based on agreement	1 420 421						1 420 421
Deductible item related to loss	0	0	0	0	0	-4 020	-4 020
				Total deductible items related to loss:			**-24 855**

Projects ended on December 31, 2021	Not overdue	Less than 30 days overdue	31–60 days overdue	61–180 days overdue	181–364 days overdue	More than 365 days overdue	Total:
Expected loss rate	0 %	0 %	0 %	0 %	0 %	15 %	
Gross-amount book value - trade receivables						136 900	136 900
Gross-amount book value - assets based on agreement							0
Deductible item related to loss	0	0	0	0	0	-20 535	-20 535

On-going projects and other trade receivables on December 31, 2021	Not overdue	Less than 30 days overdue	31–60 days overdue	61–180 days overdue	181–364 days overdue	More than 365 days overdue	Total:
Expected loss rate	0 %	0 %	0 %	0 %	0 %	1,5 %	
Gross-amount book value - trade receivables	1 707 938	185 752	145 773	42 295	133 780	1 128 872	3 344 409
Gross-amount book value - assets based on agreement	189 914						189 914
Deductible item related to loss	0	0	0	0	0	-53 603	-53 603
				Total deductible items related to loss:			**-74 138**

The majority of the trade receivables more than 60 days overdue are comprised of receivables from the Company's long-term customer whose payment times have been as long as is typical for the industry. Those customs, that continue as recurring deliveries, are not evaluated to include special so large risks in receiving the payments as those receivables that are related to a project and co-operation which has ended.

The evaluation considered the customers' earlier payment behavior and information at the Group's disposal at the time of the closing of the accounts. As regards one-off or terminated customs, the reservation made for the part of trade receivable being overdue for more than 365 days is based on the Group's management's evaluation on the customer's solvency, collectability of trade receivables, and special characteristics related to the custom.

OTHER RECEIVABLES

Other non-current receivables EUR	31.12.2022	31.12.2021
Loan receivables	235 765	251 705
Deferred tax assets	30 706	34 157
Total	**266 471**	**285 862**

Other non-current receivables EUR	31.12.2022	31.12.2021
Loan receivables	17 278	22 506
Rent deposits	47 990	39 575
Accrued income and deferred charges	469 089	359 618
Other receivables	218 712	260 120
Total	**753 069**	**681 819**

CASH AND CASH EQUIVALENTS

EUR	31.12.2022	31.12.2021
Cash and cash equivalents	446 122	547 629
Total	**446 122**	**547 629**

Cash and cash equivalents are comprised of cash in hand and at banks. Items classified as cash and cash equivalents have maturities of a maximum of three months from the time of acquisition.

FINANCIAL RISK MANAGEMENT

The Group is exposed to several financial risks in its ordinary business activities. The primary financial risks are credit, solvency, foreign exchange and interest rate risk.

The Group's most significant financial risks are credit risks related to receivables and payments time of a long-term project as well as safeguarding liquidity. The management of credit risks is based especially on knowing the customers and their business as well as close co-operation and continuous dialogue with the customers. Black Donuts Engineering Inc. also strives for maintaining sufficient liquidity for unexpected situation by means of an adequately large overdraft limit. The aim is to secure operations under diverse market conditions and support the company's long-term strategic development.

The Board of Directors and CEO are responsible for the organization and follow-up of internal control and risk management. CEO, together with finance, is responsible for the implementation of risk management.

CREDIT RISK

Credit risk arises from the possibility of the counterparty not being able to fulfill its payment obligations. The Company's credit risk is mainly due to trade receivables. The Group aims to cost-efficiently minimize the losses caused by defaults by the counterparties. The Company manages the credit risk already in the contract phase by assessing the creditworthiness of the counterparty. In addition, the Company's financial administration continuously monitors customers' payment behaviors. All assets are only invested in banks or other interest-bearing instruments with a good credit rating. The maturity distribution of trade receivables and recognition of the credit loss provision are described in Note 17.

SOLVENCY RISK

The aim of the Group's risk management with regard to solvency risk is to secure adequate liquid assets for funding operations and repaying maturing loans. The Company aims to continuously assess and monitor the amount of funding required for business activities to reach the above-mentioned goal.

Cash flows from operating activities and liquid assets combined with any new debt or equity financing are the key source of financing for future payments. The Group is prepared for varying needs for working capital and availability of funds with an overdraft facility with the bank (EUR 2,250 thousand), of which EUR 1,421 thousand was in use at the end of the 2022 financial year (2021: EUR 212 thousand).Sopimukseen perustuvien rahoitusvelkojen erääntymisajankohdat vuoden 2022 lopussa.

Maturities of contract-based financial liabilities at the end of 2022.

EUR	0–3 months	3–12 months	1–2 years	2–5 years	more than 5 years	Total
Subordinated loans	100 000	0	0	0	0	100 000
Loans from financial institutions	66 758	1 420 792	0	0	0	1 487 549
Other interest-bearing liabilities	1 798	66 322	246 959	731 167	760000	1 806 245
Loan from government	0	79 616	199 279	597 835	0	876 730
Trade payables	1 611 384	0	0	0	0	1 611 384
Lease liabilities	159 229	251 174	423 035	870 745	979 825	2 684 009
Total	**1 939 169**	**1 817 903**	**869 273**	**2 199 747**	**1 739 825**	**8 565 918**

Maturities of contract-based financial liabilities at the end of 2021.

EUR	0–3 months		1–2 years	2–5 years	more than 5 years	Total
Subordinated loans	0	100 000	0	0	0	100 000
Loans from financial institutions	0	541 883	0	0	0	541 883
Other interest-bearing liabilities	0	0	0	1 913 195	0	1 913 195
Loan from government	0	0	0	468 476	341 928	810 404
Trade payables	557 159	0	0	0	0	557 159
Lease liabilities	149 035	217 873	313 880	548 231	1 022 269	2 251 288
Total	**706 194**	**859 756**	**313 880**	**2 929 903**	**1 364 197**	**6 173 929**

CURRENCY RISK

Currency risk arises from transactions in currencies other than the Group's operating currency. The euro is the Group's primary currency and operating currency, used in the majority of the Company's sales and purchases. Other currencies used include the Indian rupee, the US dollar and the Swedish krona. The Group aims to avoid currency risk by negotiating its contracts in euros, where possible.

The general purpose of currency risk management is to limit the short-term negative impacts of changes in exchange rates on profit and cash flow, thereby making the profit more predictable. The Group manages the impacts of currency risk by regularly monitoring its risk exposures and hedging significant cash flows, if necessary. The Group did not have currency hedges during the reporting or reference periods.

The table below presents the breakdown of the Company's trade receivables, cash and cash equivalents, and accounts payable by currency.

31.12.2022	EUR	INR	USD	SEK	Total
Trade receivables	4 689 587	165 238	64 057	0	4 918 883
Cash and cash equivalents	433 220	7 681	5 220	0	446 122
Trade payables	1 549 189	4 122	0	58 073	1 611 384
Net exposure	**3 573 618**	**168 798**	**69 278**	**-58 073**	**3 753 620**

31.12.2021	EUR	INR	USD	SEK	Total
Trade receivables	3 325 641	0	271 444	0	3 597 085
Cash and cash equivalents	493 673	25 112	28 844	0	547 629
Trade payables	555 252	1 907	0	0	557 159
Net exposure	**3 264 062**	**23 205**	**300 288**	**0**	**3 587 555**

Sensitivity analysis of changes in exchange rates	**2021 Impact on profit**		**2020 Impact on profit**	
	Strengthening	**Weakening**	**Strengthening**	**Weakening**
Trade receivables				
+/- 10% change in the INR exchange rate	16 524	-16 524	0	0
+/- 10% change in the USD exchange rate	6 406	-6 406	27 144	-27 144
Cash and cash equivalents				
+/- 10% change in the INR exchange rate	768	-768	2 511	-2 511
+/- 10% change in the USD exchange rate	522	-522	2 884	-2 884
Trade payables				
+/- 10% change in the INR exchange rate	-412	412	-191	191
+/- 10% change in the SEK exchange rate	5 807	-5 807	0	0
Net impact, total	**23 808**	**-23 808**	**32 349**	**-32 349**

INTEREST RATE RISK

Interest rate risk is the risk of fluctuations in fair values or the realized future cash flows of a financial instrument due to changes in market interest rates. The company's income and cash flows from operating activities are mainly independent of fluctuations in market interest rates. Any increase in interest rates due to changes in market interest rates may have a direct impact on the costs of funding available to the Company and the Company's existing financial costs. The Company did not have derivative instruments to hedge against interest rate risk on the closing date.

The Group had a total of EUR 6,947 thousand of interest-bearing liabilities (2021: EUR 5,617 thousand), of which non-hedged variable-rate loans amounted to EUR 3,268 thousand (2021: EUR 2,442 thousand). The variable-rate loans on the closing date 2022 were comprised of the overdraft facility in use, bank loan and other interest-bearing liabilities. The average interest rate on financial liabilities in 2022 was 1.7 per cent (2021: 2.3 per cent). An increase of one percentage point in interest rates would increase the annual interest expenses of the Company's variable-rate loans by approximately EUR 33 thousand.

The Company's loans from government are comprised of loans from Business Finland, the interest rate of which is a minimum of 1%, but always 3% below the basic rate of interest. Therefore, an increase of one percentage point in interest rates would not increase the interest expenses of these loans at the interest rate for the 2022 financial year.

CAPITAL MANAGEMENT

The aim of the Group's capital management is to secure operations under diverse market conditions and support the company's long-term strategic development under all circumstances. The Company regularly reviews the development and adequacy of its capital structure and equity ratio. No separate targets have been set for the equity ratio. The equity ratio, taking into consideration the subordinated loans reported as liabilities on the balance sheet, was 31.0 per cent (2021: 34.6 per cent).

SHARE CAPITAL AND EQUITY RESERVES

	Number of shares	Share capital (EUR)	Invested non-restricted equity fund (EUR)	Total
1.1.2021	1 099	2 500	2 411 640	2 414 140
changes	156	0	3 457 740	3 457 740
31.12.2021	1 255	2 500	5 869 380	5 871 880
Changes	0	0	0	0
31.12.2022	**1 255**	**2 500**	**5 869 380**	**5 871 880**

COMPANY'S SHARES

Black Donuts Engineering Inc. has 1,255 shares. The company has two series of shares, differing as described in the Articles of Association. Series A (1,135 shares) and B shares (120 shares) are subject to consent and redemption clauses, and series B shares are subject to right of redemption as described in the Articles of Association. The shares have no par value.

SHARE CAPITAL

The subscription price received for shares in share issues is recognized in share capital to the extent that it has not been decided in the resolution on the share issue to recognize the subscription price in the invested non-restricted equity reserve.

INVESTED NON-RESTRICTED EQUITY FUND

The invested non-restricted equity fund includes other equity investments and subscription price for shares to the extent that it is not recognized in share capital based on a specific resolution.

TRANSLATION DIFFERENCES

The translation differences include translation differences arising from the translation of the financial statements of foreign units. The Group's accumulated translation differences on December 31, 2022 totaled EUR -27 thousand (December 31, 2021: EUR -22 thousand).

FINANCIAL ASSETS

Black Donuts Group classifies its financial assets in accordance with IFRS 9 into three categories: 1) financial assets at amortized cost, 2) financial assets at fair value, and 3) financial assets at fair value through profit or loss. Financial assets are classified at initial recognition based on the purpose of use of the asset. On the closing date of December 31, 2022 and the reference period of December 31, 2021, financial assets were exclusively comprised of financial assets at amortized cost.

All purchases and sales of financial assets are recognized on the balance sheet on the transaction date. Financial assets are recognized on the balance sheet at original cost, which is equal to their fair value at the time of acquisition. In case of an item that is not measured at fair value through profit or loss, transaction expenses are included in the initial carrying amount of the financial assets. After initial entry, these items are measured at amortized cost using the effective interest rate method.

A financial asset item is derecognized when the Group no longer has a contractual right to cash flows or has transferred the material risks and benefits associated with the financial asset item outside the Group. Financial assets are included in non-current balance sheet items when their maturity is more than 12 months.

Financial assets at amortized cost include loan and trade receivables and cash and cash equivalents. Items classified as cash and cash equivalents have maturities of a maximum of three months from the time of acquisition. Cash and cash equivalents include cash in hand and at banks.

The carrying amount of loan and trade receivables is considered to be materially equal to their fair value.

EUR	31.12.2022	31.12.2021
Financial assets at amortized cost		
Loan receivables	253 044	274 211
Trade receivables	4 918 883	3 597 086
Cash and cash equivalents	446 122	547 629
Financial assets, total	**5 618 048**	**4 418 926**

FINANCIAL LIABILITIES

Black Donuts Group classifies its financial liabilities into financial liabilities at fair value through profit or loss and financial liabilities at amortized cost. Financial liabilities are classified at initial recognition based on the purpose of use of the item. On the closing date of December 31, 2022 and the reference period of December 31, 2021, financial liabilities were exclusively comprised of financial liabilities at amortized cost.

Financial liabilities at amortized cost are initially recognized at the original cost that is equal to the consideration received. Transaction expenses are included in the original cost of the financial liability. Subsequently, financial liabilities are measured at amortized cost using the effective interest rate method. Financial liabilities are included in non-current and current liabilities. Borrowing costs are recognized as interest expenses for the financial year during which they emerge.

A financial liability or part thereof is derecognized when the obligation identified in the contract has been fulfilled or revoked or it has expired. A financial liability is classified as current if the Group does not have an absolute right to postpone the repayment of the liability to a minimum of 12 months after the closing date of the reporting period.

Financial liabilities at amortized cost include the Group's external financial loans, subordinated loans, lease liabilities, trade payables and other interest-bearing liabilities.

SUBORDINATED LOANS

Black Donuts Group has a total of EUR 100 thousand of subordinated loans as referred to in chapter 12 of the Limited Liability Companies Act (2021: EUR 100 thousand). The subordinated load was received by the Group's related party company Ajanta Oy.

The loans will mature on December 31, 2025, and their interest rate is 5%. The other primary terms and conditions of the loans are:

1. the principal and interest may be repaid upon the Company's liquidation and bankruptcy subordinate to all other debts;
2. the principal may be otherwise repaid and interest paid only in so far as the sum total of the unrestricted equity and all of the subordinated loans of the Company at the time of payment exceed the loss on the balance sheet to be adopted for the latest financial period or the loss on the balance sheet from more recent financial statements; and
3. the Company or a subsidiary shall not post security for the payment of the principal and interest.

EUR	31.12.2022	31.12.2021
Financial liabilities at amortized cost		
Subordinated loans	100 000	100 000
Loans from financial institutions	1 487 549	541 883
Other interest-bearing liabilities	1 799 150	1 913 195
Loan from government	876 730	810 404
Trade payables	1 611 384	557 159
Lease liabilities	2 684 009	2 251 288
Financial liabilities, total	**8 558 822**	**6 173 930**

LOANS FROM GOVERNMENT

The Group has two loans from Business Finland, totaling EUR 877 thousand (2021: EUR 810 thousand). The interest rate on the loans if three percentage points below the basic rate of interest, but not less than one per cent. The loan term of the first loan (EUR 398 thousand) was extended on October 4, 2019 and it is 10 years, the first 5 of which are amortization-free. The loan term of the first load was extended by two years in October 2021, whereby the load repayment starts in October 2023. The loan term of the second loan (EUR 479 thousand) is 7 years, the first 3 of which are amortization-free. The loans will be repaid as annual instalments, and no collateral has been placed for them.

CHANGES IN LIABILITIES ARISING FROM FINANCING

The table below presents the reconciliation of the opening and closing balances of liabilities arising from financing.

EUR	Subordinated loans	Loans from financial institutions	Other interest-bearing liabilities	Loans from government	Liabilities from lease agreements
Balance on January 1, 2021	1 259 380	1 899 473	1 906 775	718 077	445 384
Repayments of debt	-1 159 380	-1 357 589			-280 451
Proceeds from borrowings				92 327	
Other changes			6 421		2 086 355
Balance on December 31, 2021	100 000	541 884	1 913 196	810 404	2 251 288
Repayments of debt		-262 846	-127 201		-414 159
Proceeds from borrowings		1 208 512	13 155	66 326	846 880
Balance on December 31, 2022	**100 000**	**1 487 549**	**1 799 150**	**876 730**	**2 684 009**

OTHER LIABILITIES AND OTHER ACCRUED CHARGES

EUR	31.12.2022	31.12.2021
Salaries, wages and social security expenses	762 912	729 309
Financing items	34 211	131 205
Taxes	29 381	70 684
Advances received	433 500	52 500
Other accrued expenses	401 350	0
Other	257 082	254 273
Total	**1 918 437**	**1 237 972**

PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Company did not have any provisions or contingent assets or liabilities at the end of the 2022 and 2021 financial years.

ACCOUNTING PRINCIPLE

A provision is recognized when the Group has a legal or factual obligation as the result of a prior event, the realization of the payment obligation is probable and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenses required for fulfilling the obligation. If compensation can be received from a third party for part of the obligation, the compensation is recognized as a separate asset when receiving the compensation is practically certain. A provisions is recognized for a loss-making contract when the direct expenses required for fulfilling the obligations exceed the benefits gained from the contract. A restructuring provisions is recognized when the Group has prepared a detailed restructuring plan and commenced the execution of the plan or announced the key aspects of the plan to those concerned.

The amounts of provisions is assessed on each closing date, and the amounts are adjusted to match the best estimate at the time of review.

A contingent liability is a possible obligation resulting from previous events, the existence of which is only confirmed when an uncertain event that is beyond the Group's control realizes. Also, an existing obligation that will not probably require fulfilling a payment obligation or the amount of which cannot be reliably determined is considered to be a contingent liability. Contingent liabilities are disclosed as notes.

COLLATERAL AND CONTINGENT LIABILITIES

Liabilities with assets pledged as collateral

EUR	31.12.2022	31.12.2021
Loans from financial institutions	66 758	329 604
Bank overdraft facility	2 250 000	2 250 000
of which in use at the end of the financial year	1 420 792	212 279
Business mortgages	4 000 000	4 000 000

The Company does not have any other collateral or contingent liabilities to report.

DISPUTES AND LEGAL PROCEEDINGS

The Company's management is not aware of outstanding disputes or legal proceedings that might have a material impact on the Company's financial position.

RELATED PARTY TRANSACTIONS

The Company's related parties include its subsidiaries, affiliates and Board of Directors, CEO, members of the management team and their family members and companies in which these persons have control or joint control. In addition, related parties include the majority shareholder of Black Donuts Engineering Inc.'s parent company and companies under his control.

Related party transactions are carried out on ordinary market terms.

EMPLOYEE BENEFITS OF KEY EMPLOYEES IN SENIOR MANAGEMENT

Key employee in management *)	2022	2021
Salaries and other short-term benefits	1 295 199	1 304 832
Total	**1 295 199**	**1 304 832**

*) The key employees in the Company's management include the management team (13 members), including the Company's President and CEO.

In addition, compensation for the Board members totaled to EUR 49,000 in the financial year 2022 (2021: EUR 0).

INFORMATION ABOUT GROUP COMPANIES

Black Donuts Engineering inc. is the parent company of the sub-group, domiciled in Pirkkala. The Company is part of a group of companies whose parent company is Global Tire Technologies N.V., domiciled in Belgium.

The sub-group's parent and subsidiary relationships are as follows:

Name of company	Domicile	Holding (%)	Share of votes (%)
Parent company Black Donuts Engineering Inc.	Finland		
WD Racing Ltd.	Finland	90,0 %	94,7 %
BD Testing Inc.	Finland	90,0 %	94,7 %
Black Donuts Engineering India Private Limited	India	90,0 %	90,0 %

RELATED PARTY TRANSACTIONS AND OUTSTANDING BALANCES

EUR	2022	2021
Purchases from other related parties	320 367	375 679
Interest income	37	81
Interest expenses	67 845	65 296

PURCHASES FROM RELATED PARTIES

The transactions are comprised of consulting fees associated with outsourced administrative tasks and business development. Related-party transactions have been carried out ordinary market terms. In addition, the transactions are comprised of equipment rents to a minor extent.

EUR	2022	2021
Receivables from related parties	4 180	7 840
Subordinated loans from related parties	100 000	100 000
Liabilities to related parties	1 780 000	1 900 000

RECEIVABLES FROM RELATED PARTIES

The Company's receivables from related parties in 2022 and 2021 were comprised of one loan to a member of the management team.

LOANS FROM RELATED PARTIES

The Company has a related-party loan from Ajanta Oy totaling EUR 1,780 thousand (2021: EUR 1,900 thousand). The interest rate on the loan is 5%. In addition, Ajanta Oy has granted the Company a subordinated loan of EUR 100 thousand (2021; EUR 100 thousand). The interest rate on the subordinated loan is 5%.

During the financial year 2021, Black Donuts Engineering Inc.'s parent company has granted the Company a subordinated loan totaling EUR 820 thousand. The interest rate on the loan has been 5%. The granted loan was converted at the end of the financial year 2021 to the Company's equity as a part of the rights issue.

GUARANTEES AND COLLATERAL GIVEN BY RELATED PARTIES

Ajanta Oy has given a guarantee of EUR 1,725 thousand to Black Donuts Engineering inc., associated with the Company's overdraft facility agreement, and a blanket guarantee of EUR 90 thousand.

EVENTS AFTER THE REPORTING PERIOD

In the current financial year, the Group will implement the updated strategy that focuses on the development and commercialization of sustainable innovations. The values of sustainable development and sustainable business values will also play a key role in the global tire industry. Black Donuts Group wants to lead the way in the development of more environmentally-friendly products and production thus creating a competitive advantage to both the Group and its interest groups. Sustainability shows in the Group's operations as well as in services, products and solutions it offers to customer projects.

The prolongation of the war in the Ukraine and the resulting global uncertainty in the financial market, high inflation, and set sanctions and limitations can have an impact on the Group's business activities as factors that slow down growth. However, partially the same risk factors lead to the relocation of manufacturing that is also supported by the emphasized targets of sustainable development. The need for new manufacturing capacity and new products is also more obvious along with the growth in the Tier-3 brand sales.

The Group has not had any major events differing from the normal course of business after the end of the financial year.

05:

PARENT COMPANY'S FINANCIAL STATEMENTS 1.1.-31.12.2022

PARENT COMPANY INCOME STATEMENT

EUR	January 1–December 31, 2022	January 1–December 31, 2021
NET SALES	8 364 100,93	4 266 844,77
Change in inventories of finished goods and work in progress	689 358,75	558 834,85
Capitalized production	699 874,49	463 765,71
Other operating income	529 846,16	902 718,02
Materials and services		
Materials, supplies and goods		
Purchases during the financial year	-662 107,17	-39 450,30
External services	-2 615 061,99	-1 093 960,17
	-3 277 169,16	-1 133 410,47
Personnel expenses		
Salaries and wages	-3 294 596,40	-3 118 463,47
Social security expenses		
	-572 133,71	-539 362,92
Other social security expenses	-126 981,78	-129 877,96
	-3 993 711,89	-3 787 704,35
Depreciation, amortization and impairment	-194 141,96	-192 974,13
Other operating expenses	-2 129 732,12	-1 438 396,34
OPERATING PROFIT	688 425,20	-360 321,94
Other interest and financial income		
From Group companies	6 228,98	6 541,04
From others	1 426,58	1 314,08
Interest and other financial expenses		
To Group companies	0,00	-65 295,90
To others	-172 910,92	-185 592,73
	-165 255,36	-243 033,51
PROFIT BEFORE		
APPROPRIATIONS AND TAXES	523 169,84	-603 355,45
Appropriations		
Group contributions received	222 072,70	490 621,34
PROFIT FOR THE FINANCIAL YEAR	745 242,54	-112 734,11

PARENT COMPANY BALANCE SHEET

EUR		
ASSETS	**31.12.2022**	**31.12.2021**
NON-CURRENT ASSETS		
Intangible assets		
Development expenses	1 350 600,50	830 845,01
Other long-term expenditure	20 191,77	26 922,33
	1 370 792,27	857 767,34
Tangible assets		
Machinery and equipment	317 885,70	8 025,66
Investments		
Participations in Group companies	1 290 407,49	1 290 407,49
NON-CURRENT ASSETS, TOTAL	2 979 085,46	2 156 200,49
CURRENT ASSETS		
Inventories		
Work in progress	1 704 218,90	1 014 860,15
Goods	465 098,03	0,00
Advance payments from inventories	0,00	36 300,00
	2 169 316,93	1 051 160,15
Receivables		
Long-term		
Receivables from Group companies	230 000,00	230 000,00
Loan receivables	235 765,25	251 705,26
	465 765,25	481 705,26
Short-term		
Trade receivables	4 367 737,99	2 996 839,85
Receivables from Group companies	1 101 754,12	1 046 245,89
Loan receivables	16 690,00	21 917,06
Other receivables	156 812,58	140 033,35
Deferred charges	457 685,08	421 743,75
	6 100 679,77	4 626 779,90
Cash and cash equivalents	**8 220,11**	**5 012,71**
CURRENT ASSETS, TOTAL	**8 743 982,06**	**6 164 658,02**
ASSETS, TOTAL	**11 723 067,52**	**8 320 858,51**

EQUITY AND LIABILITIES		
EQUITY		
Share capital	2 500,00	2 500,00
Invested non-restricted equity fund	5 869 380,00	5 869 380,00
Retained earnings (losses)	-2 468 277,19	-2 355 543,08
Profit (loss) for the period	745 242,54	-112 734,11
EQUITY, TOTAL	**4 148 845,35**	**3 403 602,81**
LIABILITIES		
Long-term		
Subordinated loan	100 000,00	100 000,00
Loans from financial institutions	1 420 791,69	285 083,49
Other liabilities	2 577 114,00	2 630 788,00
	4 097 905,69	3 015 871,49
Short-term		
Loans from financial institutions	66 757,56	256 800,00
Advances received	433 500,00	52 500,00
Trade payables	1 278 792,11	156 161,72
Liabilities to Group companies	272 808,39	393 391,25
Other liabilities	172 086,55	168 134,13
Accrued charges	1 252 371,87	874 397,11
	3 476 316,48	1 901 384,21
LIABILITIES, TOTAL	**7 574 222,17**	**4 917 255,70**
EQUITY AND LIABILITIES, TOTAL	**11 723 067,52**	**8 320 858,51**

PARENT COMPANY CASH FLOW STATEMENT

EUR		
CASH FLOW FROM OPERATING ACTIVITIES	**Jan 1 – Dec 31, 2022**	**1 Jan – 31 Dec 2021**
Operating profit/loss	688 425	-360 322
Adjustments to operating profit	388 422	269 522
Change in working capital	-1 016 747	-203 087
Interest paid and other debt expenses	-269 905	-201 797
Interest received and other financial income	7 656	7 855
CASH FLOW FROM OPERATING ACTIVITIES	**-202 149**	**-487 829**
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in tangible and intangible assets	-1 017 027	-463 766
Change in granted loans	21 167	-99 612
CASH FLOW FROM INVESTING ACTIVITIES	**-995 860**	**-563 378**
CASH FLOW FROM FINANCING		
Rights issue	0	1 478 360
Proceeds from long-term debt	1 274 838	912 327
Repayments of long-term debt	-382 846	-1 437 205
Group contribution received	309 224	100 000
CASH FLOW FROM FINANCING	**1 201 216**	**1 053 482**
CHANGE IN CASH AND CASH EQUIVALENTS	**3 207**	**2 275**
Cash and cash equivalents on January 1	5 013	2 738
Change in cash and cash equivalents	3 207	2 275
Cash and cash equivalents on December 31	8 220	5 013

PARENT COMPANY ACCOUNTING PRINCIPLES AND NOTES

ACCOUNTING PRINCIPLES

The financial statements of Black Donuts Engineering Inc. (parent company) have been prepared in accordance with the principles of the Finnish legislation on accounting.

GROUP INFORMATION

The Company is part of a group of companies whose parent company is Global Tire Technologies N.V., domiciled in Belgium. Black Donuts Engineering Inc. is the parent company of the sub-group, domiciled in Pirkkala. Copies of the consolidated financial statements of Black Donuts Engineering Inc. are available for the company's head office (Myllyhaantie 6 E, FI-33960 Pirkkala, Finland).j

MEASUREMENT PRINCIPLES AND METHODS

Significant development expenses that will accrue income for several years have been capitalized on the balance sheet as development expenses and will be amortized over 5 years.

ACCRUAL PRINCIPLES AND METHODS

Depreciation and amortization according to plan is decreased from the acquisition cost of on-balance sheet tangible and intangible assets. The acquisition cost includes the variable costs from acquisition and production. Grants received have been recognized as a decrease in acquisition cost.

Depreciation and amortization according to plan has been calculated using the straight-line method based on the economic useful lives of the tangible and intangible assets.

The economic useful lives on which depreciation and amortization according to plan is based are as follows:

Suunnitelman mukaisten poistojen perusteena olevat pitoajat ovat seuraavat:

- Intangible rights 10–12 years
- Machinery and equipment 10–12 years
- Other tangible assets 10–12 years

The initial cost of assets included in non-current assets with a probable economic useful life of less than three years and small-scale acquisitions (under EUR 1,200) have been recognized in full as expenses for the financial year of acquisition.

NOTES TO THE INCOME STATEMENT

BREAKDOWN OF NET SALES BY MARKET AREA

	2022	2021
Finland	72 201	155 016
Exports	8 291 900	4 111 829
Total	8 364 101	4 266 845

CAPITALIZED PRODUCTION

Capitalized production	2022	2021
Capitalization of product development expenses	699 874	463 766

OTHER OPERATING INCOME

	2022	2021
Compensation received	7 111	0
Grants received	522 735	902 718
Total	529 846	902 718

NOTES CONCERNING PERSONNEL AND MEMBERS OF ORGANS

Salaries and wages are not itemized with regard to the parent company under chapter 2, section 8, subsection 4 of the Finnish Accounting Decree.

The compensation for the Board members totaled EUR 49,000 in the financial year 2022.

AVERAGE NUMBER OF PERSONS EMPLOYED BY THE COMPANY

	2022	2021
Personnel	46	46

The statutory pension obligations of the company's personnel have been arranged through insurance companies. Optional pensions have been arranged through pension insurance policies.

AUDITOR'S FEES

Auditor's fees	2022	2021
Auditing	36 981	22 300
Other services	5 500	3 050
	42 481	25 350

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Depreciation, amortization and impairment	2022	2021
Depreciation and amortization according to plan	-194 142	-192 974
	-194 142	-192 974

FINANCIAL INCOME AND EXPENSES

Other interest income	2022	2021
From Group companies	6 229	6 541
From others	1 427	1 314
	7 656	7 855

INTEREST EXPENSES AND OTHER IMPAIRMENT

To Group companies	0	-65 296
To others	-172 911	-185 593
Financial expenses, total	-172 911	-250 889
Financial income and expenses, total	-165 255	-243 034

APPROPRIATIONS

Appropriations	2022	2021
Group contributions received	222 073	260 000
	222 073	260 000

NOTES TO THE BALANCE SHEET

Non-current assets	2022	2021
Intangible assets		
Development expenses		
Acquisition cost at the beginning of the financial year	4 214 701	3 750 935
Increase	699 874	463 766
Acquisition cost at the end of the financial year	4 914 576	4 214 701
Accumulated depreciation and amortization at the beginning of the financial year	-3 383 856	-3 202 531
Depreciation and amortization for the financial year	-180 119	-181 325
Accumulated depreciation and amortization at the end of the financial year	-3 563 975	-3 383 856
Carrying amount at the end of the financial year	1 350 601	830 845
Other long-term expenditure		
Acquisition cost at the beginning of the financial year	294 246	294 246
Increase	0	0
Acquisition cost at the end of the financial year	294 246	294 246
Accumulated depreciation and amortization at the beginning of the financial year	-267 324	-258 350
Depreciation and amortization for the financial year	-6 731	-8 974
Accumulated depreciation and amortization at the end of the financial year	-274 054	-267 324
Carrying amount at the end of the financial year	**20 192**	**26 922**
Machinery and equipment		
Acquisition cost at the beginning of the financial year	129 441	129 441
Increase	317 152	0
Acquisition cost at the end of the financial year	446 593	129 441
Accumulated depreciation and amortization at the beginning of the financial year	-121 415	-118 740
Depreciation and amortization for the financial year	-7 292	-2 675
Accumulated depreciation and amortization at the end of the financial year	-128 708	-121 415
Carrying amount at the end of the financial year	**317 886**	**8 026**
Participations in Group companies		
Carrying amount at the end of the financial year	1 290 407	1 290 407

HOLDINGS IN GROUP COMPANIES

Name of company and domicile	Holding
WD Racing Ltd. (Siuro)	90 %
BD Testing Inc. (Pirkkala)	90 %
Black Donuts Engineering India Private Limited (India)	89 %

Receivables		
Non-current receivables	2022	2021
Receivables from Group companies	230 000	230 000
Loan receivables	235 765	251 705
	465 765	481 705

Current receivables

Receivables from Group companies	2022	2021
Trade receivables	202 407	64 640
Loan receivables	881 136	968 287
Deferred charges	18 211	13 319
	1 101 754	1 046 246

Other receivables	2022	2021
Trade receivables	4 367 738	2 996 840
Loan receivables	16 690	21 917
Other receivables	156 813	140 033
	4 541 241	3 158 790

Deferred charges	2022	2021
Accrual of sales	0	45 000
Statutory social security expenses of salaries	0	2 685
Other deferred charges	457 685	374 059
	457 685	421 744

EQUITY

Equity	2022	2021
Share capital at the beginning of the financial year	2 500	2 500
Share capital at the end of the financial year	2 500	2 500
Restricted equity	2 500	2 500
Reserve for invested unrestricted equity	5 869 380	2 411 640
Increase	0	3 457 740
Reserve for invested unrestricted equity	5 869 380	5 869 380
Retained earnings at the beginning of the financial year	-2 468 277	-2 355 543
Adjustments to previous financial years	0	0
Retained earnings at the end of the financial year	-2 468 277	-2 355 543
Profit for the financial year	745 243	-112 734
Non-restricted equity	4 146 345	3 401 103
Equity, total	4 148 845	3 403 603
Invested unrestricted equity fund	5 869 380	5 869 380
Retained earnings/losses	-2 468 277	-2 355 543
Profit for the financial year	745 243	-112 734
Capitalized development expenses	-1 350 601	-830 845
Distributable assets, total	2 795 745	2 570 258

SHARE CAPITAL

Share capital	2022	2021
Shares, number	1 255	1 255

The Company has 1,135 series A shares (2 votes per share) and 120 series B shares (1 vote per share). The series of shares differ as described in the Articles of Association. Series A and B shares are subject to consent and redemption clauses, and series B shares are subject to redemption right as described in the Articles of Association.

NON-CURRENT LIABILITIES

All of the Company's subordinated loans are, with regard to terms and conditions, capital loans as referred to in chapter 12 of the Limited Liability Companies Act in force. The interest rate on the subordinated loans is 5.0%.

	2022	2021
Subordinated loans from others	100 000	100 000
Total	100 000	100 000
Loans from financial institutions	1 420 792	285 083
Total	1 420 792	285 083
Other liabilities	2 577 114	2 630 788
Total	2 577 114	2 630 788

LIABILITIES THAT EXPIRE LATER THAN IN FIVE YEARS' TIME

	2022	2021
Other liabilities	760 000	341 928

CURRENT LIABILITIES

Other liabilities	2022	2021
Loans from financial institutions	66 758	256 800
Trade payables	1 278 792	156 162
Liabilities to Group companies	272 808	393 391
Other liabilities	172 087	168 134
Total	1 790 445	974 487

Accrued charges	2022	2021
Salary liabilities	473 531	461 859
Statutory insurance contribution liabilities	92 328	88 890
Accrual of interest	34 211	131 205
Other	652 302	192 442
Total	1 252 372	874 397

Liabilities to Group companies	2022	2021
Trade payables	272 808	393 391
	272 808	393 391

OTHER NOTES

ASSETS PLEDGED, CONTINGENT LIABILITIES AND OTHER LIABILITIES

	2022	2021
Loans from financial institutions	66 758	329 604
Corporate cards	7 656	13 161
Bank overdraft facility,	2 250 000	2 250 000
of which in use at the end of the financial year	1 420 792	212 279
Business mortgages	4 000 000	4 000 000
Lease liabilities		
Falling due during the next financial year	75 901	26 944
	75 901	26 944

06:

SIGNATURES

Black Donuts Engineering Inc.
Business ID 2352555-5
Domicile Tampere

SIGNATURES OF THE FINANCIAL STATEMENTS AND REPORT OF THE BOARD OF DIRECTORS

Tampere, April 6, 2023

Matti Manner
Chair of the Board of Directors

Panu Paappanen
Member of the Board of Directors

Kai Hauvala
Founder & CEO

Arto Martonen
Member of the Board of Directors

Raif Nisametdin
Member of the Board of Directors

AUDITOR'S NOTE

A statement on the audit performed has been issued today

Helsinki, April 6, 2023

Ernst & Young Oy
Authorized Public Accountant Firm

Juha Hilmola
Authorized Public Accountant

07:

AUDITOR'S REPORT

to the Annual General Meeting of Black Donuts Engineering Inc.

(Translation of the Finnish original)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Black Donuts Engineering Inc. (business identity code 2352555-5) for the year ended 31 December, 2022. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

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

Basis for Opinion

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Other Reporting Requirements
Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors.

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

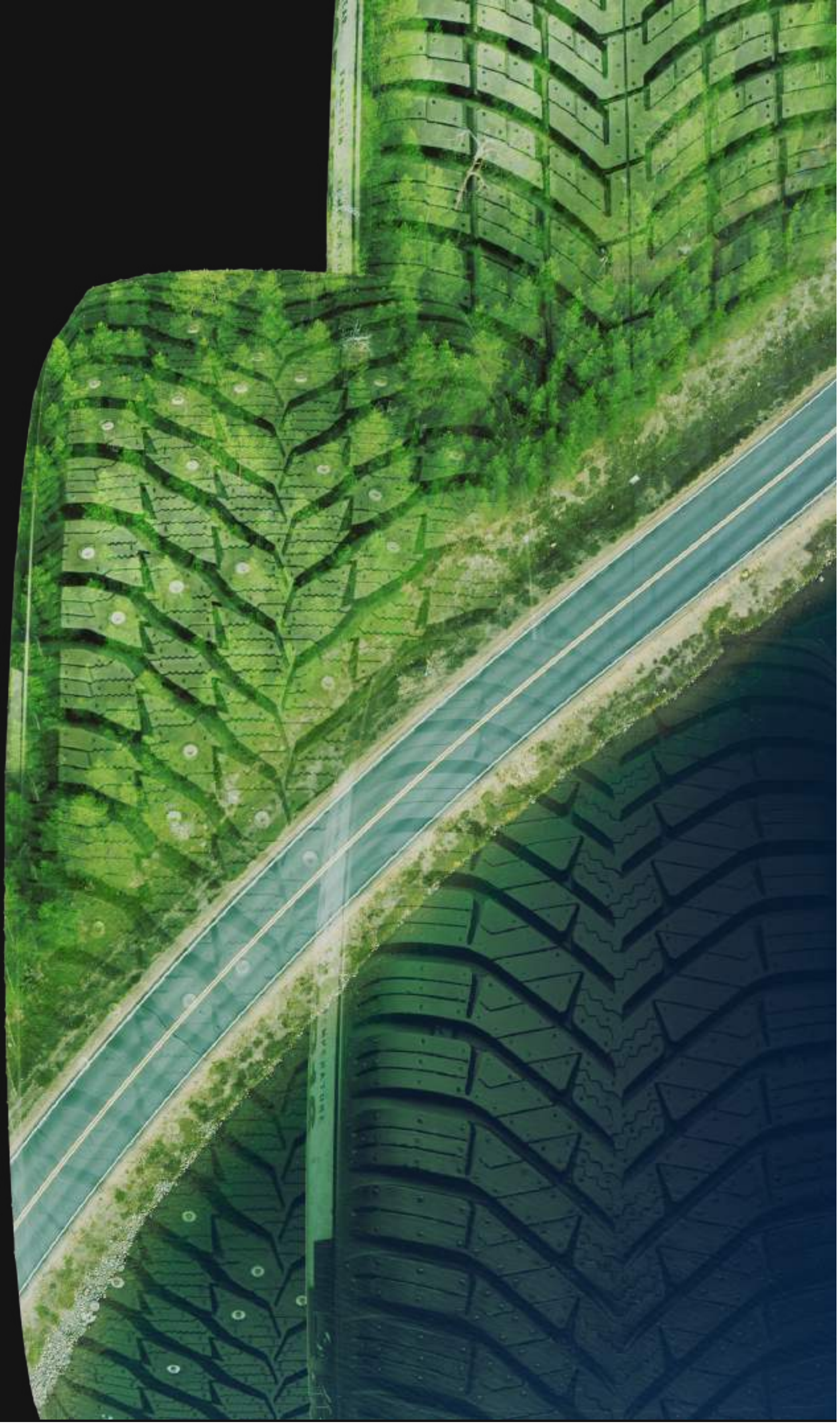
Helsinki 6.4.2023

Ernst & Young Oy
Authorized Public Accountant Firm

Juha Hilmola
Authorized Public Accountant

blackdonuts

We speak Tires.



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