MANAGEMENT REPORT

T-Drill Oy, together with its wholly owned subsidiary T-Drill Industries Inc. (USA), constitutes a subgroup of Leinolat Group, whose parent company is Oy Leinolat Ab. Oy Leinolat Ab holds 92% of the shares in T-Drill Oy. The other companies within Leinolat Group are Leimec Oy, Uwira Oy, Kilkanen Oy and Bobi.com Oy.

The year 2024 was characterised by a mixed economic environment. Inflation and interest rates began to decline, but economic growth in the Euro area remained weak, which contributed to subdued demand for the company's solutions in the area. In contrast, the US economy continued to grow strongly, supporting the company's exports to the North American market. At the end of the financial year, the company's order book was slightly lower than a year earlier.

In 2024, the parent company's net sales totalled EUR 18.7 million (in 2023 EUR 17.9 million), an increase of 5%. The Group's net sales amounted to EUR 23.1 million (in 2023 EUR 22.7 million), an increase of 2%.

Markets

Favourable market development for T-Drill's solutions continued, particularly in the HVAC sector, various process industries, the automotive industry and the semiconductor industry. As demand for semiconductor components persisted, construction of new production facilities continued globally, and during the financial year the company received several orders from this market segment, particularly in Asia.

The company's growth remained particularly strong in North America and Mexico. In the United States, sales of T-Drill's portable and industrial machines were supported by economic growth that remained stronger than in the Euro area throughout the year, as well as by higher levels of investment in new technology and stronger demand compared with the Euro area.

Exports and foreign operations accounted for 93% of both the Group's and the parent company's net sales.

Profit, profitability and capital expenditures

The parent company recorded a profit of EUR 2,130 thousand (in 2023 EUR 2,767 thousand). The Group recorded a profit of EUR 1,768 thousand (in 2023 EUR 2,428 thousand).

The parent company's net sales increased by 5%. Sales to Europe decreased by 22%, while sales to North America increased by 41% and sales to other continents by 19%.

The Group's net sales increased by 2% year on year. The net sales of the subsidiary, T-Drill Industries Inc., measured in US dollars, rose by 15%. North America accounted for 39% of the Group's net sales.

During the financial year, the company entered into a business acquisition agreement with Larikka Oy covering the intellectual property and product rights to five different machines and technologies for tube processing and handling, as well as a patent

portfolio comprising nine principal patents and 43 country-specific patents in 24 countries.

The parent company's capital expenditures totalled approximately EUR 1,454 thousand and mainly related to the purchases of intellectual property and product rights, as well as to production equipment and minor purchases.

Key figures

	T-Drill Group			T-Drill Oy		
	2022	2023	2024	2022	2023	2024
Net sales (EUR thousand)	18,798	22,697	23,041	15,903	17,906	18,766
Operating profit (EUR thousand)	2,130	3,065	3,834	2,290	2,138	3,018
Operating profit margin, %	11.3 %	13.5%	16.6%	14.4%	11.9%	16.1%
Equity ratio	71%	54%	59%	64%	49%	56%

Product and operational development

During 2024, product development focused on completing the development and commercialisation of new flanging machine products, upgrading the corded power unit for portable machines, and implementing and commercialising the intellectual property rights and welding technology acquired during the financial year. In addition, a more versatile machine for manufacturing manifold-type components was developed during the financial year.

Product development was also carried out in connection with project-specific machine deliveries, including the introduction of a new generation of user interfaces.

In terms of operational development, in 2024 investments were made in areas such as training for manufacturing and assembly personnel and improving supplier cooperation, with the aim of ensuring high-quality component and machine deliveries to customers worldwide.

In 2024, product development costs accounted for approximately 6% of the Group's net sales. The costs were recognised as expenses for the financial year.

Safety is a high priority at T-Drill. Occupational safety activities continued in accordance with established practices. The company provides safe products and services to its customers and product users, as well as a safe working environment for its personnel. Occupational safety training for personnel was carried out throughout 2024.

Potential business risks

T-Drill's business is exposed to potential risks, the most significant of which include pandemics, wars, trade policy decisions in different countries, exchange rate fluctuations, increases in raw material and personnel costs, and the availability and price of materials and subcontracting. Exchange rate fluctuations affect profitability and the consolidated figures. Increases in raw material and personnel costs affect profitability.

T-Drill applies dynamic hedging in its foreign exchange risk management, with hedging decisions based on prevailing market conditions. External risk management uses derivative instruments such as forward contracts. Internal risk management uses matching.

The key risks relating to personnel, assets, operations and business interruption are insured.

Environment

Environmental considerations are integrated into production, product development and products in accordance with the principles of sustainable development. As part of Leinolat Group, T-Drill has had a sustainability strategy and related objectives in place since 2023.

T-Drill's major environmental impacts relate to the carbon handprint of its products, meaning their environmental impact compared with alternative manufacturing methods, including material and energy savings and reduced welding.

T-Drill's environmental management system is ISO 14001 certified.

Outlook

The company’s competitive technology, broad and continuously developing product portfolio, and customer base diversified across several industrial sectors and a wide geographical area provide opportunities for positive business development also during the current financial year. Growth potential is seen in the Asian markets, particularly for the company’s new innovations and technologies. During the financial year, the company will continue to participate in key industry trade fairs and further increase its investments in selected industrial sectors. Investments in digital and social media marketing will also be continued to build greater brand awareness.

However, the ongoing Russian war of aggression against Ukraine, subdued economic growth in the Euro area and potential increases in US import tariffs continue to create uncertainty in the global economy, which may therefore affect net sales and profitability during the current financial year.

Structural arrangements and treasury shares

T-Drill Oy's Extraordinary General Meeting was held on 30 December 2024. The General Meeting resolved on a directed share issue to the company’s employees. 80 new Series J shares were subscribed for in the share issue. The shares will be registered during 2025.

In addition, the General Meeting resolved to carry out a directed share issue free of charge to the company itself. In the share issue, 20 new Series J shares were issued to the company.

In connection with the share issue directed to employees, during the financial year the company granted loans to the employees who subscribed for shares in order to finance the subscription price. The subscribed shares have been pledged as security for the loans, and the other terms of the loans are equivalent to those prevailing in arm’s length transactions between independent parties. The loans granted to an individual who is a related party totalled EUR 184,090.97.

Under the new Articles of Association, the company's share capital is divided into 1,960 Series A shares, carrying 1,960 votes, and 100 non-voting Series J shares.

Following the share issue carried out during the financial year, the company holds 1,036 Series A shares and 20 Series J shares in treasury shares. The shares carry equal rights to dividends and the company's assets.

Administration

T-Drill Oy's Annual General Meeting was held on 5 April 2024. The following individuals were elected to serve as members of the Board of Directors: Lars-Erik Schöring of Vaasa as Chairman, Mari Kuhna of Mustasaari, Juha Kytölä of Vaasa, Tomas Hedenborg of Helsinki and Jonathan Leinola of Helsinki. Jouni Matikainen of Seinäjoki served as Chief Executive Officer.

The auditor was the firm of Authorised Public Accountants KPMG Oy, with Antti Mäkiluoma, Authorised Public Accountant (KHT), as the auditor with principal responsibility.

Personnel

During the financial year, the Group employed an average of 100 persons, of whom 14 were employed by the subsidiary.

	2024	**2023**	**2022**
Group	100	99	99
Parent company	86	85	82
of whom at the Laihia site	66	66	64
at the Isokyrö site	18	19	18

Wages and salaries for the financial year, EUR thousand

	2024	**2023**	**2022**
Group	6,300	5,738	5,270
Parent company	4,714	4,536	4,184

T-Drill's operations are guided by its vision, 'The Leading Innovator of Sustainable Tube and Pipe Fabrication Solutions', and the shared values of the entire Group: Trust, Transparency and Teamwork. The rights and obligations concerning personnel ensure the right to a safe and healthy working environment and personal well-being.

Board of Directors' proposal for the distribution of retained earnings

Distributable funds in the financial statements amount to EUR 6,316,834.75, of which the profit for the financial year is EUR 2,129,747.66. The Board of Directors proposes to the General Meeting that the distributable funds be used as follows: a dividend of EUR 1,494.03 per outstanding share, totalling EUR 1,500,006.12, be distributed, and the remainder be retained in retained earnings.

No material changes have occurred in the company's financial position after the end of the financial year. The company's liquidity is good and, in the Board of Directors' opinion, the proposed distribution of profits does not jeopardise the company's solvency.