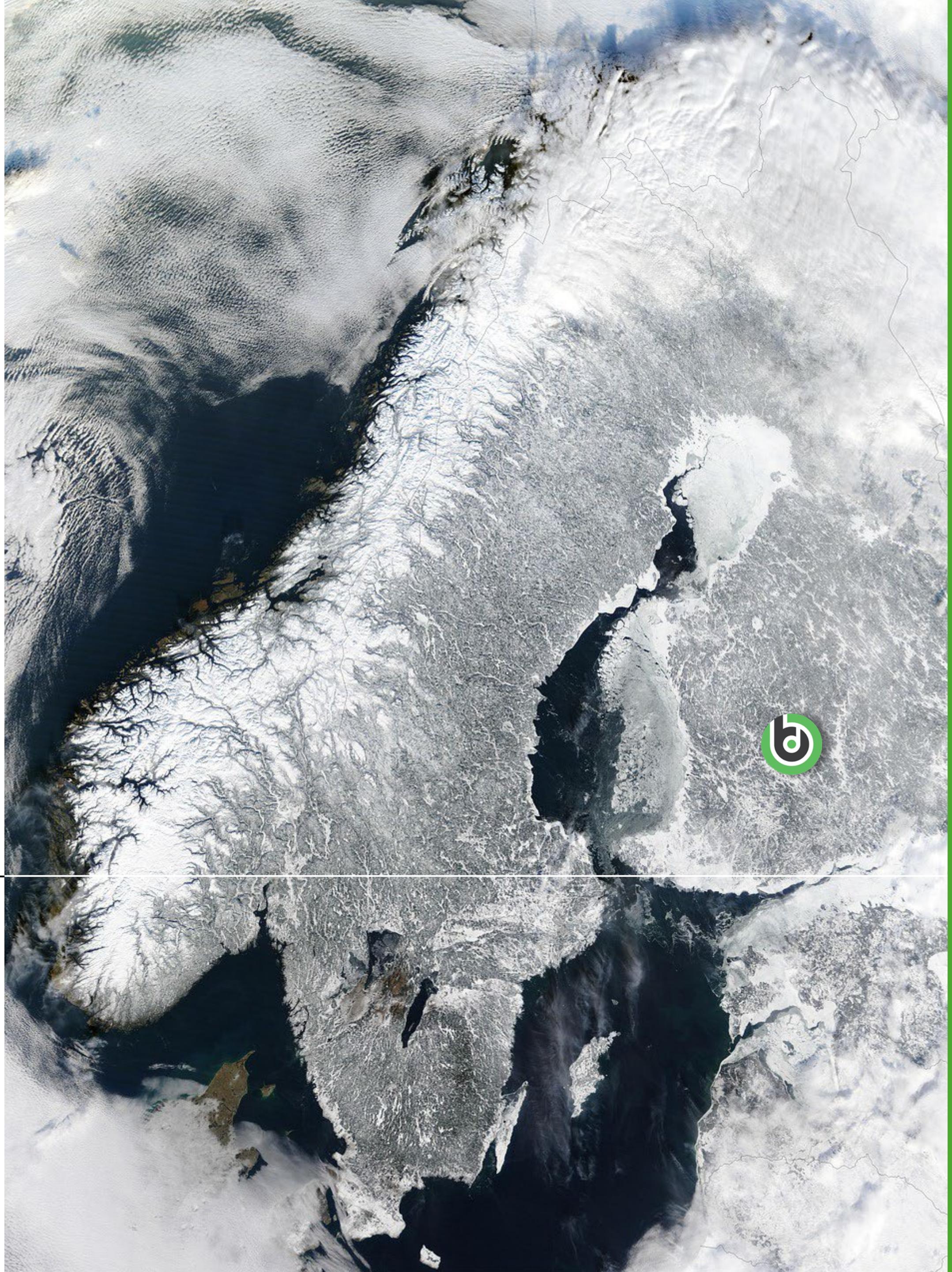
2023

REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

1.1.–31.12.2023

blackdonuts

PERFECTING THE **TIRE** INDUSTRY



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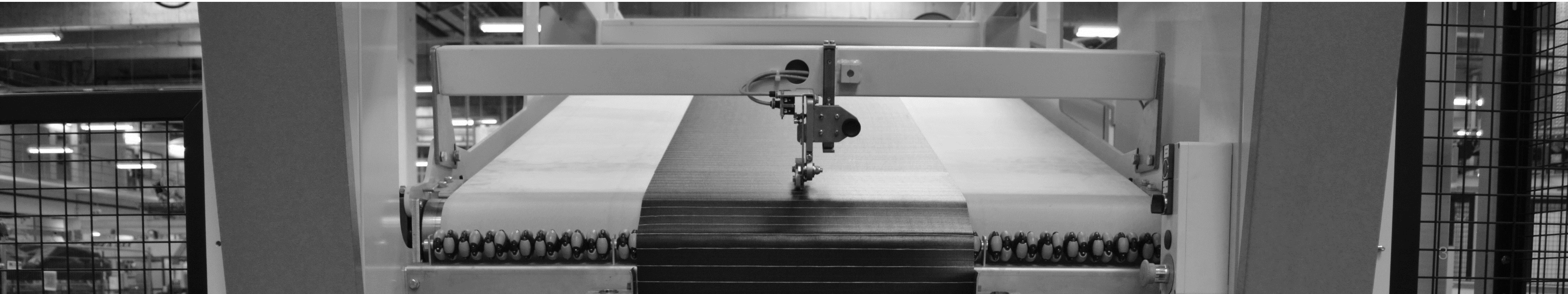
CEO'S REVIEW.



Kai Hauvala

Tire industry veterans and stakeholders have no disagreement that the industry is facing the biggest challenges in its history due to many simultaneous issues relating to tire materials. 60-65% of the tire material composition is based on fossil materials, 10-15% of the microplastic in nature is there due to tire wear and 6PPD is considered very harmful for living organisms. Despite these environmental impacts, tires are still essential for the movement of people and goods. Tires also play a key role in continuity management.

For us, tires are the core of all our business. We have nurtured our holistic expertise in tire materials, design, manufacturing, testing and the global markets. We also know how to make this important commodity more environmentally friendly, and we constantly invest in research and development that promotes this. We are committed to helping the tire industry in its challenge to develop solutions for our future – towards a sustainable tire industry.

Throughout the history of Black Donuts, the speed of change in the industry has accelerated, but we have been able to develop ourselves faster. A well-structured but agile operating model supports rapid adaptation to new market demand and challenges. To be future proof you need to look far into the future as well to start building the foundation for the future. That is our strength. Some of the development themes planned 10 years ago were realized in 2023.

In 2023, we achieved many of our long-term goals in terms of revenue growth, productivity, customer segments and ongoing investments. Our turnover was still 100% from exports and mainly from domestic production. In the future, however, we will also increase the resources of the Group's foreign expertise units as part of our versatile international operating environment.

In addition to influencing tire manufacturers, close cooperation with suppliers of the tire industry is necessary to bring about global change. Through supplier selection, manufacturers can choose more sustainable solutions for both the production process and their products.

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REPORT OF THE BOARD OF DIRECTORS.

1.1. – 31.12.2023

BLACK DONUTS

BLACK DONUTS GROUP'S STRATEGY AND BUSINESS ACTIVITIES BRIEFLY

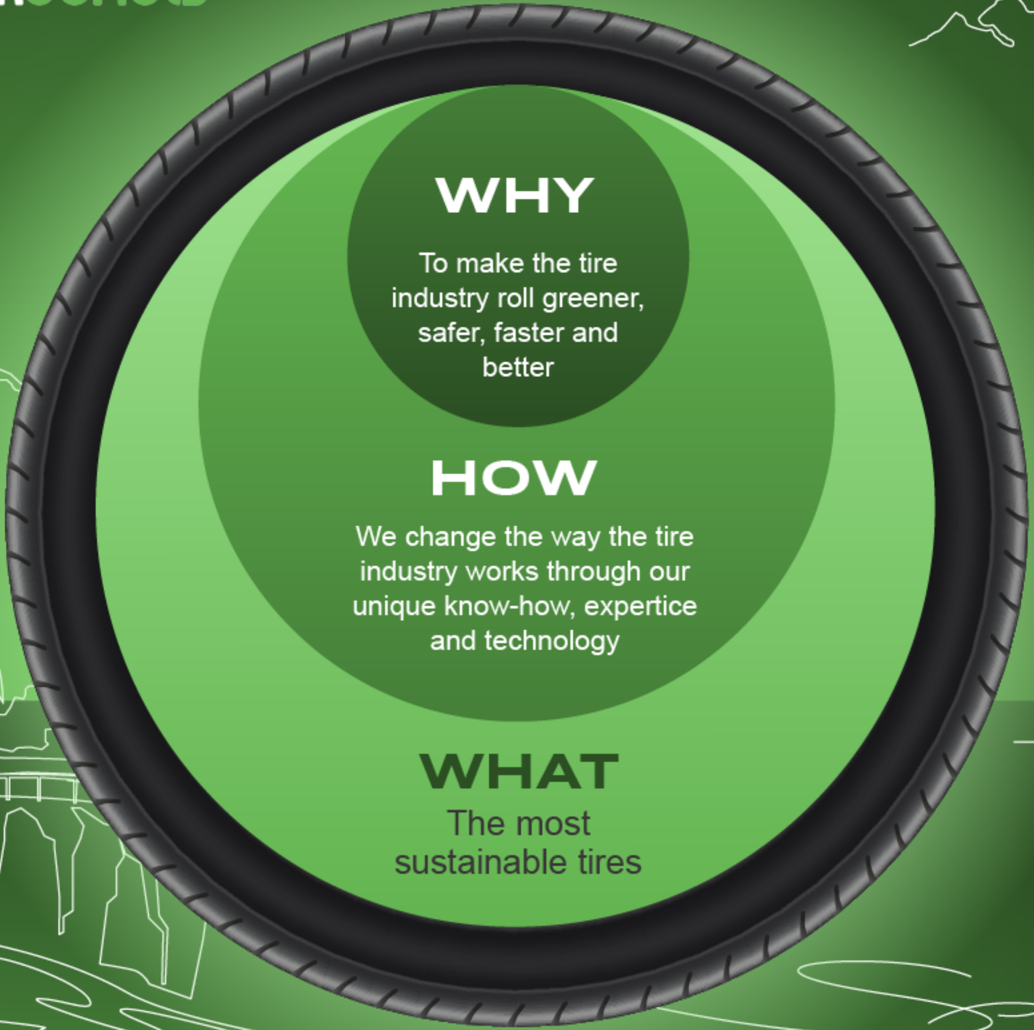
Since the very beginning, the Black Donuts Group's operations have been aimed at providing customers with significant added value when they manufacture high-quality tire products sustainably with cost-efficient production process.

The Group's operations have put special emphasis on commitment to the targets of sustainable development and the ability to enable the realization of these targets especially through customer projects. As part of these principles, the Group has invested in sustainable business model, product, material and production innovations. As Black Donuts Group's strategic goal is to produce and deliver materials, services and solutions that enable the tire industry's sustainability transition globally, the Group needs to reach a wide range of industry players. For this reason, the Group launches a facility and unit focusing on materials research and product development to serve tire manufacturers, raw material suppliers for the rubber and tire industry, as well as its own materials research and development work. The Group's own operations and management are continuously developed 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

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

From the design and product development of a tire product and its parts to testing;

From development and expansion of existing tire production to the design, building development and start-up of new tire plants;

Fom the development of new sustainable business model, product, material and production innovations to the productionization of products to meet the customers' needs; and

In the digitalization of production to meet the special needs of the industry.

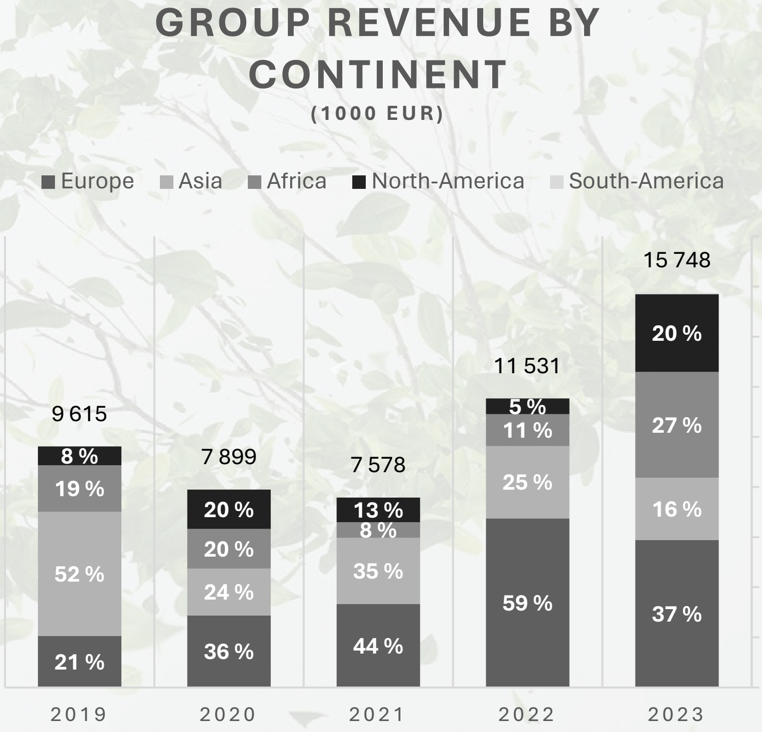
BLACK DONUTS GROUP'S MARKET OPPORTUNITY AND CONTRIBUTION TO SUSTAINABILITY TARGETS

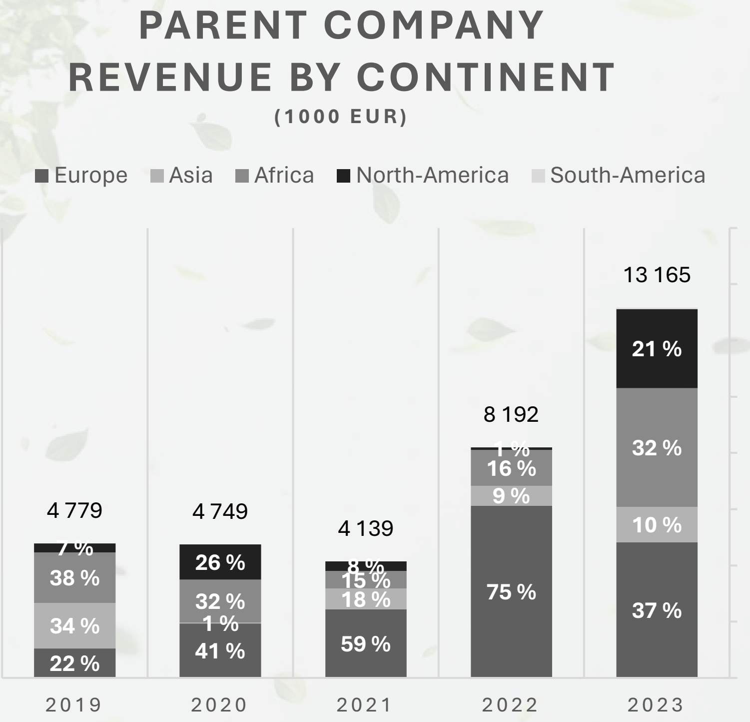
About 2.5 billion vehicle tires a year are manufactured globally, the global sales being about EUR 247 billion. **There are currently about 600 tire plants. About 90% of them are plants that are over 10 years old.**

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 production of the five largest manufacturers accounts for 20–30% of the global market and 40–45% of its value. The brand portfolio of the large manufacturers includes several Tier-1, Tier-2 and Tier-3 brands of different price categories. Tire manufacturing is a global industry that is predominated by the developed countries and Asia, while the Middle East and Africa are under-represented.

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





Net sales accrual of Black Donuts Group and the parent company by continent, broken down by project target country, 2019–2023.

BLACK DONUTS

On the general level, the industry is burdened by inefficiency of production and challenges related to the circular economy, including waste tires and other waste resulting from the manufacture, the low level of automation in old plants, and harmful environmental effects caused by products.

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. Tire wear causes the majority of particulate emissions from traffic. Globally, the use of recycled materials in tire manufacturing is only 1–2%.

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 programmes targeted to environmentally friendlier products and production, starting co-operation with various operators to study environmentally friendlier products, and joining global climate declarations and programmes.

The need for new manufacturing capacity has been predicted to increase 3–4% annually in the medium term. This is partly due to the need to replace old plants with modern, cost-effective and more environmentally friendly manufacturing units and to the geopolitical reasons that have become increasingly pronounced in recent years.

The regulations related to environmental targets and international trade contribute to expediting and supporting the changes. The global sales of tires are predicted to increase to EUR 304 billion by 2026.

To achieve their sustainability targets, the manufacturers co-operate with various parties more than before 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 indirectly influencing to the sustainability targets are thus significant, and the demand is expected to increase at a quickening pace due to the launch of the innovations and the material laboratory center and product development unit the Group has invested in.

BUSINESS

BUSINESS TARGETS

Black Donuts Group set medium- and long-term business targets in accordance with its strategy update launched in 2022 and implemented during 2023 in the context of the expected development of the target market:

MEDIUM TERM (4 to 6 YEARS)	Innovation targets	Business targets	Target market development
	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 solutions and products related to the production of tires to decrease the manufacturing wastage of raw materials and the number of waste tires - new solutions and products related to the wear of tires and roads and to the decrease of tire noise that enable meeting the requirements of the increasingly stringent regulation	Establishing the growth and profitability of business on long-term and comprehensive customer partnerships and projects serving the sustainability targets Extending partner cooperation 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 programmes
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 net 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

During the financial year 2023, the Black Donuts Group continued to advance its long-term investments as planned and invested in the development of new innovations.

2023 OVERVIEW

Along with the strategy update started in 2022 and implemented in 2023, 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.

The implementation phase of the material laboratory center and material product development unit launched by the Group in 2022 advanced to machine procurement during 2023. This entity to be set up will serve tire manufacturers, raw material suppliers for the rubber and tire industry, as well as its own materials research and development work. In the financial year 2023, the Group served both emerging tire manufacturers and existing manufacturers.

The design and building development of new manufacturing units accounted for the most of the value of total sales. In tire and material development, the requirements of electric vehicles were emphasized compared to before. The Group has also made determined efforts to increase its cooperation with machine, software and raw material suppliers, aiming at increasing added value to customers by way of more efficient, sustainable and financeable tire business.

Global crises continue to cast a shadow over economic development in 2023 globally. The slowdowns in the development and growth of the target market caused by the war in Ukraine that began in 2022 and the resulting sanctions and constraints continued during 2023. The energy crisis, the slowdown in project financing, high inflation and a resetting of the market caused reduction in the production capacity of some tire manufacturers and complicated the availability of traditional raw materials.

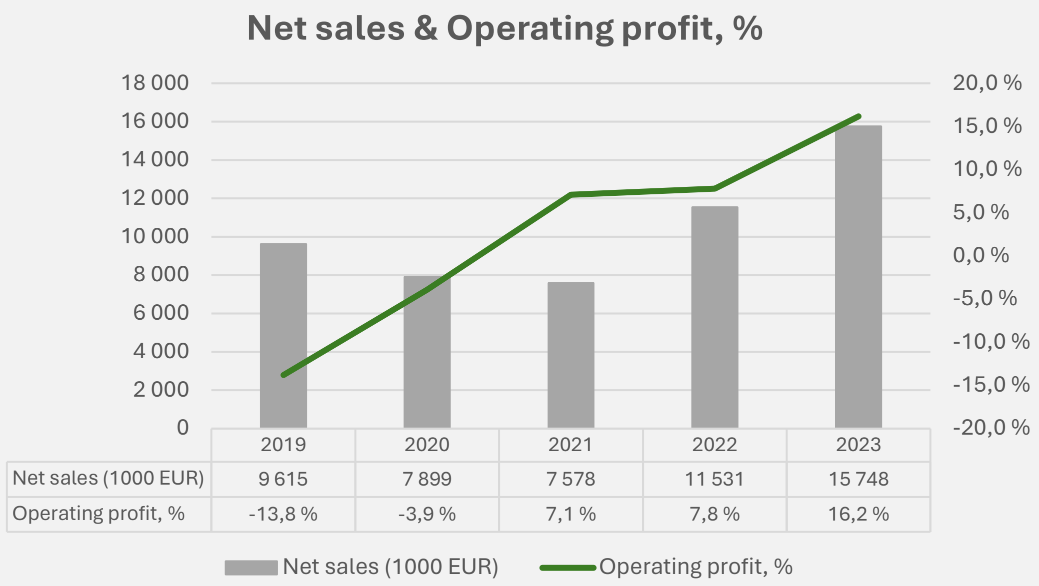
Consequently, the tire manufacturing volumes and the demand for the products used in production, as well as the launch of new products and the demand for the related services, remained on a level slightly lower than usual, as in the previous year.

The climate change and the imposed sustainability targets are perceived as a global and significant factor shaping the industry in the long term, and the demand for services and products that enable sustainable production will increase at a quickening pace.

Partly due to the impact of the COVID-19 pandemic, transport and travel costs were still higher in 2023 than before. However, as a result of the pandemic, the Group developed well-established, effective forms of working remotely, which have continued to be utilized both internally and in our engagement with stakeholders.

KEY FIGURES / FINANCIAL PERFORMANCE / NET SALES

1000 EUR	2023	2022	2021	2020	2019
Net sales	15 748	11 531	7 578	7 899	9 615
Operating profit	2 545	897	537	-306	-1 329
Operating profit, % %	16,2 %	7,8 %	7,1 %	-3,9 %	-13,8 %
Return on investment (ROI), %	14,6 %	5,2 %	1,8 %	-5,6 %	-17,2 %
Equity ratio, %	41,6 %	31,0 %	34,6 %	17,1 %	10,6 %
Average number of personnel	58	57	56	57	57



INCOME

In 2023, the Group's net sales amounted to EUR 15.7 (2022: 11.5) million and operating profit totaled EUR 2.5 (2022: 0.9) million.

The net sales increased from the comparison period due to the new FT pallet sales launched in 2022 in parallel with the service business and the customer relationships under the BD Partnership service model targeted at newcomers. The increase in operating profit was partly due to the completion of the development of the BD Partnership service model and its recognition in development costs.

The Group's material and service costs totaled EUR 6.0 (2022: 4.9) million for the past financial year. Most of the increase in costs from the comparison period was due to the procurement costs related to the FT pallet deliveries that started in 2022 and the customary external service purchases related to customer projects.

The Group's personnel expenses totaled EUR 5.1 (2022: 4.7) million. The Group's personnel turnover remained at a low level and the increase in costs is due to both new recruitments and the general increase in payroll costs.

Depreciation and amortization increased slightly from the comparison period and were EUR 0.5 (2022: 0.5) million at the end of the financial year, mainly consisting of planned depreciation of development costs and right-of-use assets.

Other operating expenses totaled EUR 2.4 (2022: 2.5) million. The small decrease compared to the financial year 2022 was mainly due to the travel volumes required by the current stage of customer projects.

Financial expenses for the financial year were EUR 0.3 (2022: 0.2) million, consisting of business credits granted by financial institutions and an investment company, mainly for a long-term, equivalent to those in the comparison period.

The effects of the COVID-19 pandemic and the war in Ukraine on the Group's net result were limited and mainly visible in two ways: as increase in global travel and transport costs and as prolongation of the customers' investment decisions due to the energy crisis, inflation and tightened financial markets. Consequently, the development of net sales fell short of the expected level.

FINANCIAL POSITION AND LIQUIDITY

The consolidated balance sheet total at the end of the financial year that ended on 31 December 2023 was EUR 16.0 (2022: 14.9) million. Equity stood at EUR 6.6 (2022: 4.4) million. In addition, the Group had EUR 0.1 million of capital loan in accordance with chapter 12 of the Limited Liability Companies Act, the annual interest rate of which has been 10% starting from 1 January 2023.

The liquidity of the Group and the parent company during the financial year was sound. The Group's current assets totaled EUR 8.3 (2022: 9.1) million and current liabilities EUR 4.6 (2022: 4.1) million. The change in current assets was partly due to the recognition of the development cost of the BD Partnership service model, previously recognized in the Group's inventories, in the development expenditure of non-current assets in its entirety.

The net investments recognized in Black Donuts Group's fixed assets and development expenditure as at 31 December 2023 totaled EUR 3.6 (2022: 3.1) million. In the subsidiaries, these investments were recognized as an expense for the financial year.

2023 INVESTMENTS

In the financial year 2023, Black Donuts Engineering Oy brought to completion the development of the BD Partnership service model targeted at new tire manufacturers that it started in 2020.The BD Partnership service model covers, in stages, all Black Donuts Group's production and product creation and maintenance services as well as continuous product development services for a newcomer. The BD Partnership concept serves the creation and maintenance of a production unit and products representing the latest technology and know-how of a newcomer when:

- the project is based on identified market demand;
- the project must meet investors' criteria, which often include sustainability requirements;
- Black Donuts is involved from the very beginning of the project – from design to implementation;
- Black Donuts will continue as a product development and production partner after the ramp-up of production.

Tire distributors have shown a growing interest in purchasing high-quality, sustainable products from BD Partnership customers.

The most significant product development investments made by Black Donuts Engineering Inc. during the 2023 financial year related to the development of a tire plant simulation tool and electric vehicle winter tire and biomaterials development projects that continued from the previous financial year.

The machine design phase of the material research center and product development unit, which began in the financial year 2022, proceeded to the first orders in the financial year 2023, and the aim is to start operating the plant in 2025.

During the financial years 2021 and 2022, BD Testing Ltd invested in its own tire testing track in Sweden, following which the preconditions for growth of the company's core business were strengthened and its service range was further developed during the financial year 2023. The investment was carried out by leasing the test track for 10 years. At the same time, the company sublet the track to a customer for the equivalent ten-year period.

During the financial year 2019, WD Racing Ltd. started product development investments in new type of spring valves and valve stem assembly for tire molds related to its main business. The company filed two patent applications on them in the financial year 2020, which were granted a patent in 2022 and the geographically broader patenting of which was continued during the financial year 2023.

PERSONNEL.

Black Donuts Engineering Inc. had an average of 50 employees (2022: 46) during the financial year 2023. Conversely, the average number of employees in Black Donuts Group was 58 (2022: 57). At the end of 2023, we employed 9% more people compared to the situation at the end of 2022. The average age of employees was 46.7 years. 90% of our employees were permanent employees and 87% full-time employees.

Black Donuts Group's personnel have a long experience and versatile competence in all stages of the tire life cycle, ranging from product development and manufacturing to the optimization of the use of materials and manufacturing processes, tire's recyclability and testing of the finished tire. Our personnel have more than 1,000 years of work experience in the tire industry. We are constantly innovating for a greener, more efficient and cleaner future, promoting the quicker adoption of sustainable technologies.

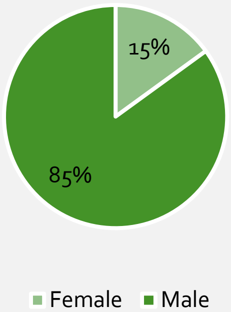
Net employee turnover has remained at a low level (5.2%), and one-third of our personnel have been employed with us for more than 10 years.

BLACK DONUTS

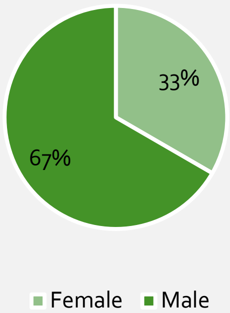
The growth of international expertise and the diversification of personnel by different nationalities accelerated in 2023, when the Group made the decision to grow special expertise in a controlled manner both via its Indian subsidiary and via recruitments made to the parent company. In the future, diversity will be increasingly taken into account in recruitment, especially when expanding expertise in material development.

GENDER DISTRIBUTION OF EMPLOYEES

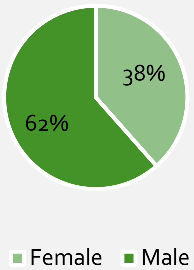
All employees



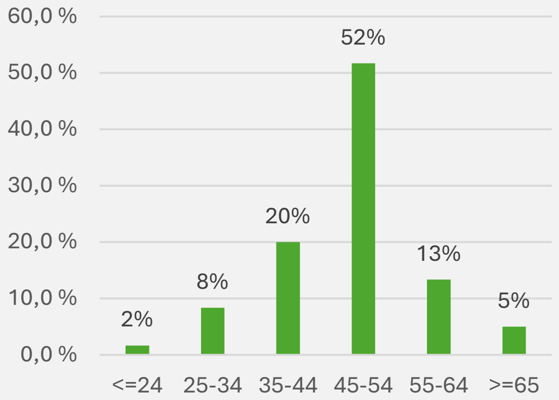
New employees



Management team,
Black Donuts Engineering Inc.



AGE DISTRIBUTION OF EMPLOYEES



INCENTIVE SCHEMES

The key individuals of the Group companies have been committed to the company by means of shareholding arrangements in the parent company and the sister company of Black Donuts Engineering Inc.

SHARES AND SHAREHOLDERS

The total number of shares in Black Donuts Engineering Inc. is 1,255 shares. At the end of the financial year on 31 December 2023, the company's equity stood at EUR 6.5 (2022: 4.1) million.

The company has two classes of shares that are distinct from one other as set out in the Articles of Association. Class A and Class B shares are burdened by consent and redemption clauses and Class B shares by the right to redemption as set out in the Articles of Association.

As indicated in the table, the Belgium-based Global Tire Technologies NV held 87.49% of the Class A shares in Black Donuts Engineering Inc. and thus 91.88% of the voting rights.

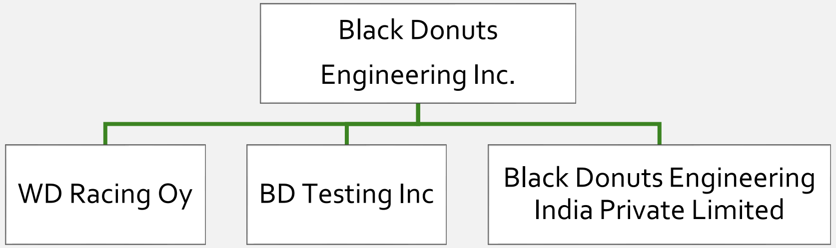
The beneficial owner of Black Donuts Engineering Inc., Mr. Ari Salmivuori, indirectly held 40.34% of the company's Class A shares and 41.49% of the voting rights. The company has registered its beneficial owners in the public register maintained by the Finnish Patent and Registration Office.

The following table specifies the shareholders of Black Donuts Engineering Inc as at 31 December 2023:

Class	Amount of Shares	Amount of Votes	Shareholder	% of all shares	% of all votes
A	1098	2196	Global Tire Technologies NV, BE 0832.673.437	87,49	91,88
A	37	74	Ajanta Oy, FI 0781692-6	2,95	3,10
B	120	120	Fiotop Oy, FI 2403635-8	9,56	5,02
Total	**1255**	**2390**		**100,00**	**100,00**

GROUP STRUCTURE

The structure of the Black Donuts Group is described in the figure below.



At the end of the financial year 2023, Black Donuts Engineering Inc. held 90% of the shares in BD Testing Inc., 89% of the shares in Black Donuts Engineering India Private Limited, and 100% of the shares in WD Racing Ltd. Following the end of the financial year 2023, Black Donuts Engineering Inc. acquired a 10% minority share in Black Donuts Engineering India Private Limited and holds 99% of the shares in Black Donuts Engineering India Private Limited after the transaction.

At the end of the financial year 2023, the company held 95% of the voting rights in BD Testing Inc., 89% of the voting rights in Black Donuts Engineering India Private Limited, and 100% of the voting rights in WD Racing Ltd. After acquiring the shares in Black Donuts Engineering India Private Limited following the end of the financial year 2023, Black Donuts Engineering Inc. held 99% of the voting rights carried by shares in Black Donuts Engineering India Private Limited.

After its share acquisitions carried out in 2011, Black Donuts Engineering Inc. has held without interruption at least 90% of the shares in WD Racing Ltd. and BD Testing Inc. and the voting rights they carry. Black Donuts Engineering Inc. established Black Donuts Engineering India Private Limited in 2017, after which no changes have taken place in the ownership and voting rights of this subsidiary other than the aforementioned acquisition of shares to Black Donuts Engineering Inc. carried out in the beginning of 2024.

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 an integral part of its competitive advantage. Personnel turnover has been low, so therefore the risk factors in terms of the number of personnel are mainly related to the challenges involved with recruitment brought about by the Group's growth.

The Group's recognition in the industry sector, employee satisfaction and wellbeing as well as opportunities for diverse working models have also supported international recruitments. In addition, the Group continuously invests in the development of its personnel and in the provision of tasks corresponding to their skill level and interests. In the Group's strategy, support for the innovativeness of the personnel and putting sustainability targets into practice have been highlighted as key themes.

In future, the Group is expected to also employ specialists outside the industry sector to develop and productize new innovations in support of the sustainability targets.

The Group's principal financial risks are credit risks related to receivables and payment times in long-term projects, and securing of liquidity. Credit risk management is based on the knowledge of the customers and their business in particular, and on close cooperation and continuous dialogue with the customers.

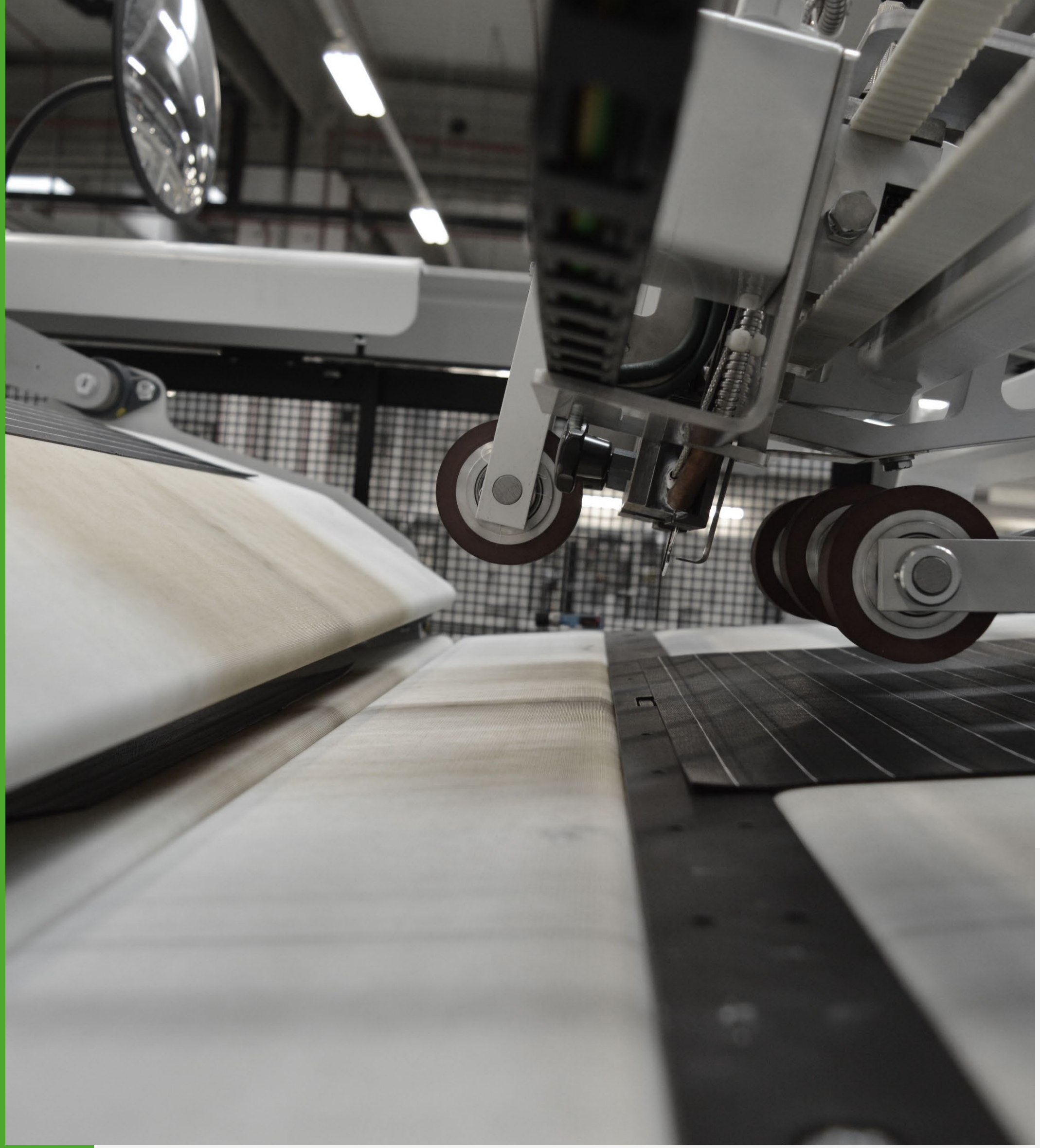
The Group also seeks to maintain sufficient liquidity for unforeseen circumstances by means of a sufficiently large overdraft facility. The aim is to ensure continuity of operations under different market conditions and to support the Group's long-term strategic development.

Among the global crises, the prolongation of the war in Ukraine has been identified as a potential risk hindering the growth of business, especially due to the delivery delays caused by global transportation problems, the energy crisis, high inflation, and the tightening of financial markets.

The impact of global risks on the company's operations is reflected especially in the postponement of the customers' investment decisions and the prolongation of projects. This risk is mitigated by the geographically global location of the Group's customers and the diversity of its customer base.

From the point of view of the Group's management, business risks are also controlled through various processes.

Black Donuts Engineering Inc. has in place quality management and environmental systems audited in accordance with the ISO 9001 and 14001 standards, a whistleblowing channel and customer identification processes, as well as data security guidelines and Code of Conduct, on which the personnel has received trained and which they are committed to comply with.



OUTLOOK FOR 2024

The Group will continue the development and commercialisation of sustainable innovations during the current financial year. The values of sustainable development and business will also play a key role in the global tire industry. The Black Donuts Group wants to be a pioneer in the development of more environmentally friendly products and production, thus creating competitive advantage both for the Group and for its stakeholders. Sustainability can be seen both in the Group's own operations and in the services, products and solutions it offers in customer projects.

The prolongation of the war in Ukraine and the resulting global uncertainty in the financial market, high inflation and the imposed sanctions and restrictions can affect the Group's business as factors slowing down growth. However, partly the same risk factors also contribute to the relocation of manufacturing, which is also supported by the pronounced sustainable development targets. The need for new manufacturing capacity and new products is also pronounced following the increase in sales of Tier-3 brands.

Following the end of the financial year 2023, Black Donuts Engineering Inc. acquired a 10% minority share in the shares and votes in Black Donuts Engineering India Private Limited and holds 99% of the shares and votes in Black Donuts Engineering India Private Limited after the transaction. BD Testing Inc. holds 1% of the shares and votes in Black Donuts Engineering India Private Limited.

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

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 they enable. The company does not expect to pay any dividends in the short term. Black Donuts Engineering Inc's distributable funds as of 31 December 2023 amounted to EUR 2.9 million, of which the net result for the financial year 2023 was EUR 2.3 million. The Board of Directors proposes to the general meeting of shareholders that no dividend be paid for the financial year 1 January – 31 December 2023 and that the profit for the financial year be carried over to the retained earnings.

BOARD OF DIRECTORS, CEO AND AUDITORS

The Board of Directors and CEO

The Board of Directors of Black Donuts Engineering Inc. during the financial year 1 January – 31 December 2023 comprised Matti Manner (Chair), Raif Nisametdin, Panu Paappanen and Arto Martonen. In accordance with the decision of the Annual General Meeting held on 6 June 2023, the term of the Board of Directors will continue up until the Annual General Meeting held in the spring of 2024.
Kai Hauvala serves as the company's President and CEO.

Auditors

The audit firm Ernst & Young serves as the auditor of the company and its Finnish subsidiaries, with Juha Hilmola, Authorised Public Accountant, serving as the auditor-in-charge. Juha Hilmola has been registered in the register of auditors pursuant to the Auditing Act.

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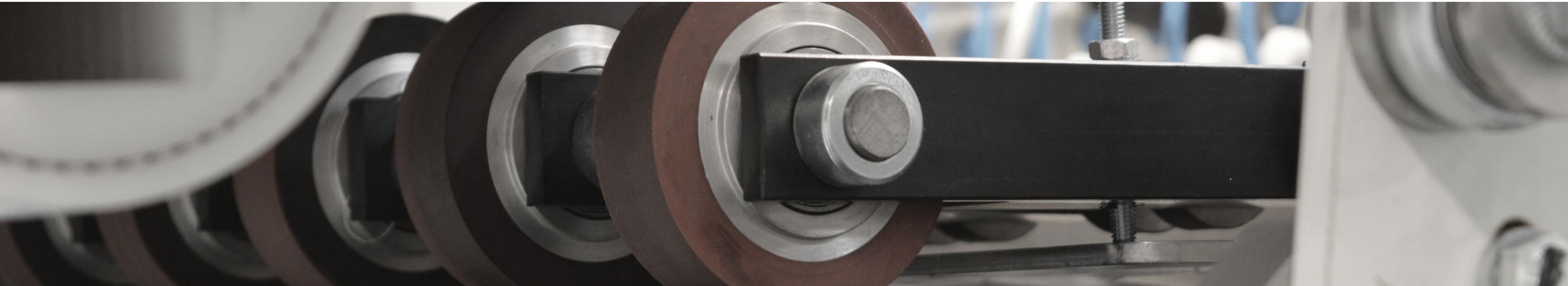
CONSOLIDATED FINANCIAL STATEMENTS.

1.1.- 31.12.2023



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR	Note	1 Jan – 31 Dec 2023	1 Jan – 31 Dec 2022
Net sales	3	15 748 151	11 530 887
Capitalisation of development expenditure	4	2 425 079	699 874
Change in inventories of finished goods and work in progress	16	-1 797 850	689 359
Other operating income	5	241 178	561 948
Materials and services	6	-6 042 897	-4 942 999
Employee benefit expenses	7	-5 139 481	-4 650 716
Depreciation, amortisation and impairment	9	-531 118	-483 048
Other operating expenses	8	-2 358 447	-2 508 266
Operating profit (loss)		**2 544 615**	**897 040**
Financial income	10	18 791	14 517
Financial expenses	10	-309 208	-217 399
Profit (loss) before taxes		**2 254 198**	**694 157**
Income taxes	11	5 606	-13 623
Net profit for the financial year		**2 259 804**	**680 534**
Other comprehensive income items			
Items that may be reclassified subsequently to profit or loss			
Translation differences		-4 220	-5 014
Total comprehensive income for the financial year		**2 255 584**	**675 520**
Profit for the financial year attributable to			
Owners of the parent		2 261 208	654 766
Non-controlling interests		-1 403	25 768
		2 259 804	**680 534**
Comprehensive income attributable to			
Owners of the parent		2 259 579	649 752
Non-controlling interests		-3 995	25 768
		2 255 584	**675 520**

CONSOLIDATED BALANCE SHEET

EUR	Note	31.12.2023	31.12.2022
ASSETS			
Non-current assets			
Goodwill	13	926 507	926 507
Development expenses	12	3 602 050	1 350 601
Other intangible assets	12	11 088	20 192
Property, plant and equipment	14	413 267	434 341
Right-of-use assets	15	848 185	943 042
Leasing receivables	15	1 664 602	1 861 752
Non-current receivables	18	265 571	266 471
Total non-current assets		**7 731 271**	**5 802 905**
Current assets			
Inventories	16	1 005 752	2 831 193
Trade receivables	17	5 288 969	4 918 883
Leasing receivables	15	197 149	184 446
Other receivables	18	1 359 427	753 069
Cash and cash equivalents	19, 22	437 737	446 122
Total current assets		**8 289 033**	**9 133 712**
Total assets		**16 020 304**	**14 936 617**

EUR	Note	31.12.2023	31.12.2022
Shareholders' equity			
Share capital	21	2 500	2 500
Invested unrestricted equity reserve	21	5 869 380	5 869 380
Retained earnings		676 828	-1 542 667
Non-controlling interests		10 040	67 878
Total shareholders' equity		**6 558 748**	**4 397 091**
Non-current liabilities			
Subordinated loans	20, 23	100 000	100 000
Loans from financial institutions	20, 23	0	1 420 792
Other interest-bearing liabilities	20, 23	1 852 423	1 799 150
Loan from government	20, 23	508 748	797 114
Lease liabilities	15, 20, 23	2 013 872	2 273 606
Deferred tax liabilities	20, 23	58 250	62 267
Total non-current liabilities		**4 533 293**	**6 452 928**
Current liabilities			
Loans from financial institutions	20, 23	333 292	66 758
Loan from government	20, 23	434 982	79 616
Lease liabilities	15, 20, 23	420 188	410 403
Trade payables	20, 23	945 629	1 611 384
Other liabilities	20, 23, 24	2 794 171	1 918 437
Current liabilities		**4 928 262**	**4 086 598**
Total liabilities		**9 461 556**	**10 539 526**
Total shareholders' equity and liabilities		**16 020 304**	**14 936 617**

CONSOLIDATED CASH FLOW STATEMENT

EUR	1 Jan – 31 Dec 2023	1 Jan – 31 Dec 2022
Cash flows from operating activities		
Profit/loss for the period	2 259 804	680 534
Adjustments		
Depreciation and amortisation	531 118	483 048
Other non-cash transactions	125 421	208 092
Interest and other financial expenses	309 208	217 399
Interest income	-18 791	-14 517
Income taxes	-5 606	13 623
Change in net working capital		
Change in trade and other receivables	-1 149 845	-1 518 407
Change in inventories	1 825 441	-1 159 225
Change in trade payables and other liabilities	-69 133	1 856 273
Change in provisions		
Interests paid	-107 272	-281 425
Interests received	6 338	1 409
Income taxes paid	-28 187	-31 961
Cash flow from operating activities	**3 678 497**	**454 844**
Cash flows from investments		
Investments in tangible and intangibles assets	-2 508 337	-1 070 632
Loans extended	11 389	0
Repayments of loans	0	3 000
Cash flow from investments	**-2 496 948**	**-1 067 632**
Cash flows from financing activities		
Withdrawals of non-current loans	200 132	1 274 838
Repayments of loans	-1 087 500	-382 846
Payment of lease liabilities	-279 458	-269 420
Dividends paid	-23 108	-111 291
Cash flow from financing activities	**-1 189 934**	**511 280**
Change in cash and cash equivalents	-8 385	-101 507
Cash and cash equivalents at year start	446 122	547 629
Change	-8 385	-101 507
Cash and cash equivalents at year end	437 737	446 122

STATEMENT OF CHANGES IN EQUITY

EUR	Share capital	Invested unrestricted equity reserve	Translation differences	Retained earnings	Non-controlling interests	Total equity
Equity at 1 January 2023	**2 500**	**5 869 380**	**-26 558**	**-1 516 109**	**67 878**	**4 397 090**
Comprehensive income						
Profit (loss) for the year	0	0		2 261 208	-1 403	2 259 804
Other comprehensive income items						
Translation differences	0	0	-1 628		-2 592	-4 220
Comprehensive income for the financial year total	**0**	**0**	**-1 628**	**2 261 208**	**-3 995**	**2 255 584**
Transactions with owners						
Dividend distribution	0	0	0	0	0	0
Other changes and adjustments	0	0	-2 592	-37 492	-53 843	-93 926
Total transactions with owners	**0**	**0**	**-2 592**	**-37 492**	**-53 843**	**-93 926**
Equity at 31 December 2023	**2 500**	**5 869 380**	**-30 779**	**707 606**	**10 040**	**6 558 748**

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

GROUP
BASIC INFORMATION

Black Donuts Engineering Inc. (hereinafter "BDE" or the "company") is a Finnish limited liability company established under the laws of Finland in 2010 with the business identity code 2352555-5. The company's registered office is located in Tampere, and its registered address is Myllyhaantie 6, 33960 Pirkkala, Finland. A copy of the consolidated financial statements is available at Myllyhaantie 6, 33960 Pirkkala, Finland.

Black Donuts Group serves its customers holistically

› from the design and product development of a tire product and its parts to testing;
› from development and expansion of existing tire production to the design, building development and start-up of new tire plants;
› from the development of new sustainable business model, product, material and production innovations to the productionization of products to meet the customers' needs; and
› in the digitalization of production to meet the special needs of the industry.

The Group offers its services globally to both existing tyre manufacturers as well as new prospective tyre manufacturers 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 on 31 December 2023 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations (IFRIC) in force on 31 December 2023. The financial statements are in accordance 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 the Limited Liability Companies Act.

The financial statements have been prepared on a historical cost basis, with the exception of lease liabilities and right-of-use assets, which are discounted at the present value.

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

Black Donuts Group has not yet applied the amended standards already issued by the IASB the application of which is mandatory for the financial years beginning on or after 1 January 2023. The company will adopt them as of the effective date of each standard of interpretation or, if the effective date is not the first day of the financial year, as of the beginning of the next financial year following the effective date, provided they have been endorsed for use in the EU. The company's current estimate is that the amended standards will not have a material effect on future financial statements when they are adopted.

ACCOUNTING PRINCIPLES REQUIRING MANAGEMENT DISCRETION

The preparation of financial statements in accordance with IFRS 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 affect the amounts of assets, liabilities, income and expenses recognized during the reporting period, the outcomes of which may differ from these estimates.

The discretionary decisions made by the management of the Black Donuts Group in applying the accounting policies that have the greatest impact on the figures presented in the financial statements concern the following areas:

› Recognition of net sales as revenue: determination of performance obligations and stand-alone selling prices and method of revenue recognition over time (Note 3 Net sales)

› Goodwill impairment testing: forecasts and the parameters used in the projections (Note 13 Goodwill and impairment testing)

› Treatment of leases: estimates of lease term and incremental borrowing rate (Note 15 Leases)

› Recognition of expected credit losses (Note 17 Sales receivables)

CONSOLIDATION PRINCIPLES
SUBSIDIARIES

The consolidated financial statements include the parent company Black Donuts Engineering Inc. and all 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 with the investee 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 from the moment the Group acquires control and transferred subsidiaries are consolidated until control ceases. All intra-Group transactions, receivables, liabilities and unrealized profits and internal distribution of profit are eliminated in preparing the consolidated financial statements. Where necessary, the accounting policies of subsidiaries have been amended in the consolidation to reflect the accounting principles of the consolidated financial statements.

Non-controlling interests in the acquiree are measured either at fair value or pro rata to their proportional share of the acquiree's identifiable net assets. The measurement principle is determined separately for each acquisition. The treatment of the goodwill arising from the acquisition of subsidiaries is described in Note 13. Goodwill and impairment testing.

The distribution of net profit or loss for the period to the parent company owners and non-controlling interests is disclosed in the statement of comprehensive income. The distribution of comprehensive income to the parent company owners and non-controlling interests is disclosed in the statement of comprehensive income. The net profit or loss and comprehensive income for the financial year are allocated to the owners and non-controlling interests of the parent, even if this resulted in 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 shareholders' equity. Changes in the parent company's holdings in a subsidiary that do not result in the loss of control are treated as equity transactions.

ITEMS DENOMINATED IN FOREIGN CURRENCIES

The figures concerning the profit and loss and financial position of the Group's units are measured in the currency that is the currency of the principal operating environment of each unit ('functional currency'). The consolidated financial statements are presented in euros, which is the functional and presentation currency of the Group's parent company.

Transactions denominated in foreign currencies are recorded in the functional currency using the exchange rate prevailing on the date of the transaction. Monetary items denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the end of the reporting period. Gains and losses arising from foreign currency transactions and the translation of monetary items are measured through profit or loss and recognized in the income statement financing items.

The income and expense items in the income statements of foreign Group companies are translated into euros at the average exchange rate of the financial year and the balance sheets at the exchange rate of the closing date of the financial year. The translation of the net result and comprehensive income for the financial year at different rates in the statement of comprehensive income and balance sheet results in a translation difference recognized in shareholders' equity on the balance sheet, the change of which is recognized in other comprehensive income.

NET SALES

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

Breakdown of net sales by market area	2023	2022	2021
Finland	579 358	41 321	953 362
Europe	5 770 245	6 850 976	2 604 885
Africa	4 220 350	1 276 428	221 760
South America	54 000	0	0
North America	2 598 400	533 187	1 192 827
Asia	2 525 799	2 828 975	2 605 094
Total net sales	15 748 151	11 530 887	7 577 928

Breakdown of net sales	Revenue recognition	2023	2022	2021
Delivery and design projects	Over time	9 007 244	7 633 947	4 076 751
Component sales	At a point of time	5 838 410	3 401 136	2 702 614
Testing services	Over time	902 498	495 804	798 564
Total net sales		15 748 152	11 530 887	7 577 929

Share of partially or fully unrecognised performance obligations of delivery and design projects	2023	2022	2021
Less than 1 year	6 969 812	6 551 726	5 427 561
Over 1 year	4 863 966	912 000	1 510 175
	11 833 778	7 463 726	6 937 736

REVENUE RECOGNITION PRINCIPLE FOR SALES

Black Donuts Group applies the IFRS 15 Revenue from Contracts with Customers standard. Sales revenue is recognized up to the amount expected to be received from customers 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 is recognized either at a point in time or over time. These principles are applied following a five-step guideline:

1. Identification of the contract,
2. Identification of performance obligations,
3. Determination of the transaction price,
4. Allocation of the transaction price to performance obligations, and
5. Sales revenue recognition

The net sales of the Black Donuts Engineering 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 primarily 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 fulfils 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 Group's contracts 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 indicated in the contracts are considered to aim at fulfilling the service package or sub-package indicated in the contracts. The 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, the Group applies a revenue recognition method in which the percentage of completion is measured based on output (achievement of milestones) or input. Prices corresponding to their value are defined for the services in the milestones. 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 to the net sales associated with customer contracts. At the end of the reporting period, the accumulated costs are compared with the project forecast and the net sales are adjusted to correspond to the amount of services provided.

A receivable associated with customer contracts is recognized to the extent that the recognized amount exceeds the payments received. A debt associated with customer contracts is recognized to the extent that the recognized amount falls below the payments received.

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 the Group has the right to charge the customer.

RECOGNITION OF REVENUE AT A POINT IN TIME

When the 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 assessed on a regular basis and at least in connection with reporting.

WARRANTIES

The company's delivery and design projects usually do not include service warranties. The liability 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 characteristics 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 FACTORS OF UNCERTAINTY ASSOCIATED WITH ESTIMATES

The preparation of financial statements in accordance with IFRS 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 affect the amounts of assets, liabilities, income and expenses recognized during the reporting period, the outcomes of which may differ from these estimates.

The estimates and assumptions are based on historical knowledge and other justifiable assumptions which 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 the 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

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

EUR	2023	2022
Personnel expenses	703 309	309 319
Purchases & External services	1 594 984	286 995
Other expenses	126 785	103 561
Total	**2 425 079**	**699 874**

OTHER OPERATING INCOME

EUR	2023	2022
IFRS 16 income	3 127	5 654
Public grants	237 502	549 183
Other income	550	7 111
Total	**241 178**	**561 948**

Other operating income is comprised of public grants and other income, such as apprenticeship 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 the grant arises.

MATERIALS AND SERVICES

EUR	2023	2022
Materials, goods and supplies		
Purchases during the financial year	3 830 000	3 025 584
Change in inventories	121 222	-506 166
External services	2 091 675	2 423 581
Total	**6 042 897**	**4 942 999**

Materials and services are comprised of purchases, change in inventories and external services. Expenses are recognized as expenses for the financial year in accordance with the accrual principle when they are incurred and when the related sales are recognized.

EMPLOYEE BENEFIT EXPENSES

EUR	2023	2022
Wages and salaries	4 214 973	3 825 952
Pension expenses - defined contribution plans	742 691	660 928
Other social security expenses	181 816	163 836
Total	**5 139 481**	**4 650 716**
	2023	**2022**
Group’s personnel on average during the financial year	58	57

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 schemes. Payments for them are recognized as expenses in the income statement for the financial year to which they relate. The Group has no legal or constructive 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 any share-based payment schemes pursuant to IFRS 2.

OTHER OPERATING EXPENSES

EUR	2023	2022
Facility expenses	68 933	87 239
IT expenses	296 256	217 458
Marketing and communications expenses	180 771	220 714
Travel and entertainment expenses	805 554	957 615
Voluntary employee expenses	152 874	149 361
Research and development expenses	195 502	232 272
Administrative services	429 327	497 052
Impairment of trade receivables	224 304	120 142
Other expenses	4 926	26 413
Total	**2 358 447**	**2 508 266**

AUDITORS' FEE

EUR	2023	2022
Ernst & Young Oy		
Audit fee	52 950	44 337
Other fees	0	15 860
Total	**52 950**	**60 197**

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

EUR	2023	2022
Development expenses	173 629	180 119
Amortisation of other intangible assets	22 964	6 731
Property, plant and equipment	76 087	46 111
Amortisation of right-of-use assets	258 438	250 087
Total	**531 118**	**483 048**

FINANCIAL INCOME AND EXPENSES

Financial income, EUR	2023	2022
Interest and other financial income	18 791	14 517
Total	**18 791**	**14 517**

Financial expenses, EUR	2023	2022
Interest expenses	275 289	186 884
Interest expense on lease liabilities	33 418	23 283
Other financial expenses	501	7 232
Total	**309 208**	**217 399**

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 trade payables. Financial expenses are also discussed in Note 20. Management of financing risks.

INCOME TAXES

EUR	2023	2022
Taxes recognised through profit or loss	-6 289	-14 791
Taxes related to previous financial years	0	0
Change in deferred taxes	11 896	1 168
Total	**5 606**	**-13 623**

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

EUR	2023	2022
Profit (loss) before taxes	2 312 371	694 157
Income tax at the Finnish tax rate, 20%	-462 474	-138 831
Non-deductible expenses and non-taxable income	1 498	2 121
Difference between foreign tax rates and the Finnish tax rate	-391	-265
Deferred taxes not recognized in the result for the financial year.	470 610	126 228
Other items	-3 636	-2 875
Income taxes on the income statement	**5 606**	**-13 623**

TAXES BASED ON THE TAXABLE INCOME FOR THE PERIOD AND DEFERRED TAXES INCOME 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 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 value and value in taxation. However, deferred tax liabilities are not recognized for the initial recognition of goodwill or if 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	**1.1.2023**	**Recognised through profit or loss**	**31.12.2023**
Deferred tax assets			
Right-of-use assets	1 221	1 854	3 075
IFRS16 Subletting arrangement	-62 267	4 017	-58 250
Other	29 485	4 658	34 143
Total	**-31 561**	**10 529**	**-21 033**

Changes in deferred taxes	**1.1.2022**	**Recognised 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**

CONFIRMED LOSSES

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

EUR	2023	2022
Unused tax losses	2 020 336	2 741 648
Total	**2 020 336**	**2 741 648**

The deferred tax asset from tax losses not recognized is EUR 404,000 (2022: EUR 548,000).

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

EUR	2023	2022
Expires within five years	0	0
Expires later than within five years	2 020 336	2 741 648
Total	**2 020 336**	**2 741 648**

The unconfirmed tax loss for 2023 for the Group's companies is the total of EUR 399,000 (2022: EUR 631,000).

INTANGIBLE FIXED ASSETS

EUR

Intangible rights	Goodwill	Development expenses	Other intangible assets	Total
Acquisition cost at 1 Jan 2023	926 507	4 914 350	294 471	6 135 328
Increases	0	2 425 079	13 861	2 438 939
Acquisition cost at 31 Dec 2023	926 507	7 339 429	308 332	8 574 267
Accumulated depreciation and amortization at 1 Jan 2023	0	-3 563 750	-274 280	-3 838 029
Depreciation and amortization for the financial year	0	-173 629	-22 964	-196 593
Accumulated depreciation and amortisation at 31 Dec 2023	0	-3 737 379	-297 243	-4 034 623
Carrying amount at 1 Jan 2023	926 507	1 350 600	20 191	2 297 299
Carrying amount at 31 Dec 2023	**926 507**	**3 602 050**	**11 088**	**4 539 645**

Intangible rights	Goodwill	Development expenses	Other intangible assets	Total
Acquisition cost at 1 Jan 2022	926 507	4 214 476	294 471	5 435 454
Increases	0	699 874	0	699 874
Acquisition cost at 31 Dec 2022	926 507	4 914 350	294 471	6 135 329
Accumulated depreciation and amortization at 1 Jan 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 amortisation at 31 Dec 2022	0	-3 563 750	-274 280	-3 838 030
Carrying amount at 1 Jan 2022	926 507	830 845	26 922	1 784 274
Carrying amount at 31 Dec 2022	**926 507**	**1 350 600**	**20 191**	**2 297 299**

ACCOUNTING PRINCIPLE

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 from the design of new or significantly improved products or services are capitalized on the balance sheet as intangible assets when:

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

Capitalized development expenses include the material, labour 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 to 7 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 5 to 7 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 level at which the management monitors goodwill. Goodwill is allocated to the acquired businesses, and the allocation is presented in the table below.

Allocation of goodwill	2023	2022
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 totalled EUR 926,000 (2022: EUR 926,000). 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. The cash-generating unit is the lowest level of the Group as 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 from 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 subject to 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. Operating income from cash-generating units decreased during the financial year with regard to the components business, while income from testing services increased. In the previous financial years, 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. In 2020–2022, the discount rate was increased due to future uncertainties (especially the uncertainty caused by the COVID-19 pandemic). In 2023, the method of calculating the discount rate was changed. In 2023, the discount rate was calculated based on WACC factors and is therefore no longer based on an estimate. The discount rate used in 2023 was 13% (2020–2022: 20%).

Key assumptions used in testing the goodwill of the component business for impairment	**2023**	**2022**
Duration of the forecast period (years)	4	4
Average annual growth in net sales*	5 %	5 %
Operating margin	9 %	7 %
Growth factor for cash flows after the forecast period	2 %	2 %
Discount rate	13 %	20 %

*In testing for impairment, goodwill is predicted to return closer to the 2022 level in 2024, whereupon the annual growth of net sales is predicted to be 64% compared to 2023. The 2025 net sales are predicted to grow by 95% compared to 2024 due to the development and expansion of product lines in 2023 and 2024. After 2025, the annual growth of net sales is estimated to be 5% on average.

Key assumptions used in testing the goodwill of the testing service business for impairment	**2023**	**2022**
Duration of the forecast period (years)	4	4
Average annual growth in net sales*	5 %	5 %
Operating margin	7 %	8 %
Growth factor for cash flows after the forecast period	2 %	2 %
Discount rate	13 %	20 %

In 2024, the level of operating profit is predicted to rise to the 2020-2021 level, following which business operations are predicted to continue growing 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	**2023**	**2022**
Projected operating margin	8 %	6 %
Discount rate	15 %	23 %

Sensitivity analysis of goodwill allocated to the testing services business	**2023**	**2022**
Projected operating margin	4 %	4 %
Discount rate	24 %	35 %

PROPERTY, PLANT AND EQUIPMENT

EUR

Property, plant and equipment	Machinery and equipment	Right-of-use assets	Total
Acquisition cost at 1 Jan 2023	895 059	1 700 493	2 595 551
Increases	55 416	163 582	218 998
Decreases	-403	0	-403
Acquisition cost at 31 Dec 2023	950 071	1 864 074	2 814 146
Accumulated depreciation and impairment at 1 Jan 2023	-460 718	-757 451	-1 218 169
Accumulated depreciation on decreases and transfers	0	155 069	155 069
Depreciation and amortisation for the financial year	-76 087	-258 438	-334 525
Accumulated depreciation and impairment at 31 Dec 2023	-536 805	-860 820	-1 397 625
Carrying amount at 1 Jan 2023	434 341	943 042	1 377 383
Carrying amount at 31 Dec 2023	**413 267**	**848 185**	**1 261 452**

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

ACCOUNTING PRINCIPLE

Property, plant and equipment are 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 2023 and 2022, concerned the Group's premises and are presented in more detail in Note 15.

Property, plant and equipment are 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 depreciation periods are as follows:

- Machinery and equipment: 25% reducing balance depreciation / 10 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 it has leased office premises and, as a separate asset, a test track in Sweden 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 for an indefinite period. 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 disclosed on the balance sheet line Lease liabilities, broken down into short-term and long-term portions based on their time of maturity.

Right-of-use assets on the balance sheet	**2023**	**2022**
Business premises	848 185	943 042
Total	**848 185**	**943 042**

Lease liabilities on the balance sheet	**2023**	**2022**
Non-current	2 013 872	2 273 606
Current	420 188	410 403
Total	**2 434 060**	**2 684 009**

Maturity breakdown of lease liabilities	**2023**	**2022**
Less than 1 year	420 188	410 403
1 to 2 years	537 281	423 035
2 to 5 years	870 244	870 745
More than 5 years	606 347	979 825
Total	**2 434 060**	**2 684 009**

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 subletting agreement is classified as a financial leasing agreement based on the right-of-use asset item created from the principal agreement. In the years 2022 and 2023, there was no variable lease income that is not included in the value of the net investment of the lease agreement. 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 the 10 years have passed.

Maturity breakdown of non-discounted rent receivables	2023	2022
Less than 1 year	271 619	266 293
1 to 2 years	277 052	271 619
2 to 5 years	864 847	847 889
More than 5 years	791 495	1 085 504
Total	**2 205 012**	**2 471 306**

Reconciliation of rent receivables	2023	2022
Net investment in rent receivable as at 31 Dec	1 861 752	2 046 197
Non-accrued financial income	343 261	425 109
Total	**2 205 012**	**2 471 306**

INVENTORIES

EUR	31.12.2023	31.12.2022
Finished products	1 005 752	1 126 974
Work in progress	0	1 704 219
Total	**1 005 752**	**2 831 193**

The Finished products item in inventories consists of the components sold by WD Racing Ltd. and Black Donuts Engineering Inc.'s tire racks.

Black Donuts Engineering Oy started a plant project in the financial year 2020, which the company recognized in 2020 as work in progress. In the financial year 2023, the costs of the plant project were capitalized in development expenditure.

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

ACCOUNTS 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 the creditworthiness of which is at the same level are grouped and assessed together for impairment. The company recognized a credit loss provision of EUR 25,000 for the 2023 financial year (2022: EUR 25,000).

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 any 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 2023 amounted to EUR 224,000 (2022: EUR 169,000).

MATURITY DISTRIBUTION OF TRADE RECEIVABLES

Projects ended as at 31 December 2023	Not overdue	Less than 30 days overdue	31 to 60 days overdue	61 to 180 days overdue	181 to 364 days overdue	More than 365 days overdue	Total:
Expected loss rate	0 %	0 %	0 %	0 %	0 %	15 %	
Gross-amount carrying value - trade receivables	0	0	0	0	0	4 789	4 789
Deductible item related to loss	0	0	0	0	0	-718	-718

On-going projects and other trade receivables as at 31 December 2023	Not overdue	Less than 30 days overdue	31 to 60 days overdue	61 to 180 days overdue	181 to 364 days overdue	More than 365 days overdue	Total:
Expected loss rate	*0 %*	*0 %*	*0 %*	*0 %*	*0 %*	*1,5 %*	
Gross-amount carrying value - trade receivables	3 163 317	1 022 531	226 838	599 902	266 639	4 953	5 284 179
Gross-amount carrying value - assets based on agreement							0
Deductible item related to loss	0	0	0	0	0	-74	-74

Total allowances related to loss*: -793

Projects ended as at 31 December 2022	Not overdue	Less than 30 days overdue	31 to 60 days overdue	61 to 180 days overdue	181 to 364 days overdue	More than 365 days overdue	Total:
Expected loss rate	0 %	0 %	0 %	0 %	0 %	15 %	
Gross-amount carrying 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 as at 31 December 2022	Not overdue	Less than 30 days overdue	31 to 60 days overdue	61 to 180 days overdue	181 to 364 days overdue	More than 365 days overdue	Total:
Expected loss rate	*0 %*	*0 %*	*0 %*	*0 %*	*0 %*	*1,5 %*	
Gross-amount carrying value - trade receivables	2 072 970	180 488	-17 303	443 099	524 451	268 977	3 472 682
Gross-amount carrying value - assets based on agreement	1 420 421						1 420 421
Deductible item related to loss	0	0	0	0	0	-3 720	-3 720

Total allowances related to loss: -24 555

The majority of the trade receivables more than 60 days overdue are comprised of receivables from long-term customers whose payment times have been long as is typical for the industry.

Those customer relationships that continue as recurring deliveries are not considered to involve any risks in receiving payment so large as those receivables that are related to a project and co-operation that has already ended. In the assessment, consideration has been given to the customers' earlier payment behaviour and information available at the time of the closing of the accounts.

As regards one-off or ended customer relationships, the provision made in respect of trade receivables being overdue for more than 365 days is based on the assessment of the Group's management on the customer's solvency, collectability of trade receivables, and special characteristics related to the customer relationship.

OTHER RECEIVABLES

Other non-current receivables

EUR	31.12.2023	31.12.2022
Loan receivables	228 353	235 765
Deferred tax assets	37 218	30 706
Total	**265 571**	**266 471**

Other current receivables

EUR	31.12.2023	31.12.2022
Loan receivables	13 302	17 278
Rent deposits	46 790	47 990
Percentage of completion receivables	802 190	0
Accrued income and deferred charges	385 449	469 089
Other receivables	111 695	218 712
Total	**1 359 427**	**753 069**

CASH AND CASH EQUIVALENTS

EUR	31.12.2023	31.12.2022
Cash and cash equivalents	437 737	446 122
Total	**437 737**	**446 122**

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 a number of financial risks in its ordinary business activities. The primary financial risks are credit, solvency, foreign exchange and interest rate risk.

The Group's principal financial risks are credit risks related to receivables and payment times in long-term projects, and securing of liquidity. Credit risk management is based on the knowledge of the customers and their business in particular, and on close cooperation and continuous dialogue with the customers. Black Donuts Engineering Inc. also seeks to maintain sufficient liquidity for unforeseen circumstances by means of a sufficiently large overdraft facility. The aim is to ensure continuity of operations under different market conditions and to support the company's long-term strategic development.

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

CREDIT RISK

Credit risk arises from the possibility of the counterparty not being able to fulfil its payment obligations. The credit risk is mainly due to trade receivables. The Group aims to cost-efficiently minimize the losses that may be caused by the counterparty's defaults. The credit risk is already managed in the contract phase by assessing the counterparty's creditworthiness. In addition, the Group's financial administration continuously monitors the customers' payment behaviour. All assets are mainly invested in banks or other interest-bearing instruments with a good credit rating. The maturity breakdown of trade receivables and recognition of the credit loss provision are presented 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. Efforts are made to continuously assess and monitor the amount of funding required for business activities in order 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 2,250,000), of which EUR 333,000 was in use at the end of the 2023 financial year (2022: EUR 1,421 000).

Maturities of contract-based financial liabilities at the end of 2023.

EUR	0 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	more than 5 years	Total
Subordinated loans	0	0	0	100 000	0	100 000
Loans from financial institutions	0	333 292	0	0	0	333 292
Other interest-bearing liabilities	61 798	186 322	246 959	484 695	820 599	1 800 372
Loan from government	275 750	159 232	349 519	159 229	0	943 730
Trade payables	945 629	0	0	0	0	945 629
Lease liabilities	162 559	257 629	537 281	870 244	606 347	2 434 060
Total	**1 445 737**	**936 475**	**1 133 759**	**1 614 168**	**1 426 946**	**6 557 084**

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

EUR	0 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	more than 5 years	Total
Subordinated loans	100 000	0	0	0	0	100 000
Loans from financial institutions	66 758	0	1 420 792	0	0	1 487 549
Other interest-bearing liabilities	1 798	66 322	246 959	731 167	760 000	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**	**397 111**	**2 290 065**	**2 199 747**	**1 739 825**	**8 565 918**

CURRENCY RISK

Currency risk arises from transactions in currencies other than the Group's functional currency. The euro is the Group's primary currency and functional currency, used in the majority of 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 effects of changes in exchange rates on the net profit and cash flow, thereby making the net profit more predictable. The Group manages the effects of currency risk by regularly monitoring its risk exposures and hedging significant cash flows where necessary. The Group did not have currency hedges during the reporting or comparison periods.

The table below presents a breakdown of the Group's trade receivables, cash and cash equivalents and trade payables by currency.

31.12.2023	**EUR**	**INR**	**USD**	**SEK**	**Total**
Trade receivables	5 238 295	49 225	1 448	0	5 288 969
Cash and cash equivalents	311 745	122 362	3 630	0	437 737
Trade payables	871 260	-3 500	0	77 869	945 629
Net exposure	**4 678 781**	**175 086**	**5 079**	**-77 869**	**4 781 077**

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**

Sensitivity analysis of changes in exchange rates	**2023 Impact on profit**		**2022 Impact on profit**	
	Strengthening	**Weakening**	**Strengthening**	**Weakening**
Trade receivables				
+/- 10% change in the INR exchange rate	4 922	-4 922	16 524	-16 524
+/- 10% change in the USD exchange rate	145	-145	6 406	-6 406
Cash and cash equivalents				
+/- 10% change in the INR exchange rate	12 236	-12 236	768	-768
+/- 10% change in the USD exchange rate	363	-363	522	-522
Trade payables				
+/- 10% change in the INR exchange rate	350	-350	-412	412
+/- 10% change in the SEK exchange rate	7 787	-7 787	5 807	-5 807
Total net impact	**18 017**	**-18 017**	**29 615**	**-29 615**

INTEREST RATE RISK

Interest rate risk is the risk of fluctuations in fair values or in the realised future cash flows of a financial instrument due to changes in market interest rates. The Group'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 Group did not have derivative instruments to hedge against interest rate risk on the closing date.

The Group had a total of EUR 5,604,000 of interest-bearing liabilities (2022: EUR 6,947,000), of which non-hedged variable-rate loans amounted to EUR 2,112,000 (2022: EUR 3,268,000). The variable-rate loans on the closing date 2023 were comprised of the overdraft facility in use, bank loan and other interest-bearing liabilities. The average interest rate on financial liabilities in 2023 was 2.5 per cent (2022: 1.7 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 21,000.

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 base interest rate. 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 2023 financial year.

CAPITAL MANAGEMENT

The aim of the Group's capital management is to secure operations under diverse market conditions and support long-term strategic development under all circumstances. The Group 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 41.8 per cent (2022: 31.0 per cent).

SHARE CAPITAL AND EQUITY RESERVES

	Number of shares	Share capital (EUR)	Invested unrestricted equity reserve (EUR)	Total
1.1.2022	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
Changes	0	0	0	0
31.12.2023	**1 255**	**2 500**	**5 869 380**	**5 871 880**

COMPANY'S SHARES

Black Donuts Engineering Oy has 1,255 shares. The company has two classes of shares that are distinct from one other as set out in the Articles of Association. The shares of Class A (1135 shares) and Class B (120 shares) are burdened by consent and redemption clauses and Class B shares by the right to redemption as set out 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 insofar as no decision was made in the resolution on the share issue to recognize the subscription price in the invested unrestricted equity reserve.

INVESTED UNRESTRICTED EQUITY RESERVE

The invested unrestricted equity reserve includes other equity investments and the subscription price of shares insofar as a decision was made in the resolution on the share issue to recognize the subscription price in the invested unrestricted equity reserve.

TRANSLATION DIFFERENCES

Translation differences include translation differences arising from the translation of the financial statements of foreign units. The Group's accumulated translation differences as at 31 December 2023 totalled EUR -31,000 (31 December 2022: EUR -27,000).

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 item. At the closing date of 31 December 2023 and 31 December 2022 in the comparison period, 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 recognition, 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	31.12.2023	31.12.2022
Financial assets at amortised cost		
financial assets to be recognised		
Loan receivables	241 655	253 044
Trade receivables	5 288 969	4 918 883
Cash and cash equivalents	437 737	446 122
Total financial assets	**5 968 361**	**5 618 048**

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. At the closing date of 31 December 2023 and 31 December 2022 in the comparison period, 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 are incurred.

A financial liability or part thereof is derecognized when the obligation specified in the contract is discharged, cancelled or expires. 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.

EUR	31.12.2023	31.12.2022
Financial liabilities at amortised cost		
financial liabilities		
Subordinated loans	100 000	100 000
Loans from financial institutions	333 292	1 487 549
Other interest-bearing liabilities	1 793 296	1 799 150
Loan from government	943 730	876 730
Trade payables	945 629	1 611 384
Lease liabilities	2 434 060	2 684 009
Total financial liabilities	**6 550 007**	**8 558 822**

SUBORDINATED LOANS

Black Donuts Group has a total of EUR 100,000 of subordinated loans as referred to in chapter 12 of the Limited Liability Companies Act (2022: EUR 100,000). The subordinated load was received from the Group's related party company Ajanta Oy.

The loan matures on 31 December 2028 and its interest rate is 10% as of 1 January 2023. The other principal 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.

GOVERNMENT LOANS

The Group has two loans from Business Finland, totalling EUR 943,000 (2022: EUR 877,000). The interest rate on the loans is three percentage points below the base interest rate, but not less than one per cent.

The loan term of the first loan (EUR 398,000) was extended on 4 October 2019 and is 10 years, the first 5 of which are amortization-free. The loan term of the first loan was extended by two years in October 2021, whereby the loan repayment starts in October 2023. After the closing date in February 2024, the loan period was extended by one year and is 13 years. In addition, in February 2024, a decision was not to collect EUR 295,757 of the loan principal, after which a principal of EUR 102,320 will remain to be paid.

The loan term of the second loan (EUR 479,000) is 7 years, the first 3 of which are amortization-free. After the closing date in February 2024, the maturity of the loan concerned was extended by two years, the first five years of which are amortization-free.

Both loans will be repaid in 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	Government loans	Lease liabilities
Balance at 31 Dec 2022	100 000	541 884	1 913 196	810 404	2 251 288
Repayments of loans		-262 846	-127 201		-414 159
Withdrawals of loans		1 208 512	13 155	66 326	846 880
Other changes					
Balance at 31 Dec 2022	100 000	1 487 549	1 799 150	876 730	2 684 009
Repayments of loans		-1 154 257	-6 453		-570 159
Withdrawals of loans				67 000	320 210
Other changes			599		
Balance at 31 Dec 2023	**100 000**	**333 292**	**1 793 296**	**943 730**	**2 434 060**

OTHER LIABILITIES AND OTHER ACCRUED CHARGES

EUR	31.12.2023	31.12.2022
Salaries, wages and social security expenses	764 344	762 912
Financing items	126 206	34 211
Taxes	9 374	29 381
Advances received	4 973	433 500
Other accrued expenses	141 239	401 350
Percentage of completion debt	1 262 755	0
Other	485 281	257 082
Total	**2 794 171**	**1 918 437**

PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Group had a contingent liability of EUR 99,255.16 related to acquisitions at the end of the financial year 2023. The Group has no provisions or contingent assets or other contingent liabilities.

ACCOUNTING PRINCIPLE

A provision is recognized when the Group has a legal or factual obligation as a 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 provision 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 is realized. 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	31.12.2023	31.12.2022
Loans from financial institutions	0	66 758
Bank overdraft facility	2 250 000	2 250 000
of which in use at the end of the financial year	333 292	1 420 792
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 Group's management is not aware of any outstanding disputes or legal proceedings that might have a material impact on Group's financial position.

RELATED PARTY TRANSACTIONS

The company's related parties include its subsidiaries, affiliates, Board of Directors, CEO, members of the management team and their family members, as well as companies over which these persons exert considerable influence, control or joint control. In addition, related parties include the beneficial owner of Black Donuts Engineering Inc.'s parent company and companies under his control.

Related party transactions are carried out on ordinary market terms.

The key individuals in the company's executive management *)	2023	2022
Wages and salaries and other short-term benefits	1 372 491	1 295 199
Total	**1 372 491**	**1 295 199**

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

In addition, compensation for the Board members totalled to EUR 77,000 in the financial year 2023 (2022: EUR 49,000).

INFORMATION ABOUT GROUP COMPANIES

Black Donuts Engineering inc. is the parent company of the sub-group, domiciled in Tampere. The company is part of a group of companies the parent company of which is Global Tire Technologies N.V., domiciled in Belgium. The sub-group's parent and subsidiary relationships are as follows:

Company name	Domicile	Holding (%)	Share of votes (%)
Parent company Black Donuts Engineering Inc.	Finland		
WD Racing Ltd.	Finland	100,0 %	100,0 %
BD Testing Inc.	Finland	90,0 %	94,7 %
Black Donuts Engineering India Private Limited	India	89,0 %	89,0 %

Following the end of the financial year 2023, Black Donuts Engineering Inc. acquired a 10% minority share in the shares and votes in Black Donuts Engineering India Private Limited and holds 99% of the shares and votes in Black Donuts Engineering India Private Limited after the transaction.

Below is a breakdown of Black Donuts Engineering Inc's related party transactions between group companies.

EUR	2023	2022
Sales to Group undertakings	90 103	171 696
Purchases from Group undertakings	247 847	394 472
Interest income from Group undertakings	12 450	6 229
Interest expenses from Group undertakings	0	0

EUR	2023	2022
Receivables from Group undertakings	1 213 146	1 331 754
Liabilities from Group undertakings	183 515	272 808

In 2023, the liabilities include group contribution to WD Racing Ltd. (EUR 66,000) and BD Testing Inc. (EUR 3,000). In 2022, receivables from WD Racing Ltd. include EUR 222,000 in group contribution.

OTHER RELATED PARTY TRANSACTIONS AND OUTSTANDING BALANCES

EUR	2023	2022
Sales to other related parties	2 300 000	0
Purchases from other related parties	180 922	320 367
Interest income from other related parties	52	37
Interest expenses from other related parties	98 575	67 845

SALES TO OTHER RELATED PARTIES

Sales to other related parties in 2023 consist of sales to American Tire Works, Inc.

PURCHASES FROM OTHER RELATED PARTIES

The transactions are comprised of consulting fees associated with outsourced administrative tasks and business development, facility rentals and warehousing services. Related-party transactions have been carried out on ordinary market terms. In addition, the transactions during the financial year 2022 are comprised of equipment rents to a minor extent.

EUR	2023	2022
Receivables from other related parties	1 600 520	4 180
Subordinated loans to other related parties	100 000	100 000
Liabilities to other related parties	1 780 000	1 780 000

RECEIVABLES FROM OTHER RELATED PARTIES

Receivables from other related parties in 2023 consist of trade receivables from American Tire Works, Inc. (EUR 1,600,000) and a loan to a member of the company's management team (EUR 520,000). In 2022, receivables from related parties consisted of one loan to a member of the company's management team.

LOANS FROM OTHER RELATED PARTIES

The company has a related-party loan from Ajanta Oy totalling EUR 1,780,000 (2022: EUR 1,780,000). The interest rate on the loan is 5% (2022: 5%). After the balance sheet date, the interest rate has been updated, and as of 1 January 2024, the interest rate is Euribor 12 months + 2.5%. In addition, Ajanta Oy has granted the company a subordinated loan of EUR 100,000 (2022: EUR 100,000). The interest rate on the subordinated loan as of 1 January 2024 is 10% (2022: 5%).

GUARANTEES AND COLLATERAL GIVEN BY RELATED PARTIES

Ajanta Oy has given a guarantee of EUR 1,725,000 to the company associated with the company's overdraft facility agreement. In addition, two individuals closely associated with the company have provided Finnvera plc with a security on behalf of the company totalling EUR 40,000.

EVENTS AFTER THE REPORTING PERIOD

The Group will continue the development and commercialization of sustainable innovations during the current financial year. The values of sustainable development and business will also play a key role in the global tire industry. The Black Donuts Group wants to be a pioneer in the development of more environmentally friendly products and production, thus creating competitive advantage both for the Group and for its stakeholders. Sustainability can be seen both in the Group's own operations and in the services, products and solutions it offers in customer projects.

The prolongation of the war in Ukraine and the resulting global uncertainty in the financial market, high inflation and the imposed sanctions and restrictions can affect the Group's business as factors slowing down growth. However, partly the same risk factors also contribute to the relocation of manufacturing, which is also supported by the pronounced sustainable development targets. The need for new manufacturing capacity and new products is also pronounced following the increase in sales of Tier-3 brands.

Following the end of the financial year 2023, Black Donuts Engineering Inc. acquired a 10% minority share in the shares and votes in Black Donuts Engineering India Private Limited and holds 99% of the shares and votes in Black Donuts Engineering India Private Limited after the transaction. BD Testing Inc. holds 1% of the shares and votes in Black Donuts Engineering India Private Limited.

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

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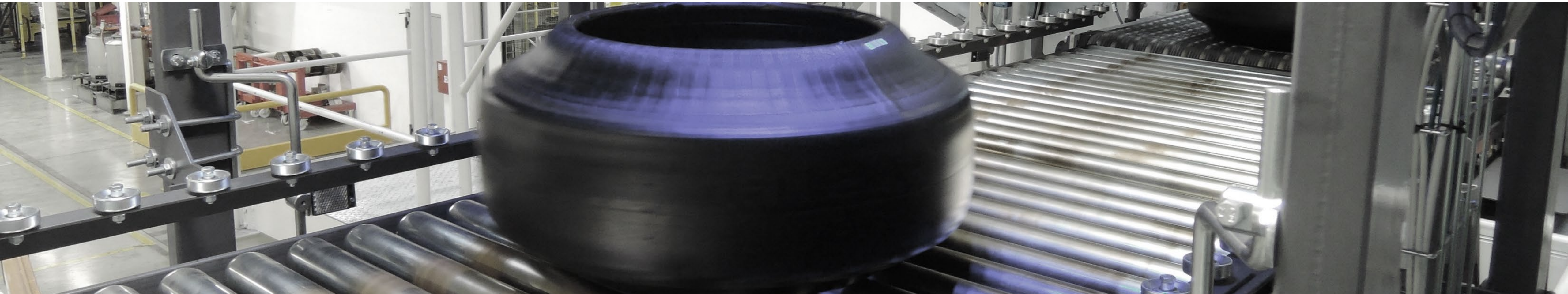
PARENT COMPANY'S FINANCIAL STATEMENTS.

1.1.-31.12.2023



PARENT COMPANY INCOME STATEMENT

EUR	1 January – 31 December 2023	1 January – 31 December 2022
NET SALES	13 255 074,85	8 364 100,93
Change in inventories of finished goods and work in progress	-1 797 849,96	689 358,75
Capitalised production	2 425 078,53	699 874,49
Other operating income	212 887,05	529 846,16
Materials and services		
Raw materials and consumables		
Purchases during the financial year	-2 671 830,32	-662 107,17
External services	-2 035 262,37	-2 615 061,99
	-4 707 092,69	-3 277 169,16
Personnel expenses		
Wages and salaries	-3 728 422,14	-3 294 596,40
Non-wage payroll expenses		
Pension expenses	-643 910,24	-572 133,71
Other non-wage payroll expenses	-144 664,35	-126 981,78
	-4 516 996,73	-3 993 711,89
Depreciation, amortisation and impairment	-236 088,46	-194 141,96
Other operating expenses	-2 018 154,80	-2 129 732,12
OPERATING PROFIT	2 616 857,79	688 425,20
Other interest and financial income		
From Group undertakings	12 449,81	6 228,98
From others	6 332,38	1 426,58
Interest and other financial expenses		
To Group undertakings	0,00	0,00
To others	-260 580,18	-172 910,92
	-241 797,99	-165 255,36
PROFIT BEFORE APPROPRIATIONS AND TAXES	2 375 059,80	523 169,84
Appropriations		
Group contributions received	0,00	222 072,70
Group contributions given	-68 700,00	0,00
PROFIT FOR THE YEAR	2 306 359,80	745 242,54

PARENT COMPANY BALANCE SHEET

EUR	31.12.2023	31.12.2022
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Development expenses	3 602 049,73	1 350 600,50
Other capitalised long-term expenditure	11 088,42	20 191,77
	3 613 138,15	1 370 792,27
Tangible assets		
Machinery and equipment	303 491,51	317 885,70
Investments		
Participations in Group undertakings	1 300 407,49	1 290 407,49
Other receivables	59 127,19	0,00
	1 359 534,68	1 290 407,49
TOTAL NON-CURRENT ASSETS	5 276 164,34	2 979 085,46
CURRENT ASSETS		
Inventories		
Work in progress	0,00	1 704 218,90
Goods	6 504,83	465 098,03
	6 504,83	2 169 316,93
Receivables		
Non-current		
Receivables from Group undertakings	230 000,00	230 000,00
Loan receivables	228 353,03	235 765,25
	458 353,03	465 765,25
Current		
Trade receivables	4 957 493,42	4 367 737,99
Receivables from Group undertakings	983 145,66	1 101 754,12
Loan receivables	12 464,52	16 690,00
Other receivables	49 587,42	156 812,58
Prepayments and accrued income	1 160 004,86	457 685,08
	7 162 695,88	6 100 679,77
Cash and cash equivalents	9 643,77	8 220,11
TOTAL CURRENT ASSETS	7 637 197,51	8 743 982,06
TOTAL ASSETS	12 913 361,85	11 723 067,52

SHAREHOLDERS’ EQUITY AND LIABILITIES	31.12.2023	31.12.2022
SHAREHOLDERS' EQUITY		
Share capital	2 500,00	2 500,00
Invested unrestricted equity reserve	5 869 380,00	5 869 380,00
Retained earnings (loss)	-1 723 034,65	-2 468 277,19
Profit (loss) for the year	2 306 359,80	745 242,54
TOTAL SHAREHOLDERS' EQUITY	6 455 205,15	4 148 845,35
LIABILITIES		
Non-current		
Subordinated loan	100 000,00	100 000,00
Loans from financial institutions	508 748,00	1 420 791,69
Other liabilities	1 839 725,85	2 577 114,00
	2 448 473,85	4 097 905,69
Current		
Loans from financial institutions	768 273,83	66 757,56
Advances received	4 972,50	433 500,00
Trade payables	426 820,43	1 278 792,11
Amounts owed to Group undertakings	183 515,06	272 808,39
Other liabilities	98 892,27	172 086,55
Accruals and deferred income	2 527 208,76	1 252 371,87
	4 009 682,85	3 476 316,48
TOTAL LIABILITIES	6 458 156,70	7 574 222,17
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	12 913 361,85	11 723 067,52

PARENT COMPANY CASH FLOW STATEMENT

Currency EUR	1 Jan – 31 Dec 2023	1 Jan – 31 Dec 2022
CASH FLOW FROM OPERATING ACTIVITIES		
Operating profit/loss	2 616 858	688 425
Adjustments to operating profit	424 812	314 284
Change in net working capital	413 234	-942 609
Interest paid and other debt expenses	-168 585	-269 905
Interest received and other financial income	16 110	7 656
CASH FLOW FROM OPERATING ACTIVITIES	**3 302 427**	**-202 149**
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in tangible and intangibles assets	-2 464 040	-1 017 027
Investments in subsidiary shares	-10 000	0
Change in loan receivables	11 638	21 167
CASH FLOW FROM INVESTING ACTIVITIES	**-2 462 402**	**-995 860**
CASH FLOW FROM FINANCING		
Increase in long-term loans	107 128	1 274 838
Repayments of loans	-1 114 171	-382 846
Group contribution received	168 442	309 224
CASH FLOW FROM FINANCING	**-838 601**	**1 201 216**
CHANGE IN CASH AND CASH EQUIVALENTS	**1 424**	**3 207**
Cash and cash equivalents at 1 Jan	8 220	5 013
Change in cash and cash equivalents	1 424	3 207
Cash and cash equivalents at 31 Dec	9 644	8 220

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 the parent company of which is Global Tire Technologies NV, domiciled in Belgium. Black Donuts Engineering inc. is the parent company of the sub-group, domiciled in Tampere. Copies of the consolidated financial statements of Black Donuts Engineering Inc. are available from the company's head office (Myllyhaantie 6 E, 33960 Pirkkala, Finland).

MEASURING PRINCIPLES AND METHODS

Significant development expenses that will generate income for several years have been capitalized on the balance sheet as development expenses and will be amortized over 5 to 7 years.

PRINCIPLES AND METHODS OF ACCRUAL ACCOUNTING

Depreciation and amortization according to plan is deducted from the acquisition cost of on-balance sheet tangible and intangible assets. The acquisition cost includes the variable costs incurred from acquisition and production. The grants received have been recognized as deductions to the acquisition cost.

Depreciation and amortization according to plan have been calculated 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:

› Intangible rights 5 to 7 years
› Machinery and equipment 25% reducing balance depreciation / 10 years

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

NOTES TO THE INCOME STATEMENT

BREAKDOWN OF NET SALES BY MARKET AREA

	2023	2022
Finland	92 750	72 201
Exports	13 162 325	8 291 900
Total	13 255 075	8 364 101

CAPITALIZED PRODUCTION

Capitalised production	2023	2022
Capitalisation of product development expenses	2 425 079	699 874

OTHER OPERATING INCOME

	2023	2022
Compensation received	550	7 111
Grants received	212 337	522 735
Total	212 887	529 846

NOTES CONCERNING PERSONNEL AND MEMBERS OF ADMINISTRATIVE BODIES

Salaries and wages are not itemized with regard to the parent company by virtue of chapter 2, section 8, subsection 4 of the Finnish Accounting Decree. The compensation for the Board members totalled EUR 77,000 in the financial year 2023.

AVERAGE NUMBER OF PERSONS EMPLOYED BY THE COMPANY

	2023	2022
Personnel	50	46

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

AUDITOR'S FEES

Auditor's fees	2023	2022
Auditing	-43 965	-36 981
Other services	0	-5 500
	-43 965	-42 481

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Depreciation, amortisation and impairment	2023	2022
Depreciation and amortisation according to plan	-236 088	-194 142
	-236 088	-194 142

FINANCIAL INCOME AND EXPENSES

Other interest income	2023	2022
From Group undertakings	12 450	6 229
From others	6 332	1 427
	18 782	7 656

INTEREST EXPENSES AND OTHER IMPAIRMENT

	2023	2022
To Group undertakings	0	0
To others	-260 580	-172 911
Total financial expenses	-260 580	-172 911
Total financial income and expenses	**-241 798**	**-165 255**

APPROPRIATIONS

Appropriations	2023	2022
Group contributions received	0	222 073
Group contributions paid	-68 700	0
	-68 700	222 073

NOTES TO THE BALANCE SHEET

Intangible assets	**2023**	**2022**
Development expenses		
Acquisition cost at year start	4 914 575	4 214 701
Increases	2 425 079	699 874
Acquisition cost at year end	7 339 654	4 914 575
Accumulated depreciation and amortisation at year start	-3 563 975	-3 383 856
Depreciation and amortisation for the financial year	-173 629	-180 119
Accumulated depreciation and amortisation at year end	-3 737 604	-3 563 975
Carrying amount at year end	**3 602 050**	**1 350 600**
Other long-term expenditure		
Acquisition cost at year start	294 246	294 246
Increases	13 861	0
Acquisition cost at year end	308 107	294 246
Accumulated depreciation and amortisation at year start	-274 055	-267 324
Depreciation and amortisation for the financial year	-22 964	-6 731
Accumulated depreciation and amortisation at year end	-297 019	-274 055
Carrying amount at year end	**11 088**	**20 191**
Machinery and equipment		
Acquisition cost at year start	446 593	129 441
Increases	25 101	317 152
Acquisition cost at year end	471 694	446 593
Accumulated depreciation and amortisation at year start	-128 707	-121 415
Depreciation and amortisation for the financial year	-39 495	-7 292
Accumulated depreciation and amortisation at year end	-168 202	-128 707
Carrying amount at year end	**303 492**	**317 886**
Production machinery and equipment balance sheet value at year end		
Participations in Group undertakings		
Carrying amount at year end	1 300 407	1 290 407

HOLDINGS IN GROUP UNDERTAKINGS

Name and registered office of the company	Holding
WD Racing Ltd. (Siuro)	100 %
BD Testing Inc. (Pirkkala)	90 %
Black Donuts Engineering India Private Limited (India)	89 %

RECEIVABLES

NON-CURRENT RECEIVABLES

	2023	2022
Receivables from Group undertakings	230 000	230 000
Loan receivables	228 353	235 765
	458 353	465 765

CURRENT RECEIVABLES

Receivables from Group undertakings	2023	2022
Trade receivables	218 368	202 407
Loan receivables	712 694	881 136
Other receivables	21 423	0
Prepayments and accrued income	30 661	18 211
	983 146	1 101 754

Other receivables	2023	2022
Trade receivables	4 957 493	4 367 738
Loan receivables	12 465	16 690
Other receivables	49 587	156 813
	5 019 545	4 541 241

Prepayments and accrued income	2023	2022
Percentage of completion receivables	802 190	0
Other prepaid expenses and accrued income	357 815	457 685
	1 160 005	457 685

EQUITY

Equity	2023	2022
Share capital at year start	2 500	2 500
Share capital at year end	2 500	2 500
Restricted equity	2 500	2 500
Invested unrestricted equity reserve	5 869 380	5 869 380
Increases	0	0
Invested unrestricted equity reserve	5 869 380	5 869 380
Retained earnings at year start	-1 723 035	-2 468 277
Adjustments to previous financial years	0	0
Retained earnings at year end	-1 723 035	-2 468 277
Profit for the year	2 306 360	745 243
Unrestricted equity	6 452 705	4 146 346
Total equity	6 455 205	4 148 846

Invested unrestricted equity reserve	5 869 380	5 869 380
Retained earnings/loss	-1 723 035	-2 468 277
Profit for the year	2 306 360	745 243
Capitalised development expenditure	-3 602 050	-1 350 600
Total distributable funds	2 850 655	2 795 745

SHARE CAPITAL

	2023	2022
Number of shares	1 255	1 255

The company has 1,135 Class A shares (2 votes per share) and 120 Class B shares (1 vote per share). The classes of shares are distinct from one other as set out in the Articles of Association. Class A and Class B shares are burdened by consent and redemption clauses and Class B shares by the right to redemption as set out in the Articles of Association.

NON-CURRENT LIABILITIES

The company's subordinated loan is, with regard to its terms and conditions, a subordinated loans within the meaning of chapter 12 of the Limited Liability Companies Act. The interest rate on the subordinated loan is 10.0% as of 1 January 2023 (2022: 5%).

	2023	2022
Subordinated loans from others	100 000	100 000
Total	100 000	100 000

Loans from financial institutions (*	508 748	1 420 792
Total	508 748	1 420 792

(* In the past financial year, the item also included the State Treasury's loan instalments

(* In the comparison period, loan instalments are shown under Other liabilities

Other liabilities	1 839 726	2 577 114
Total	1 839 726	2 577 114

LIABILITIES THAT EXPIRE LATER THAN IN FIVE YEARS' TIME

	2023	2022
Other liabilities	580 000	760 000

CURRENT LIABILITIES

Current liabilities	**2023**	**2022**
Loans from financial institutions	768 274	66 758
Advances received	4 973	433 500
Trade payables	426 820	1 278 792
Amounts owed to Group undertakings	183 515	272 808
Other liabilities	98 892	172 087
Total	1 482 474	2 223 945

Accruals and deferred income	**2023**	**2022**
Salary liabilities	516 065	473 531
Statutory insurance contribution liabilities	29 629	92 328
Accrual of interest	126 206	34 211
Percentage of completion debt	1 262 755	652 302
Other	592 554	0
Total	2 527 209	1 252 372

Amounts owed to group undertakings	**2023**	**2022**
Trade payables	114 815	272 808
Other liabilities	68 700	0
	183 515	272 808

OTHER NOTES

GUARANTEES GIVEN, CONTINGENT LIABILITIES AND OTHER LIABILITIES

	2023	2022
Loans from financial institutions	0	66 758
Corporate cards	18 807	7 656
Bank overdraft facility,	2 250 000	2 250 000
of which in use at the closing date	333 292	1 420 792
Business mortgages	4 000 000	4 000 000
Lease liabilities		
Payable in the next financial year	78 150	75 901
	78 150	75 901

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SIGNATURES.

Black Donuts Engineering Inc.
Business ID 2352555-5
Registered office Tampere

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

Tampere, 26 March 2024

Matti Manner
Chairman of the Board

Panu Paappanen
Member of the Board

Kai Hauvala
President and CEO

Arto Martonen
Member of the Board

Raif Nisametdin
Member of the Board

Auditor's note

A statement on the audit performed has been issued today

Helsinki, 28 March 2024

Ernst & Young Oy
Authorized Public Accountant Firm

Juha Hilmola
Authorized Public Accountant

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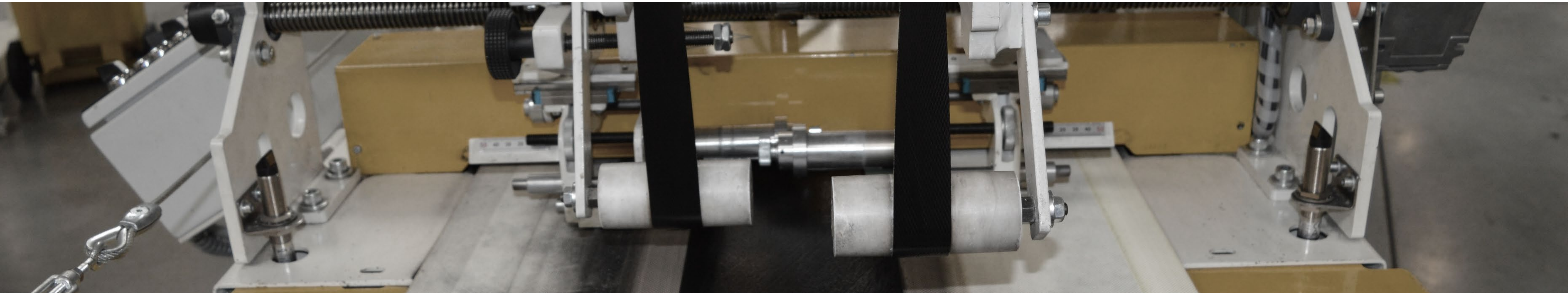
AUDITOR’S REPORT.

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, 2023. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including material accounting policy information, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

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

BASIS FOR OPINION

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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.

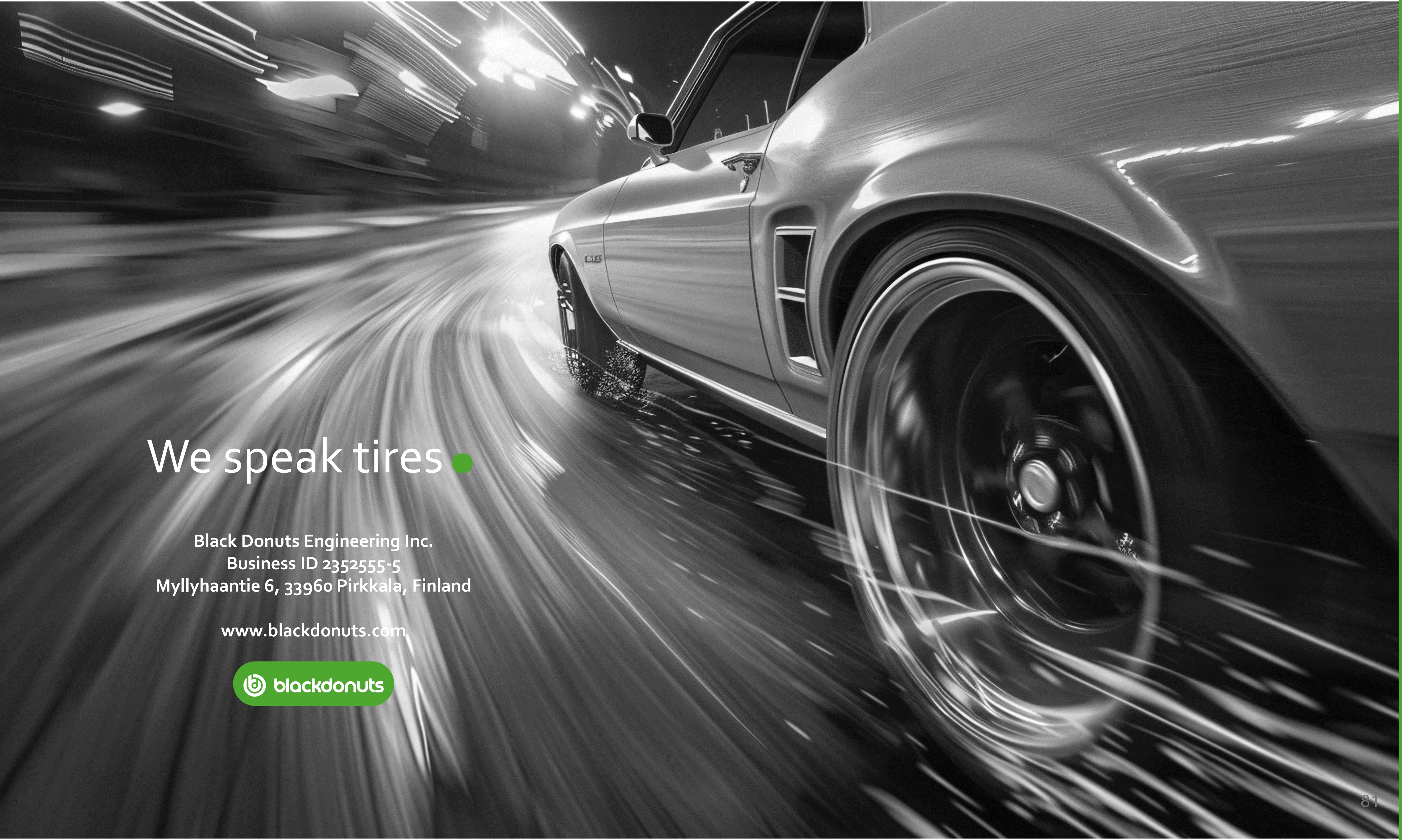
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially 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 28.3.2024
Ernst & Young Oy
Authorized Public Accountant Firm

Juha Hilmola
Authorized Public Accountant



We speak tires

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