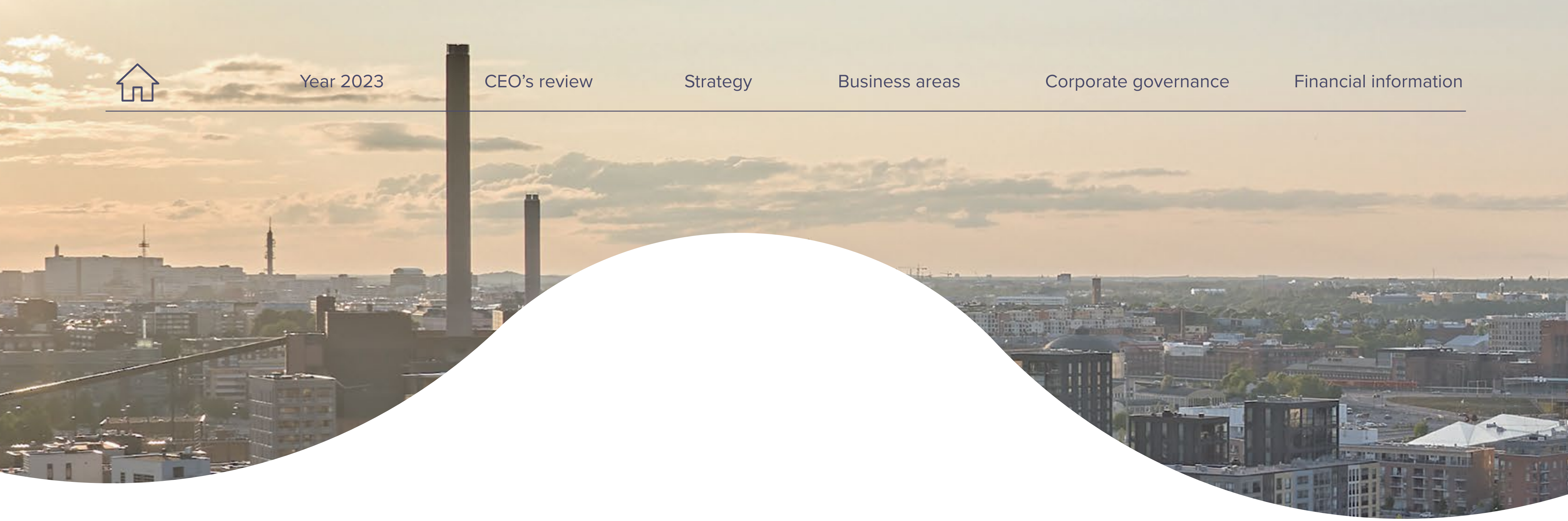
Annual Report 2023



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KH Group in brief

KH Group is a profitably growing Nordic conglomerate that develops its business operations with a long-term perspective, thus creating value for its shareholders. Our four business areas are leading players in their sectors in B2B products and services and consumer trade. The objective of our strategy change is to focus on the business of the earth-moving machinery supplier KH-Koneet.

Key figures 2023

403.3 MEUR
PRO FORMA NET SALES

11.7 MEUR
PRO FORMA OPERATING PROFIT

1 237
PERSONNEL

347.7 MEUR
BALANCE SHEET TOTAL

From investor to owner

KH Group's history began in 2012, when the listed company Scanfil's investment assets were transferred to Sievi Capital, and Scanfil Oyj continued its operations as a contract manufacturer in electronics. From 2016 onwards, Sievi Capital operated as a private equity company focused on unlisted companies. In December 2022, Sievi Capital published its new strategy, according to which it would first transform its operations into a conglomerate and later into an industrial group built around the business of KH-Koneet. As part of the change, Sievi Capital changed its name to KH Group in May 2023.

During its history, Sievi Capital developed a total of 12 companies, including Kitron, Apetit, Finelcomp, iLoq and Logistikas. Currently KH Group consists of four business areas: Indoor, KH-Koneet, NRG and HTJ.

Main events in 2023

APRIL

- HTJ expanded by acquiring the business of FinestCon Oy, an expert company specialising in construction management, supervision and project management.
- NRG divested its rescue lift business by selling the shares in Vema Lift Oy, which had been declared bankrupt, to a new owner which will continue the manufacturing of rescue lifts in Kaarina.

MAY

- Sievi Capital Plc's change of name to KH Group Plc came into effect. The name of the company was changed in the book-entry system and the stock exchange trading system on 10 May 2023, and the trading code of the share was changed to KHG.
- KH Group agreed an additional investment of EUR 0.75 million in NRG as part of a financing agreement with the company's largest owners.

JUNE

- On 30 June 2023, KH Group sold its shareholding in the logistics service company Logistikas to the Swedish logistics company Logent AB. KH Group's share of the purchase price after the deduction of net debt and transaction costs was approximately EUR 11.8 million.

AUGUST

- Lauri Veijalainen became the CEO of KH Group and Indoor Group on 1 August 2023.

SEPTEMBER

- Ville Nikulainen became the CFO of KH Group on 1 September 2023.

DECEMBER

- KH Group together with the other shareholders of Indoor Group Holding Oy made a follow-on investment with a combined value of EUR 2.8 million in Indoor. The follow-on investments were made in the form of a subordinated loan used to repay interest-bearing debts. The follow-on investments strengthen Indoor's balance sheet. KH Group's share of the subordinated loan in Indoor is EUR 2.1 million.

Change of direction in progress

In the strategy published in late 2022, KH Group changed its direction. The Group is transforming from a private equity investment company first into a conglomerate and later into an industrial group built around the KH-Koneet business. This change in direction began in earnest in 2023 and it was also reflected in the company's name, as we changed our name from Sievi Capital to KH Group in May.

Our pro forma net sales decreased by 6 per cent year-on-year to EUR 403.3 million. Our operating profit remained at the previous year's level of EUR 11.7 million. Our balance sheet position strengthened and our net gearing excluding lease liabilities was 116.7 per cent.

KH-Koneet is our future

Our new strategy is aimed at stronger value creation and better transparency in our operations. The decision to focus on the KH-Koneet business going forward was based on the company's strong profit performance and growth potential. We have been involved in supporting the development of KH-Koneet since 2017, and we are confident of its continued success in the years to come. This view is also supported by the company's performance in 2023. In highly challenging market conditions, the company clearly outperformed its competitors. EBITDA improved by more than 60% even though turnover fell by 22%.

Our change in strategy means that we are gradually divesting our other businesses. In June 2023, we sold our majority interest in Logistikas Oy to the Swedish logistics company Logent AB. We are satisfied with both the company's development during our period of ownership and the divestment. We were a majority shareholder in Logistikas for just under three years, and the company achieved strong growth in net sales during that period.

Continued development

In addition to KH-Koneet, we are the principal shareholder in Indoor, NRG and HTJ. We are continuing to develop these companies and we will only exit the businesses at the optimum stage in terms of value creation. During 2023, Indoor started to implement a new ERP system, which will be completed in the first half of 2024. The company's net sales and profitability remained on a par with the previous year, which can be regarded as a moderate achievement in a very challenging market situation. The rescue vehicle manufacturer NRG achieved a clear turnaround as its net sales and profitability returned to growth. The construction management company HTJ also achieved profitable growth, partly due to an acquisition.

All of the companies we own are in good shape and we will continue to develop them while assessing potential alternatives for ownership arrangements.

Stronger balance sheet

The change in strategy makes KH Group a rather different investment when compared to Sievi Capital. With this in mind, we have a strong focus on investor relations. We organised a Capital Markets Day in

November. In the latter part of the year, we published our new financial targets, which include strengthening the balance sheet and reducing net debt through business cash flow and exits. At the same time, we established a new dividend policy, according to which we aim to pay dividends after significant exits, while remaining within the limits of the balance sheet structure and financing agreements.

I started as the CEO of KH Group in August 2023. I also became the Chief Executive of Indoor Group at the same time. The past few months have been very busy, but we have accomplished a lot. I want to thank all of the personnel of KH Group and its subsidiaries for their valuable contribution. I am also very grateful for the strong support we have received from our shareholders.

Lauri Veijalainen

The strategic objective is to accelerate the growth of shareholder value

Starting from 2012, Sievi Capital was a private equity company that invested in unlisted small and medium-sized Finnish enterprises and was an active owner in its subsidiaries. Sievi Capital successfully increased the value of several of its subsidiaries together with their senior management and other shareholders. However, these successes were not fully reflected in the valuation of Sievi Capital's share. In December 2022, the company published its new strategy, which aims at accelerating the growth of shareholder value and increasing transparency.

The core of the strategy comprises two stages: The first stage is Sievi Capital's transformation into a conglomerate operating under the name KH Group. Later, it will become an industrial group built around the business of KH-Koneet. In the first stage, KH Group will continue to develop all of its subsidiaries until it exits from its businesses other than KH-Koneet in accordance with its investment strategy. The company will no longer make private equity investments in new industries. Focusing on a single industry will enable a longer-term approach to business development and better bring out the value of the business.

KH-Koneet has strong potential

The decision to focus on the development of KH-Koneet in the future is based on a number of factors. KH-Koneet is one of the leading construction and earth-moving machinery sales and rental companies in the Nordic countries. KH Group owns 90.7% of KH-Koneet. During KH Group's ownership, since 2017, the company's net sales have almost quadrupled and its EBITDA has increased nearly 2.5-fold.

The industry holds significant potential for both organic growth and acquisitions. KH-Koneet has demonstrated its ability to expand its offering, expand to new markets and successfully carry out acquisitions. The company already has an excellent position in Finland, but there are opportunities to increase its market share in Sweden. The company's success is also supported by its agile and well-managed organisation, strong customer insight and flexible business model.

Urbanisation, digitalisation and the green transition will sustain the demand for earth-moving machinery in the Nordic region in the future. At the same time, KH-Koneet has several customer segments and a broad customer base, which help balance out the impacts of cyclical fluctuations.

Continued development

In line with the strategy, the development of KH Group's other subsidiaries, will continue as before, taking into account the development phase and interest of each company. They also have opportunities to receive support for the implementation of growth projects and acquisitions. These subsidiaries will be divested at the optimal stage in terms of value creation. The intention is to use the funds obtained from the divestments of the other subsidiaries for acquisitions that support KH-Koneet, as well as dividends. The first exit was carried out in June when KH Group sold its holdings in Logistikas.

Change in reporting
KH Group's IFRS reporting as an investment entity ceases as it no longer meets the exemption for investment entities on the basis of which it has measured subsidiaries at fair value individually instead of consolidation.

Financial targets
During the implementation of the change in strategy, the company's balance sheet structure will change significantly. The aim is to strengthen the balance sheet structure and reduce net debt through business cash flow and exits.

Dividend policy
During the next few years, the aim is to invest in the growth of the core business and pay dividends after significant exits within the limits established by the balance sheet structure and financing agreements.

Logistikas was sold to a new owner

As part of its strategic transformation, KH Group, together with the other shareholders, sold the shares of Logistikas Oy to the Swedish logistics company Logent AB in June 2023. KH Group owned 66.5% of the share capital of Logistikas, and its share of the purchase price after the deduction of net debt and transaction costs was approximately EUR 11.8 million. The proceeds from the sale were used to repay the parent company's interest-bearing liabilities and make investments as required by the change in strategy, among other purposes.

Guidelines for the strategy period

KH-Koneet

Building the foundation for future growth
2023–2025

1. Investing in employee wellbeing and competence.
2. Harmonisation of operations.
3. Full service offering in all locations.
4. Expansion in Sweden and starting the sale of recycling equipment.

Investing in growth
2026–2028

1. Scaling up into new areas.
2. Expanding the portfolio, supported by product synergies.
3. Expanding rental operations and services.
4. Significant investments in low-emission machinery.

Indoor NRG HTJ

Strategic exits
2024–2025

Business development continues as before with a view to exiting them at the optimal stage for value creation.

Financial targets
2024–2025

1. Strengthening the balance sheet structure and reduction of net debt.
2. Investment in core activities.
3. Payment of dividends after exits within the limits of the balance sheet structure and financial agreements.

kh group

The leading machinery and rental company in the Nordic countries

Business areas

KH-Koneet

Indoor

NRG

HTJ

KH-Koneet

KH-Koneet, which supplies and rents construction and earthmoving equipment, strengthened its market position and improved profitability in 2023 in a challenging market environment. Among its customer segments, in building construction the economic cycle declined sharply in Finland and Sweden, while infrastructure construction and property maintenance maintained demand. In Sweden, the weakening of the Swedish krona pushed up prices and manufacturers experienced delays in the delivery of heavy excavators. KH-Koneet reacted quickly to market changes and, supported by a diversified offering, managed to overcome many challenges better than its competitors.

Net sales amounted to EUR 152.3 million, a decrease of 22%. Profitability remained at a good level, with an operating profit of EUR 9.0 million.

Rental operations and inventories supported sales

The improved market position and profitability in challenging market conditions were attributable to a number of measures taken by the company. Having anticipated the rising prices of machinery, KH-Koneet had increased its inventory levels above normal before the beginning of 2023. The inventories provided the company with room for manoeuvre in the pricing of machinery. The company's diverse offering was another significant competitive factor, as demand was focused on smaller machinery and equipment instead of heavy machinery. The demand for maintenance and spare parts services also remained good, and the popularity of machinery rental increased. KH-Koneet further developed its ability to serve customers after Törnells Maskinuthyrning, a company specialising in machinery rental services, joined its service network through an acquisition in 2022.

KH-Koneet sells and rents out machinery and equipment and provides services for needs related to earthworks, property maintenance and material handling. The brands it represents include Kobelco, Kramer, Wacker Neuson and Yanmar.

152.3 MEUR
NET SALES

9.0 MEUR
OPERATING PROFIT

201
PERSONNEL

A responsible provider of machinery

KH-Koneet's most important competitive factors are its diverse and loyal customer base, strong brands and highly competent professionals. The company wants to continue to be the most responsible provider of machinery in its market in the future, which is why it invests in developing its offering as well as the competence and wellbeing of its personnel. Customer needs are shaped by regulations that promote climate change mitigation, which require machinery to produce either lower emissions or no emissions at all. Small machinery powered by electricity is already available, and manufacturers are actively developing new models. KH-Koneet supports this development through cooperation with customers and manufacturers.

Towards a common culture

The market outlook for 2024 is brighter. The hope is that the downturn in construction will pass in both Finland and Sweden during the early part of the year. KH-Koneet sees significant potential particularly in Sweden, where its market share is smaller and its operating area is smaller than in Finland in relative terms. Delivery times are becoming significantly faster, which will facilitate deliveries in both of the company's operating countries. KH-Koneet will also invest in strengthening its common corporate culture, improving the sharing of information and streamlining its processes by centralising purchasing operations, for example.

Indoor

For Indoor, which focuses on furniture and interior decoration retail, the operating environment in 2023 was challenging. Decreasing household purchasing power and low confidence in the future led to a contraction in sales across the industry. Indoor's financial performance was moderate, as net sales and profitability remained close to the previous year's levels in spite of weaker demand.

Indoor comprises the Asko and Sotka chains and the furniture factory Insofa. Asko and Sotka have approximately 80 stores and an online store in Finland. Indoor Group closed its operations in Estonia, as announced in a release published in November 2023. The reason behind the decision was the unprofitability of the operations. Indoor Group's net sales was EUR 186.3 million (2022: EUR 192.2 million) and operating profit was EUR 1 million (2022: EUR 1 million).

E-commerce is growing

The furniture business is characterised by price competition, which means that the chains' strong brands and clear concepts are significant competitive factors. The Asko and Sotka chains have partly different target customer groups and product ranges. Insofa supports the operations of the two chains by producing sofas, beds and mattresses that are tailored to customers' wishes.

Asko's performance was subdued in 2023, while Sotka strengthened its market position and Insofa's production capacity was fully utilised. The furniture trade is moving partly from brick-and-mortar stores to the internet, and this was also reflected in the online stores of Asko and Sotka. Customers often use both channels when making their choices and purchases, which means that the physical retail network and online stores support each other to a significant degree.

Internal projects in progress

Indoor made swift progress in the execution of its strategy, and a number of development and efficiency improvement measures were under way. During 2023, Indoor started to implement a new ERP system, which will be completed in the first half of 2024. At the same time, Indoor focused on increasing its sales and marketing, strengthening its margins and developing the product selection and the Asko brand. As customer service is a key success factor in the retail trade, Indoor Group continued to maintain and improve it. It was also recognised that there was room for improvement in the workplace atmosphere, and various measures were introduced in response to this observation.

Strong position and well-known brands

Forecasts of an upturn in the housing market fuel hopes of a slight turnaround in the furniture and home decoration trade in Finland in 2024. Indoor expects that the development measures that have been taken will produce results and support sales and profitability. Indoor's good market position, well-known brands, committed personnel and strong balance sheet provide it with an excellent starting point for 2024.

Interior design trends are changing. Consumers increasingly value sustainable production methods and ecological materials.

The Fiona ottoman is produced in Asko's own sofa factory in Lahti. The factory combines 100 years of Finnish craftsmanship, state-of-the-art technology and a passion for high-quality products.

186.3 MEUR
NET SALES

1.0 MEUR
OPERATING PROFIT

702
PERSONNEL

NRG

The rescue vehicle manufacturer NRG achieved a turnaround in 2023. Net sales developed favourably and profitability turned positive after a difficult 2022. The previous challenges stemming from difficulties with the supply of components and truck chassis eased as the year went on, and material prices returned to normal to a large extent.

Swedcat airport firefighting vehicle, a flagship of Sala Brands's own design and production, at an airport in Sweden.

Saurus does the job, says fleet manager Jarmo "Jape" Turpeinen with 41 years of experience.

38.8 MEUR
NET SALES

1.9 MEUR
OPERATING PROFIT

111
PERSONNEL

NRG's comparable pro forma net sales increased by 23% to EUR 38.8 million in 2023 (2022: EUR 31.5 million) and EBITDA increased to EUR 2.5 million (2022: EUR 0.3 million). In 2023, EBITDA increased for both Saurus and Sala Brand, and administrative expenses were also significantly lower than in the comparison period. The average number of employees was 111 in 2023.

Strong market position

NRG is divided into two subsidiaries, with Saurus serving the Finnish market and Sala Brand the Swedish market. Rescue vehicles use country-specific standards, which means that the vehicles are produced in the target country. In addition to the production of customised rescue vehicles, NRG's operations include maintenance services for the vehicles. Both brands have a strong brand awareness and position in their respective markets. NRG's customer base consists mainly of public sector organisations and large companies that own production facilities. There was a change in the customer base in Finland as the wellbeing services counties started their operations at the beginning of 2023.

The development of NRG's operations continued with services (maintenance, modernisation and spare part sales) being separated into dedicated functions and production efficiency being improved to increase capacity. The aim is to deliver vehicles within approximately 7–9 months of receiving an order.

Favourable outlook

A record-high order book and the normalised prices of materials put NRG in a good position for 2024. The aim is to identify new international markets and increase production capacity through development projects and recruit new talent as needed.

HTJ

The construction management company HTJ had a year of active growth in 2023. HTJ is an expert in construction management, project management and site supervision. It acts as a consultant to public and private sector customers in business premises, infrastructure and industrial construction projects, and also has extensive expertise in energy and environmental issues.

HTJ's net sales increased by 14% to EUR 26.3 million (2022: EUR 23.1 million) and operating profit rose to EUR 2.6 million (2022: EUR 2.8 million). Net sales growth was achieved both organically and by acquiring the business operations of FinestCon Oy. HTJ had 217 employees on average during 2023.

An even stronger service offering

The FinestCon acquisition in April strengthened HTJ's services particularly in the Jyväskylä and Kuopio regions and in wind power construction, which is a new area of expertise for HTJ. The demand for services in the energy and environmental sectors is increasing as the energy transformation moves forward. HTJ invested in expanding these service areas by recruiting new experts in these fields and by increasing its competence through internal training, for example.

Broad customer base

HTJ's customers include long-term and one-off developers in the public and private sectors, many of which are long-term framework agreement and cooperation partners. The company's customer volumes grew and it strengthened its market position in 2023. As an independent operator, HTJ is able to serve its customers reliably, and its flat organisational structure ensures that its operations are efficient and agile. The company achieved excellent results in its 2023 customer satisfaction survey, with the Net Promoter Score (NPS) improving to 80 on a scale of -100 to +100. As a rule, HTJ's customers are satisfied or very satisfied with the services provided by the company.

Highly competent and committed employees are the most important success factor for an expert organisation. HTJ offers interesting work, opportunities for competence development and the freedom to work on a time- and place-independent basis. HTJ also looks after the well-being of its personnel. The excellent results of HTJ's personnel survey speak to the company's position as a highly sought-after employer. In its 2023 Siqni personnel survey, the company earned another Future Workplaces certificate, which indicates that HTJ understands its employees' needs to a very great extent.

Moving on to 2024 with confidence

HTJ enters 2024 in a good position and its order book is at a good level. Strengthening its energy and environmental services will continue to be among the company's key priorities. Ensuring the adequate availability of skilled personnel is necessary for growth. HTJ has many professionals with long careers behind them, and it is important to pass on their knowledge to younger experts.

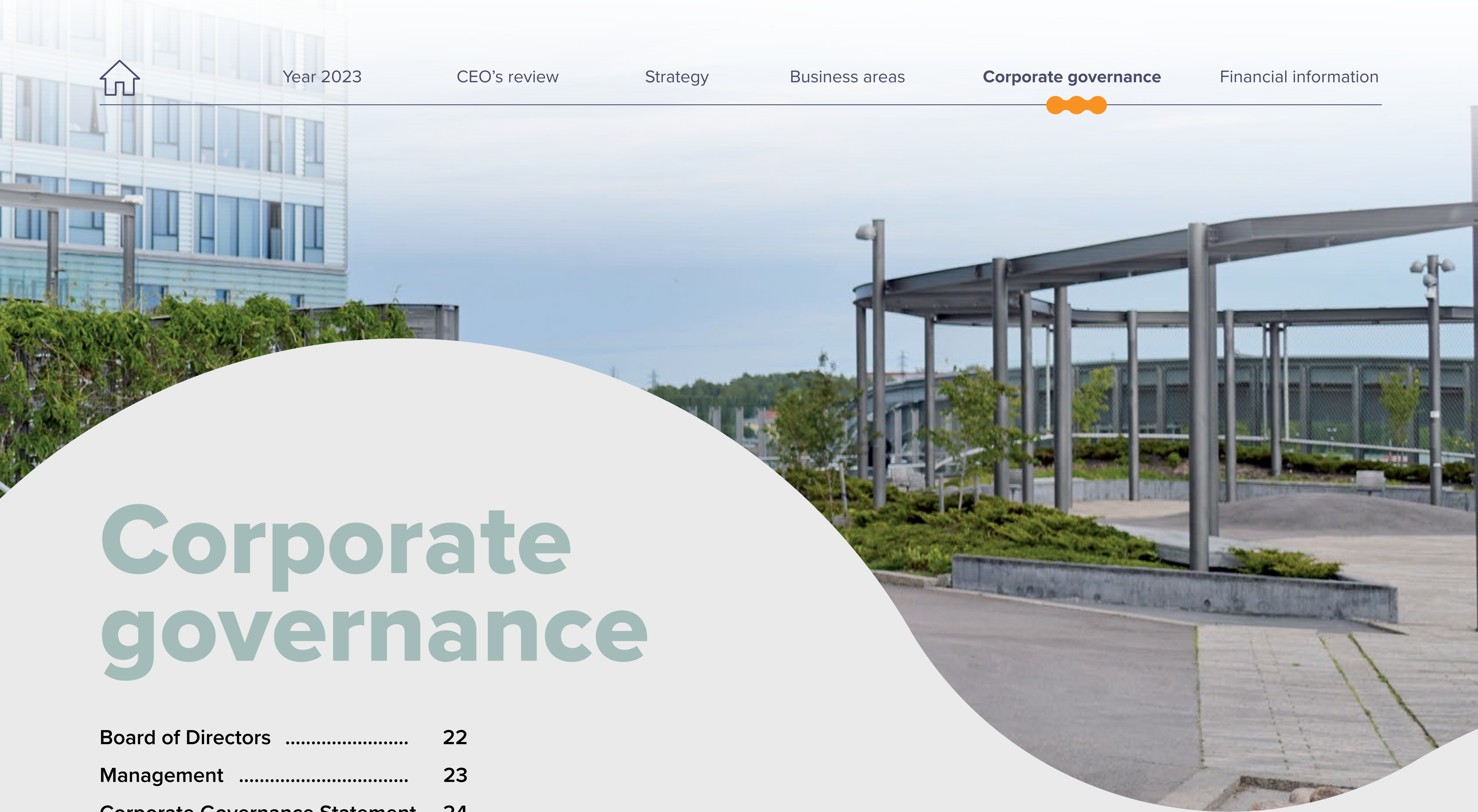
NREP Logicenters had a logistics centre built in Nurmijärvi's Ilvesvuori district with a total area exceeding 25,000 m2. HTJ's involvement in the project included construction management as well as site management and supervision. The construction was carried out on an exceptionally quick schedule. The project was implemented in less than a year and the centre was completed in May 2023.

26.3 MEUR
NET SALES

2.6 MEUR
OPERATING PROFIT

217
PERSONNEL

In summer 2023, KH Group team visited Kalasatama to explore its infrastructure projects. From left: Tiina Gröndahl, Administrative and Communications Manager; Tommi Rötkin, Investment Director and Ville Nikulainen, CFO



Corporate governance

Board of Directors

Juha Karttunen

- Chairman of the Board since 2022
- b. 1964
- M.Sc. (Econ.), CEFA
- Main occupation: Sisu Partners Ltd, Partner, CEO
- Shareholding on 31 December 2023: 70,000 shares
- Independent of the company and major shareholders

Kati Kivimäki

- Member of the Board since 2019
- b. 1973
- BBA, MBA
- Main occupation: Board professional
- Shareholding on 31 December 2023: 0 shares
- Independent of the company and major shareholders

Timo Mänty

- Member of the Board since 2022
- b. 1960
- M.Sc. (Econ.)
- Main occupation: Board professional
- Shareholding on 31 December 2023: 55,100 shares
- Independent of the company and major shareholders

Taru Narvanmaa

- Member of the Board since 2019
- b. 1963
- M.Sc. (Econ.)
- Main occupation: Board professional
- Shareholding on 31 December 2023: 10,000 shares
- Independent of the company and major shareholders

Harri Sivula

- Member of the Board since 2022
- b. 1960
- M.Sc. (Admin.)
- Main occupation: Board professional
- Shareholding on 31 December 2023: 0 shares
- Independent of the company and major shareholders

Management

Lauri Veijalainen

- CEO since 2023
- b. 1968
- B.Sc., MBA
- Shareholding on 31 December 2023: 0 shares

Ville Nikulainen

- CFO since 2023
- b. 1970
- M.Sc. (Econ.)
- Shareholding on 31 December 2023: 0 shares

Corporate Governance Statement

INTRODUCTION

KH Group Plc is a publicly listed limited liability company. Its corporate governance complies with the company's Articles of Association, the Finnish Limited Liability Companies Act and other laws and regulations governing the company. In addition, the company complies with the Corporate Governance Code of Finnish listed companies that entered into force on 1 January 2020. The Corporate Governance Code is available at the Securities Market Association's website at .www.cgfinland.fi/en.

KH Group's Corporate Governance Statement has been prepared as a publication that is separate from the Board of Directors' report. The statement has been discussed and approved by the company's Board of Directors.

ANNUAL GENERAL MEETING

The ultimate decision-making power lies with KH Group's general meeting of shareholders. The Annual General Meeting (AGM) makes decisions on matters addressed to it by the Limited Liability Companies Act and the company's Articles of Association. Key matters resolved by the AGM are adopting the financial statements, discharging the Board of Directors and the CEO from liability, deciding on the distribution of profit, electing the members of the Board of Directors and the auditors and deciding on their respective remuneration.

The company's AGM is held annually by the end of June. An Extraordinary General Meeting may be held for the purpose of dealing with a specific matter when deemed necessary by the Board of Directors or when requested in writing by the auditor or by shareholders representing at least one tenth of the company's shares. The notice of the General Meeting must be delivered to the shareholders no earlier than three (3) months and no later than three (3) weeks prior to the General Meeting, and no later than nine (9) days prior to the record date of the General Meeting. The notice is delivered to the shareholders by publishing it on the company's website or in a newspaper designated by the Board of Directors or by sending it by mail to the addresses recorded in the company's shareholder register.

KH Group's Annual General Meeting was held on 4 May 2023. The Annual General Meeting resolved to amend Article 1 and Article 2 of the company's Articles of Association to take into account the change in strategy announced by the company on 15 December 2022, which will transform the company from a private equity investment company into a conglomerate, and in connection with which the company will change its name and line of business. The name of the company was changed to KH Group Plc and the line of business was changed to industrial activities and related services, as well as the supervision and management of the activities of the company's subsidiaries.

BOARD OF DIRECTORS

The task of the Board of Directors is to see to the governance of the company and the appropriate organisation of the company's operations in accordance with the Finnish Limited Liability Companies Act. According to KH Group's Articles of Association, the Board of Directors consists of a minimum of three and a maximum of seven ordinary members.

NOMINATION BOARD

The Annual General Meeting of 11 May 2022 resolved to establish a Shareholders' Nomination Board, which is responsible for preparing annually, and as necessary, proposals concerning the composition, election and remuneration of the members of the Board of Directors.

The Nomination Board consists of four members, with the company's three largest shareholders each having the right to nominate one member, and one member being the Chair of the Board of Directors of the company or another member elected by the Board of Directors from among its members. The company's largest shareholders, entitled to nominate members, are determined each year on the basis of the registered holdings in the company's shareholders' register on the last working day of August.

The present Nomination Board of KH Group comprises three representatives of the Company's largest shareholders based on the ownership situation on 31 August 2023 and the Chairman of the Board of Directors of KH Group. The members of the Nomination Board are:

- Simon Hallqvist, Preato Capital AB
- Mikko Laakkonen
- Johanna Takanen
- Juha Karttunen, Chairman of the Board of Directors of KH Group.

In its organizing meeting on 9 October 2023, the Nomination Board elected Simon Hallqvist as its Chairman.

The primary purpose of the Nomination Board is to prepare and present proposals for the Annual General

Meeting concerning the composition and remuneration of the Board of Directors. The Nomination Board delivers its proposals for the Annual General Meeting to the Company's Board of Directors by the last day of January preceding the Annual General Meeting at the latest.

Tasks of the Board of Directors

The Board of Directors has approved rules of procedure for itself, which define the Board's key tasks, operating principles and meeting practices as well as an annual self-assessment of the Board's activities.

According to the rules of procedure, the key tasks of the Board of Directors include:

- to confirm the company's business strategy and supervise its implementation;
- to confirm the company's values and policies;
- to confirm annual key business targets and monitor the Group's result development;
- to decide on investment projects and divestments;
- to review and approve financial statements and other financial reports;
- to appoint and dismiss the CEO;
- to decide on the incentive schemes of the management and the personnel;
- to monitor the company's key business risks and their management, be responsible for the company's internal control system and confirm the policies and guidance related to them;
- to take care of the compulsory duties of the Audit Committee; and
- to prepare proposals to subsidiary's shareholders concerning the election of the members of the Board of Directors in subsidiary.

The Board's tasks related to financial reporting, internal control and risk management include, for instance:

- to monitor the company's financing and financial position and the financial statements reporting process;
- to supervise the financial reporting process;
- to monitor and supervise significant strategic and operational risks and the actions of the company's management to monitor, manage and report the risks;
- to monitor the transactions of the company's management and their related parties and any possible conflicts of interest related to them;
- to review the Corporate Governance Statement; and
- to prepare a proposal to the Annual General Meeting for the decision concerning the election of an auditor and to evaluate the auditor's independence.

The Board of Directors is also responsible for the following tasks, which fall under the Remuneration Committee's responsibility according to the Corporate Governance Code of Finnish listed companies:

- to decide on the remuneration and other benefits of the CEO and other management;
- to formulate and implement the process of finding successors for the CEO and other management; and
- to develop and evaluate the remuneration schemes and ensure their appropriateness.

Information about Board members and their shareholdings

Name	Personal data	Shareholding on 31 December 2023	Meeting attendance
Juha Karttunen	Chair of the Board of Directors since 11 May 2022 Born: 1964 Education: M.Sc. (Econ.), CEFA Main occupation: CEO, Sisu Partners Oy Independent of the company and its major shareholders	70,000	19/19
Kati Kivimäki	Member of the Board of Directors since 2019 Born: 1973 Education: BBA, MBA Main occupation: board professional Independent of the company and its major shareholders	0	19/19
Timo Mänty	Member of the Board of Directors since 11 May 2022 Born: 1960 Education: M.Sc. (Econ.) Main occupation: board professional Independent of the company and its major shareholders	55,100	19/19
Taru Narvanmaa	Member of the Board of Directors since 2019 Born: 1963 Education: M.Sc. (Econ.) Main occupation: board professional Independent of the company and its major shareholders	10,000	19/19
Harri Sivula	Member of the Board of Directors since 11 May 2022 Born: 1962 Education: M.Sc. (Admin.) Main occupation: board professional Independent of the company and its major shareholders	0	18/19

Composition, independence evaluation and diversity of the Board of Directors

The Annual General Meeting of 4 May 2023 re-elected Juha Karttunen, Kati Kivimäki, Timo Mänty, Taru Narvanmaa and Harri Sivula to the Board of Directors. Based on an assessment of independence conducted by the Board of Directors in accordance with the Finnish Corporate Governance Code, the current Board of Directors considered all members of the Board of Directors to be independent of the company and of the significant shareholders of the company.

The company deems it important that its Board members have diverse backgrounds; however, it should be taken into account that the members have the competencies that are essential for the company's business. The aim is that the Board members have diverse, complementary professional backgrounds, experience and know-how and that the Board consists of representatives of both genders, so that the diversity of the Board supports KH Group's business and future in the best possible way. The objective of Board diversity is to ensure, for instance, a wide scope of views, open discussion and support for and challenging of the company's operational management.

Committees

Board committees have not been established in KH Group. The Board of Directors is responsible for taking care of the compulsory duties of the Audit Committee. According to the view of the Board of Directors, the Board's operating without committees is the most suitable option considering the current needs of the company's business and best supports the fulfilment of the responsibilities of the company's Board according to law and the Corporate Governance Code of Finnish listed companies.

Board meetings

In 2023, the Board of Directors held 13 meetings and made 6 unanimous decisions without holding a meeting. The attendance rate of the Board members at the meetings during the financial period 2023 was 99%. Information about the Board members' meeting attendance is presented in the table below.

CEO AND OTHER MANAGEMENT

CEO

The company's Board of Directors appoints the CEO and decides on the terms of her/his service contract and remuneration. The CEO manages and supervises the company's business operations according to the Finnish Limited Liability Companies Act and the instructions and authorisations issued by the Board of Directors. Lauri Veijalainen has been the CEO of KH Group since 1 August 2023.

From 1 January 2023 to 21 March 2023, the CEO was Jussi Majamaa, and from 22 March 2023 to 31 July 2023, the CEO was Ville Nikulainen.

Other management

The company's other management includes the CFO. The CFO is responsible for the financial reporting process and supports the CEO in the management of the company's business operations. Ville Nikulainen has been CFO of KH Group since 1 September 2023. Tuomas Joensuu served as CFO until 31 August 2023.

RISK MANAGEMENT, INTERNAL CONTROL AND AUDIT

Risk management

The goal of KH Group's risk management is the comprehensive and proactive management of risks. The company aims to detect and identify factors that may have a negative impact on the achievement of the company's goals in a long or short term and to take necessary measures to manage these factors. In risk management, a key role is played by risk management at the business level, which is primarily organised as part of the business operations. KH Group's management promotes and monitors risk management by the businesses through active Group-level guidance and by participating in the work of the boards of directors of the Group companies.

KH Group is a conglomerate whose medium-term objective is to become an industrial group built around the KH-Koneet Group business. The company's Board of Directors confirms the company's strategy and action plan, which defines goals related to the development of the business areas and future exits, among other things. The Board of Directors makes decisions on business area exits and oversees the implementation of operations. Due to the nature of the company's operations and the change in strategy, a significant proportion of KH Group's material risks are related to the company's business areas, their activities, and exits.

Internal control and audit

Internal control at KH Group is an ongoing process to secure business performance and continuity. The objective of control is to minimise risks by ensuring that reporting is reliable and that laws and regulations are being followed.

Considering the structure and scope of the company's business, setting up a separate internal audit organisation has not been considered appropriate thus far. The company's management is responsible for the internal control system. Internal control is an active part of the company's management and governance.

The basis of financial control is formed by the controls included in operational processes, which enable the fast detection of deviations and fast reactions to them. A material part of the financial control is monthly reporting by management. The metrics followed in the monthly reporting have been set so that they support the company in reaching its targets and highlight issues that require controlling actions. Due to the nature of the business, budgeting in its traditional form is not used in the parent company. The interpretation and application of the accounting standards is centralised to the corporate financial administration

Insider management

KH Group complies with the insider provisions of the EU Market Abuse Regulation, which entered into force on 3 July 2016, and the insider guidelines of Nasdaq Helsinki. In addition, the company has its own Insider Policy, which complements Nasdaq Helsinki's insider guidelines.

KH Group does not maintain a list of permanent insiders. Project-specific insider lists are maintained for each project constituting inside information, as defined in insider provisions, based on the insider guidelines of Nasdaq Helsinki and the company's own internal guidelines.

KH Group maintains an internal list of its managers and persons closely associated with them (related parties). The list is not public. KH Group has determined the members of the Board of Directors, the CEO and the CFO as managers defined in the Market Abuse Regulation. Each manager and their related parties are obligated to report to KH Group and the Financial Supervisory Authority all transactions made with financial instruments issued by KH Group. KH Group publishes these transactions in a separate stock exchange release. The total shareholding of each manager is annually published as part of the Corporate Governance Statement according to the Corporate Governance Code of Finnish listed companies.

KH Group's above-mentioned managers, personnel and any other persons involved in the preparation, compilation and publication of the company's financial reports may not conduct any transactions related to KH Group's financial instruments within 30 calendar days prior to the publication of the company's financial results.

Principles regarding related party transactions

KH Group evaluates and monitors the transactions with its related parties and maintains a list of its related parties. The company does not customarily enter into transactions with its related parties which would be significant for the company and deviating from the ordinary course of business or would be conducted in deviation from customary market terms. The company did not enter into such transactions in 2023. The Board of Directors decides on possible related party transactions that deviate from the ordinary course of business or customary market terms.

Auditing

According to its Articles of Association, KH Group Plc has one auditing firm as its statutory auditor with an Authorised Public Accountant as the principal auditor. The term of the auditor terminates at the end of the first Annual General Meeting following their election.

The company's current auditor is the firm of APA auditors KPMG Oy Ab, with Esa Kailiala, APA, as the principal auditor.

In 2023, the audit fees paid to the auditor amounted to EUR 88,500 and the fees related to other non-audit services totalled EUR 84,525.

Information about the CEO and other management and their shareholdings

Name	Position	Personal data	Shareholding on 31 December 2023 (1)
Lauri Veijalainen	CEO From 1 August 2023	Born: 1968 Education: B.Sc., MBA	0
Ville Nikulainen	CEO 22 March–31 July 2023 CFO From 1 September 2023	Born: 1970 Education: M.Sc. (Econ.)	0
Jussi Majamaa	CEO 1.1. Until 21 March 2023	Born: 1971 Education: M.Sc. (Econ.)	11,000 (2)
Tuomas Joensuu	CFO 1.1. Until 31 August 2023	Born: 1992 Education: M.Sc. (Econ.)	24,268

(1) Including shareholding through controlled entities
(2) Shares held through the conrolled entity Origo Partners Oy

Governing bodies' remuneration report

INTRODUCTION

This remuneration report has been prepared in accordance with the remuneration reporting guidelines of the Finnish Corporate Governance Code.

The principles of the remuneration of KH Group's governing bodies, that is, the Board of Directors and the CEO, are defined in the Remuneration Policy that was approved by the Annual General Meeting of KH Group (formerly Sievi Capital) on 4 May 2023.

The purpose of KH Group's Remuneration Policy is to contribute to the company's business strategy and promote the company's long-term financial success. The key principles of the Remuneration Policy are that remuneration must be fair and competitive, enhance commitment and support the company's goals. Remuneration should also support the alignment of interests of the shareholders and the governing bodies.

The table below shows the development of the remuneration of the Board of Directors and the CEO compared to the development of the average remuneration of the Group's employees and the financial development of the company in the previous five financial periods.

Average salaries, wages and fees, EUR 1,000

Name	2019	2020	2021	2022	2023
Member of the Board of Directors (1)	25	28	27	28	31
CEO (2)	219	220	404	288	423 (2)
Personnel (3)	120	119	170	197	163
Return on equity, %	17.7	12.7	21.6	-9.2	-10.5

(1) Includes the Chair of the Board of Directors
(2) Does not include the CEO's severance payment
(3) The salaries, wages and fees for the financial period, including the portion of share-based remuneration paid during the financial year, minus fees paid to the Board of Directors and then divided by the average number of personnel. Includes the CEO.

Fees paid to the Board of Directors in 2023

Name	Position	Board fees, EUR (1)
Juha Karttunen	Chair of the Board of Directors	42,600
Kati Kivimäki	Member of the Board of Directors	27,600
Timo Mänty	Member of the Board of Directors	27,600
Taru Narvanmaa	Member of the Board of Directors	27,600
Harri Sivula	Member of the Board of Directors	27,600

The figures in the table are shown on a payment basis
(1) The fees paid by the parent company

The members of KH Group's Board of Directors did not receive shares or share-based benefits as remuneration in the financial period 2023.

KH Group has taken out TyEL employment pension insurance for the members of the Board of Directors and paid the TyEL contributions for the fees of the members of the Board of Directors. The employee's share of the TyEL contributions has been deducted from the fees. The TyEL contributions per individual paid by KH Group in 2023 were as follows: Juha Karttunen EUR 3,685, Kati Kivimäki EUR 1,973, Taru Narvanmaa EUR 2,387 and Harri Sivula EUR 2,387.

The travel expenses of the members of the Board of Directors were compensated in accordance with the company's Travel Policy.

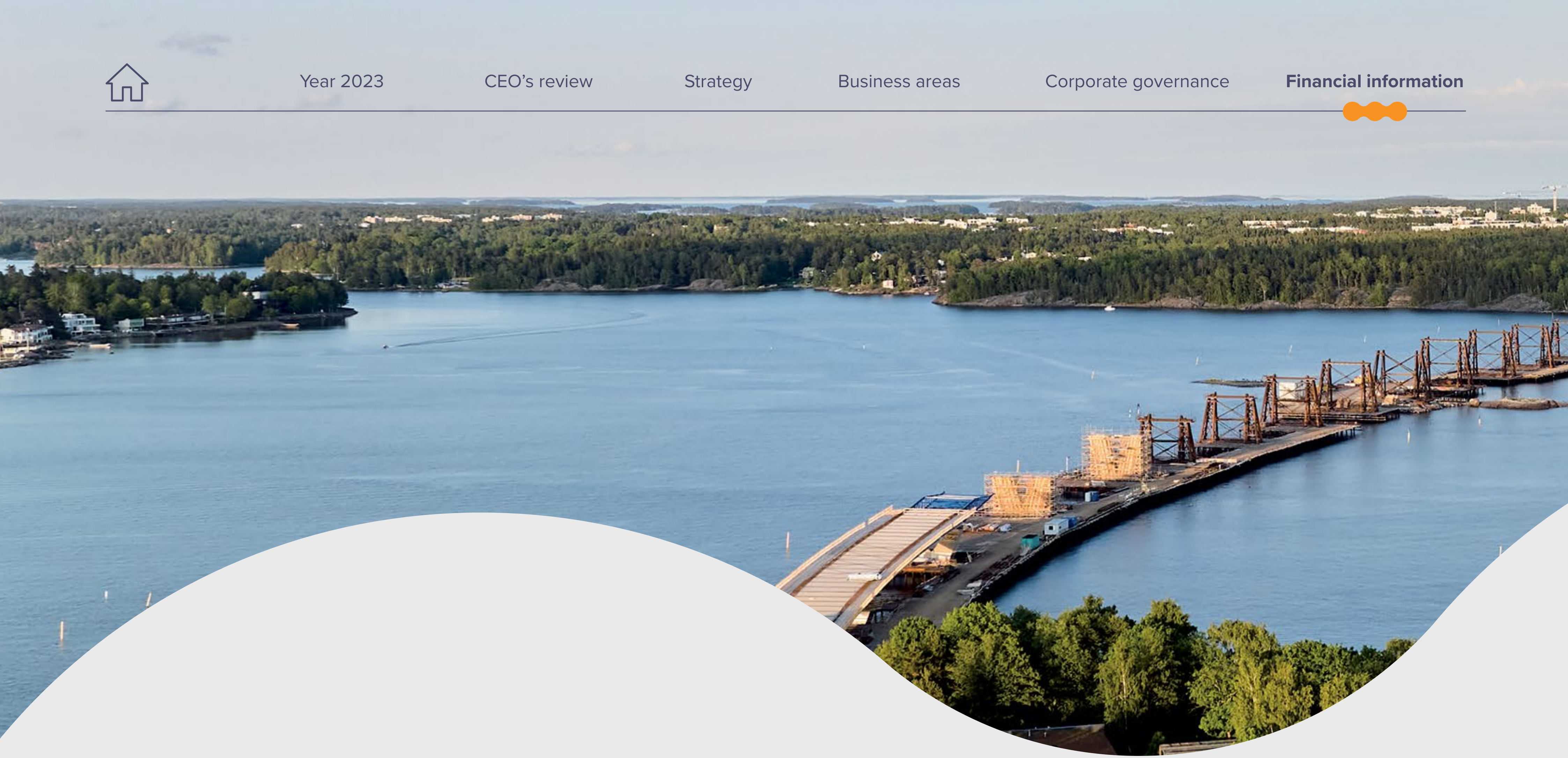
Salary and fees paid to the CEO in 2023

Name	Fixed remuneration (incl. fringe benefits), EUR	Share-based remuneration, EUR	Total, EUR
Lauri Veijalainen (1) (CEO from 1 August 2023)	136,000	-	136,000
Ville Nikulainen (CEO 22 March–31 July 2023)	43,478	-	43,478
Jussi Majamaa (CEO until 21 March 2023)	189,733	-	189,733

The figures in the table are shown on a payment basis
(1) Includes the CEO's salary paid by Indoor Group

In 2023, Ville Nikulainen served on the boards of directors of KH Group's subsidiaries Indoor Group, KH-Koneet Group, Nordic Rescue Group, HTJ and Logistikas. For this, he received total cash remuneration amounting to EUR 3,500.

In 2023, Jussi Majamaa served on the boards of directors of KH Group's subsidiaries Indoor Group, KH-Koneet Group, Nordic Rescue Group, HTJ and Logistikas. For this, he received total cash remuneration amounting to EUR 4,800.



Financial information

Financial information section that includes Board of Directors' report and financial statements is voluntarily published pdf report and therefore, it does not fulfill the disclosure obligation pursuant to Secion 7:5§ of the Securities Markets Act.

Board of Directors' report

Based on the change in strategy announced on 15 December 2022, Sievi Capital Plc transformed its operations from a private equity investment company into a conglomerate on 4 May 2023 by a decision of the Annual General Meeting. In connection with this, the company's name was changed to KH Group Plc. The trading code of the share was previously SIEVI and was changed to KHG as a result of the change of the trade name on 10 May 2023.

KH Group's strategy will no longer include making private equity investments in new industries. The medium-term objective is to become an industrial group built around the KH-Koneet business. The development of other business areas will continue in the same way as before, and the aim is to divest them in line with the previous investment strategy.

KH Group did not previously consolidate the data of its subsidiaries into Group-level calculations line item by line item, but recognised investments in the companies at fair value through profit and loss. Starting from 1 May 2023, the Group has consolidated its subsidiaries into the income statement and balance sheet line item by line item. More information on the change in accounting principles and its significant effects on the reported figures is provided in the accounting principles.

The pro forma financial figures presented below in the Board of Directors' report have been prepared for illustrative purposes only. The pro forma figures aim to illustrate the comparable result of the segments and the Group if the change in investment entity status had taken place on 1 January 2022, and the companies that were part of the group structure on 31 December 2023 had been consolidated into the income statement line item by line item for the periods 1 January–31 December 2022 and 1 January–31 December 2023.

The financial statements presented below have been prepared in accordance with the IFRS standards and do not contain pro forma information.

The pro forma figures are based on the subsidiaries' audited financial statements for the financial years 2022 and 2023.

The segment and consolidated income statement comments in the Board of Directors' report have been prepared on the basis of pro forma figures, unless otherwise stated. The section "Pro forma financial information" presents more detailed accounting principles and reconciliation calculations between the reported and pro forma figures. KH Group has not drawn up pro forma figures for balance sheet and cash flow items.

CONSOLIDATED KEY FIGURES IFRS

EUR million	2023	2022	2021
Net sales, IFRS	270.6	-	-
EBITDA, IFRS	10.2	-10.0	20.3
EBITDA, %	3.8 %	-	-
Operating profit (EBIT), IFRS	-14.4	-10.1	20.2
Operating profit (EBIT) %	-5.3 %	-	-
Return on equity, %, rolling 12 months	-17.5 %	-9.2 %	21.6 %
Return on capital employed, %, rolling 12 months	-7.8 %	-10.4 %	22.4 %
Gearing, %			
Gearing, excluding lease liabilities, %	195.4 %	9.2 %	8.6 %
Equity ratio, %	116.7 %	9.0 %	8.4 %
	23.2 %	77.9 %	82.4 %
Personnel, average			
-Personnel, average, comparable (1)	1237	5	-
	1237	1 265	-
Earnings per share, EUR, undiluted			
Earnings per share, EUR, diluted	-0.18	-0.14	0.32
Shareholders' equity per share, EUR	-0.18	-0.14	0.32
	1.36	1.47	1.61
Lowest share price, EUR			
Highest share price, EUR	0.73	1.00	1.06
Share price at the end of the period, EUR	1.21	1.99	2.65
Market capitalisation at the end of the period, EUR million	0.81	1.18	1.92
	47.3	68.4	111.3
Number of shares at the end of the period, 1,000			
Average number of shares, undiluted, 1,000	58,079	58,079	58,079
Average number of shares, diluted, 1,000	58,079	58,079	58,051
Osakkeiden lukumäärä keskimäärin, laimennettu, 1 000 kpl	58,079	58,124	58,145

(1) Change in investment entity status retrospectively taken into account in the comparable number of employees

FINANCIAL PERFORMANCE

KH Group

Pro forma key figures

The accounting principles applied in preparing the pro forma figures and reconciliations with the reported figures are presented below in the report under "Pro forma financial information".

EUR million	Q4/23	Q3/23	Q2/23	Q1/23	1–12/23	Q4/22	Q3/22	Q2/22	Q1/22	1–12/22
Net sales	105.3	97.6	100.2	100.2	403.3	114.3	104.8	113.1	96.8	428.9
EBITDA	**13.4**	**13.6**	**9.1**	**9.1**	**45.3**	**11.3**	**13.9**	**10.7**	**6.4**	**42.4**
EBITDA, %	12.8%	13.9%	9.1%	9.1%	11.2%	9.9%	13.3%	9.5%	6.6%	9.9%
EBIT	**4.7**	**5.1**	**0.9**	**1.0**	**11.7**	**3.6**	**6.0**	**2.7**	**-0.5**	**11.9**
Operating profit (EBIT) %	4.4%	5.2%	0.9%	1.0%	2.9%	3.1%	5.8%	2.4%	-0.5%	2.8%

KH Group's net sales decreased by 6% to EUR 403.3 (428.9) million. Net sales decreased in KH-Koneet and Indoor Group and increased in both HTJ and Nordic Rescue Group. Operating profit was positive in all business segments. Of the businesses, Nordic Rescue Group improved its operating profit year-on-year and returned to a clear profitability. The parent company's share of the operating profit for the financial year was EUR -2.9 (-2.2) million. The factors contributing to the parent company's increased operating expenses include project expenses associated with the change in strategy, which totalled EUR -0.8 million for the financial year.

SEGMENTS

KH-Koneet

Pro forma key figures

The accounting principles applied in preparing the pro forma figures and reconciliations with the reported figures are presented below in the report under "Pro forma financial information".

EUR million	Q4/23	Q3/23	Q2/23	Q1/23	1–12/23	Q4/22	Q3/22	Q2/22	Q1/22	1–12/22
Net sales	39.1	32.3	40.4	40.5	152.3	48.0	42.9	51.7	39.5	182.1
EBITDA	**6.1**	**5.0**	**4.8**	**4.5**	**20.5**	**5.4**	**5.2**	**6.5**	**3.4**	**20.5**
(EBITDA) %	15.6%	15.5%	12.0%	11.2%	13.4%	11.3%	12.1%	12.6%	8.6%	11.3%
EBIT	**3.2**	**2.0**	**2.0**	**1.8**	**9.0**	**2.8**	**2.6**	**3.6**	**1.5**	**10.5**
Operating profit (EBIT) %	8.1%	6.3%	5.0%	4.5%	5.9%	5.9%	6.0%	7.0%	3.8%	5.8%

KH-Koneet is one of the leading construction and earth-moving machinery suppliers in the Nordic countries. The company sells and rents out machinery, equipment and services and provides services for needs related to earthworks, property maintenance and material handling. The brands it represents include Kobelco, Kramer, Wacker Neuson and Yanmar.

For KH-Koneet, which supplies and rents out construction and earth-moving machinery, 2023 was the sum of many factors. Among its customer segments, in building construction the economic cycle declined sharply in Finland and Sweden, while infrastructure construction and property maintenance maintained demand. Financing costs increased, which reduced customers' ability to make machinery investments. At the same time, manufacturers increased the prices of many machines due to the market overheating temporarily in the previous year. In Sweden, the historically weak Swedish krona also increased the prices of machinery. A few manufacturers also experienced difficulties, which was reflected in delays in the deliveries of heavy excavators.

KH-Koneet reacted quickly to the market changes and managed to overcome many of the challenges better than its competitors. Net sales totalled EUR 152.3 (182.1) million, down 16 per cent year-on-year. In Finland, net sales decreased by 10 per cent, and in Sweden, sales decreased by 21 per cent in euros (-15 per cent in SEK). Profitability remained almost at the same level as in the comparison period, EBITDA remained unchanged at EUR 20.5 million and operating profit came to EUR 9.0 (10.5) million. Relative EBITDA increased to 13.4 (11.3) per cent of net sales, mainly due to growth in the rental business and an increase in the relative share.

The improved market position and maintaining profitability in challenging market conditions were attributable to a number of measures taken by the company. Having anticipated the rising prices of machinery, KH-Koneet had increased its inventory levels above normal before the beginning of 2023. The inventories provided the company with room for manoeuvre in the pricing of machinery. The company's diverse offering was another significant competitive factor, as demand was focused on smaller machinery and equipment instead of heavy machinery. The demand for services also remained good, and the popularity of machinery rental increased. KH-Koneet further developed its ability to serve customers after Törnells Maskinuthyrning, a company specialising in machinery rental services, joined its service network through an acquisition in 2022.

KH-Koneet's most important competitive factors are its diverse and loyal customer base, strong brands and highly competent professionals. The company wants to continue to be the most responsible provider of machinery in its market in the future, which is why it invests in developing its offering as well as the competence and wellbeing of its personnel. Customer needs are shaped by regulations that promote climate change mitigation, which require machinery to produce either lower emissions or no emissions at all. Small machinery powered by electricity is already available, and manufacturers are actively developing new models. KH-Koneet supports this development through cooperation with customers and manufacturers.

The market outlook for 2024 is slightly brighter. The hope is that the downturn in construction will be over in both Finland and Sweden before the end of the year. The significant shortening of delivery times makes it easier to manage the supply chain in both operating countries and enables lower inventory levels. KH-Koneet sees significant potential particularly in Sweden, where its market share is smaller and its operating area is smaller than in Finland in relative terms. The sharp shortening of delivery times will contribute to making deliveries easier in both operating countries. KH-Koneet will also invest in strengthening a uniform corporate culture, better sharing of information and streamlining its own processes, such as centralising purchasing operations.

KH-Koneet Group is at the heart of the change in strategy, which was announced in December 2022. The medium-term objective is to build an industrial group around KH-Koneet Group. In 2023, KH-Koneet Group focused on developing its existing business operations, as well as strengthening its strategic objectives for the coming years and building improved capabilities with regard to governance and reporting systems, for example. KH-Koneet renewed its financing agreement after the end of the financial period.

Indoor Group

Pro forma key figures

The accounting principles applied in preparing the pro forma figures and reconciliations with the reported figures are presented below in the report under "Pro forma financial information". Indoor Group reports its figures according to IFRS, and the pro forma figures presented below correspond to the figures reported by the company.

EUR million	Q4/23	Q3/23	Q2/23	Q1/23	1–12/23	Q4/22	Q3/22	Q2/22	Q1/22	1–12/22
Net sales	48.1	50.6	44.0	43.6	186.3	47.1	52.3	47.2	45.6	192.2
EBITDA	**6.0**	**7.8**	**3.5**	**4.4**	**21.8**	**4.8**	**8.7**	**3.6**	**3.2**	**20.3**
EBITDA, %	12.6%	15.4%	8.0%	10.1%	11.7%	10.1%	16.7%	7.6%	7.0%	10.6%
EBIT	**0.6**	**2.6**	**-1.5**	**-0.6**	**1.0**	**-0.1**	**3.8**	**-1.2**	**-1.5**	**1.0**
Operating profit (EBIT) %	1.2%	5.1%	-3.5%	-1.4%	0.6%	-0.2%	7.2%	-2.5%	-3.3%	0.5%

Indoor Group's Asko and Sotka chains are among Finland's best-known home furniture and interior decoration retailers. In addition to the retail chains, the Group includes the furniture factory Insofa. Asko and

have approximately 80 physical stores as well as online stores in Finland. At the end of 2023, a decision was made to discontinue operations in Estonia.

Indoor Group's operating environment was challenging throughout the year. Profitability came under pressure, particularly due to the higher freight and purchasing costs of products in the first half of the year. In addition, the dissipating trend of people spending a lot of time at home, the general inflation accelerated by the war in Ukraine, and declining consumer confidence in their finances had a negative impact on demand. The company had a challenging year in both of its operating countries. In response to the weakened market conditions, Indoor Group took several measures during the year to improve operational efficiency, cut costs and improve margins. The company also conducted change negotiations on personnel-related adaptation measures in the autumn. The negotiations were completed in the fourth quarter. The change negotiations were aimed at achieving cost savings as well as increased operational flexibility. The various adaptation measures are expected to reduce annual costs by approximately EUR 1 million.

In 2023, the company's net sales decreased by 3% year-on-year to EUR 186.3 (192.2) million and operating profit remained unchanged at EUR 1.0 million. The challenging demand situation was reflected in customer flows and sales, which had a negative impact on the development of net sales. The company has optimised the pricing of products, which has also led to a better development of the gross margin compared to the previous year. Indoor Group's working capital management was enhanced in 2023. The company's cash flow strengthened markedly, thanks to improved profitability and working capital management. The company met the financial indicator covenants of its financing agreement on 31 December 2023. Indoor Group renewed its financing agreement after the end of the financial period in February 2024.

In 2023, the company implemented development measures in its store network, among other things. In Finland, two stores moved to new premises and five were closed. All Sotka stores and one Asko store were closed in Estonia. The remaining three Asko stores will close in Estonia in 2024. Indoor Group made additional investments in its own furniture production by upgrading the production line of the company-owned Insofa furniture factory.

Indoor Group launched the deployment of a new ERP system during 2023, which will be completed during the first half of 2024. The extensive project has required resources from the company both externally and internally. Expenses of EUR 2.4 million for the implementation of the ERP system were recognised in the financial period.

Nordic Rescue Group

Pro forma key figures

The accounting principles applied in preparing the pro forma figures and reconciliations with the reported figures are presented below in the report under "Pro forma financial information".

EUR million	Q4/23	Q3/23	Q2/23	Q1/23	1–12/23	Q4/22	Q3/22	Q2/22	Q1/22	1–12/22
Net sales	11.4	8.2	8.8	9.9	38.3	12.5	3.8	8.4	6.9	31.5
EBITDA	**1.1**	**0.4**	**0.7**	**0.3**	**2.5**	**0.8**	**-0.6**	**0.4**	**-0.3**	**0.3**
EBITDA, %	9.5%	5.4%	8.3%	2.8%	6.6%	6.1%	-14.4%	4.5%	-4.6%	0.8%
EBIT	**0.9**	**0.3**	**0.6**	**0.1**	**1.9**	**0.6**	**-0.7**	**0.3**	**-0.4**	**-0.2**
Operating profit (EBIT) %	8.1%	3.6%	6.5%	1.2%	5.0%	5.0%	-17.5%	3.1%	-6.2%	-0.7%

Nordic Rescue Group specialises in rescue vehicles. The group companies are Saurus Oy in Finland and Sala Brand AB in Sweden. Nordic Rescue Group is a leading Nordic company in its field.

Nordic Rescue Group's business in 2023 was characterised by significant growth in demand and profitability. During the year, the availability of components and truck chassis improved and material prices normalised. In the company's home markets in Finland and Sweden, the public sector procurement of rescue vehicles has continued to be active, in addition to which maintenance agreements have generated stable net sales. The impact of the health and social services reform on the procurement of rescue equipment in Finland remains partly unclear, although the situation has clarified in part during 2023 and provided the opportunity for new orders.

The company's net sales decreased by 8% year-on-year to EUR 38.3 (41.8) million. The figure for the comparison period includes net sales of EUR 10.2 million from the discontinued Vema Lift. Saurus and Sala Brand's combined comparable net sales increased by 21% year-on-year. EBITDA for 2023 increased to EUR 2.5 (0.3) million, and operating profit also returned to profitability at 5.0% of net sales, or EUR 1.9 (-0.2) million. In 2023, expenses recognised in the parent company Nordic Rescue Group's EBITDA amounted to EUR -0.2 (-1.5) million, of which non-recurring expenses and expenses related to Vema Lift amounted to EUR -0.9 million. The parent company's organisation and functions were re-evaluated following the discontinuation of the Vema Lift business, and, therefore, the parent company's expenses were substantially lower than in 2022.

The company discontinued the production of rescue cranes in December 2022 when Vema Lift filed for bankruptcy. The parent company Nordic Rescue Group is the largest creditor of Vema Lift's bankruptcy estate. Nordic Rescue Group received approximately EUR 0.5 million from the Vema Lift bankruptcy estate out of the estimated distribution quota of EUR 1.5 million. At the end of the financial period, the estimated final disbursement of EUR 1.0 million is pending the subsequent stages of the liquidation process.

The company renewed its financing agreements in spring 2023 and met the financial indicator covenants therein on 31 December 2023. NRG's balance sheet position strengthened in December through a capital injection of EUR 0.5 million, to which KH Group and the other shareholders committed in connection with the update of the financing agreement in May 2023. In addition, KH Group Plc and the other shareholders have committed to make additional investments of EUR 1.0 million in total by June 2024.

Saurus and Sala Brand are beginning 2024 from a good starting point, as the production capacity for 2024 is almost sold out. It lays down a solid foundation for doing profitable business and focusing on improving production efficiency.

HTJ

Pro forma key figures
The accounting principles applied in preparing the pro forma figures and reconciliations with the reported figures are presented below in the report under "Pro forma financial information".

EUR million	Q4/23	Q3/23	Q2/23	Q1/23	1–12/23	Q4/22	Q3/22	Q2/22	Q1/22	1–12/22
Net sales	6.6	6.5	7.0	6.1	26.3	6.7	5.8	5.8	4.8	23.1
EBITDA	**0.8**	**1.1**	**0.8**	**0.5**	**3.3**	**1.2**	**0.8**	**0.7**	**0.7**	**3.4**
EBITDA, %	11.9%	17.4%	11.7%	8.5%	12.4%	17.7%	14.3%	12.3%	14.9%	14.9%
EBIT	**0.6**	**1.0**	**0.6**	**0.3**	**2.6**	**1.0**	**0.7**	**0.6**	**0.6**	**2.8**
Operating profit (EBIT) %	9.4%	14.7%	9.2%	5.6%	9.8%	15.3%	11.6%	9.7%	11.8%	12.2%

HTJ is one of the leading construction consulting companies in Finland and offers its customers a wide range of expert services in construction management, site supervision, energy and environmental consulting and project management. The company employs approximately 200 experts and serves customers across Finland.

The construction cycle in Finland has weakened, and the challenges in the operating environment are also reflected in HTJ's business. The development of the company's key customer segments in infrastructure construction and public sector premises – which represent over 60% of net sales – has been stable when compared to other construction. The lower construction volume is reflected in intensified competition for projects, and the uncertainty in the market has led to the start of some projects being postponed. The demand for HTJ's services has remained reasonable, and the company was active in tendering in all of its business segments in 2023. The demand was supported by HTJ's extensive customer base and comprehensive service offering. HTJ's order book amounted to EUR 26.9 million at the end of 2023, which is approximately EUR 2.0 million more than in the previous year.

HTJ's net sales for 2023 increased by 14%, when compared to the previous year's pro forma level, to EUR 26.3 (23.1) million. The growth of net sales was supported by organic growth and mergers and acquisitions. The focus of organic growth was on infrastructure and industrial services. The company's EBITDA was EUR 3.3 million, EUR 0.1 million lower than in the previous year. EBITDA was impacted by the lower invoicing rate and increased personnel expenses. HTJ reported an operating profit of EUR 2.6 (2.8) million, representing 9.8% (12.2%) of net sales. The profit does not include significant non-recurring items. In the fourth quarter, net sales decreased and EBITDA declined year-on-year.

HTJ has strengthened its service offering on multiple fronts under the ownership of KH Group. The FinestCon acquisition in April 2023 strengthened HTJ's services particularly in the Jyväskylä and Kuopio regions and in wind power construction, which is a new area of expertise for the company. In May 2022, the company acquired Infrap, strengthening its infrastructure and industrial services. The acquisition significantly expanded the geographical scope of HTJ's operations, allowing the company to serve customers across Finland. During the review period, the company won new projects, having been able to leverage the expanded capabilities and services gained from the acquisition in tendering. Establishing environmental and energy services as a separate business segment was another important development in 2022. HTJ provides project-specific services to help customers manage and monitor their environmental targets, and looks for suitable operating models and solutions for sustainable construction management. The demand for the company's environmental and energy services has been good and is expected to grow further in the future. HTJ is expanding its new service areas by recruiting new experts and by increasing its human capital through internal training, for example.

Personnel satisfaction and customer satisfaction are important aspects of HTJ's strategy, and they are regularly measured. The company carried out personnel satisfaction and customer satisfaction surveys during the second half of 2023, and the results were very positive. Highly competent employees with a high level of wellbeing are a key success factor for HTJ, also contributing to commitment to work and thereby customer satisfaction.

Logistikas

As part of its strategic transformation, KH Group, together with the other shareholders of Logistikas, sold the shares of Logistikas to the Swedish logistics company Logent in June 2023. The pro forma figures for the financial period do not include the Logistikas business and the capital gain to the parent company from its divestment. The impact of the divestment on the Group's profit and cash flow is discussed in more detail in the notes.

RESULT OF PRIVATE EQUITY INVESTING

The consolidated profit for 2023 includes the period as an investment entity from 1 January 2023 to 30 April 2023, during which the subsidiaries were not consolidated line item by line item, but their changes in value were recognised in one line item of the income statement.

No private equity investments were sold during the period from 1 January to 30 April 2023, and, thus, there were no realised gains or losses. The capital gain from the Logistikas transaction completed on 30 June 2023 amounted to EUR 4,717 thousand, and it is included in the result of discontinued operations.

Unrealised changes in value for the period 1 January–30 April 2023 consisted of changes in the value of Indoor Group (EUR -6.8 million), KH-Koneet (EUR 3.2 million), HTJ (EUR 0.8 million), Logistikas (EUR 1.0 million) and Nordic Rescue Group (EUR -0.4 million). The total changes in value amounted to EUR -2.2 million.

During the period from 1 January 2023 to 30 April 2023, KH Group had no interest and dividend income from investments.

Financial position and cash flow

KH Group's balance sheet total on 31 December 2023 was EUR 347.7 (109.3) million. The equity ratio was 23.2% (77.9%) and gearing was 195.4% (9.2%). In December, the company fully repaid loans of EUR 10.0 million that would have been due in December 2024. In December 2023, the company entered into an agreement concerning a revolving credit facility of EUR 2.45 million, which was used for additional investments of EUR 2.1 million in Indoor Group and EUR 0.25 million in Nordic Rescue Group.

Net cash flow from operating activities amounted to EUR 22.7 (-3.9) million, net cash flow from investing activities to EUR 26.9 (0.0) million and net cash flow from financing activities to EUR -40.7 (4.3) million. KH Group neither received nor paid dividends during the financial period.

In relation to net cash flow from financing, loans were drawn and repaid during the review period with a net effect of EUR -28.8 (4.4) million on cash flow from financing activities.

After the financial period, Indoor Group, KH-Koneet and HTJ agreed on amendments to the financing agreements with the creditor. On the closing date, EUR 11.4 million of the current loans from financial institutions was transferred to be repaid after 2024.

Personnel

Personnel, average	31 December 2023	31 December 2022
KH-Koneet	201	198
Indoor Group (1)	702	744
HTJ	217	200
Nordic Rescue Group (2)	111	117
Parent company	6	6
Group, total	**1,237**	**1,265**

(1) For Indoor Group, the FTE figure is used due to the large number of part-time employees.
(2) Does not include the personnel of Vema Lift Oy, which filed for bankruptcy during the financial year 2022.

Lauri Veijalainen became the CEO of KH Group and Indoor Group on 1 August 2023. Ville Nikulainen became the CFO of KH Group on 1 September 2023. Prior to that, he served as CEO of Sievi Capital, and following the renaming, of KH Group from 22 March to 31 July 2023.

Jussi Majamaa served as Sievi Capital's CEO until 21 March 2023. Tuomas Joensuu, on the other hand, served as the CFO of the company until 31 August 2023. In May, the company announced that he would leave his position and join another company.

Shares, shareholders and share price development

KH Group's share capital at the end of the financial year was EUR 15,178,567.50 and the number of shares was 58,078,895. All shares carry equal rights to dividends. The company did not own any treasury shares during the financial period.

KH Group Plc's shares are listed on Nasdaq Helsinki Ltd. with the trading code KHG. The shares are included in Euroclear Finland Ltd's book-entry system. The shares have been listed since 24 May 2000.

The closing price of KH Group's share at the end of 2022 was EUR 1.18. During 2023, the highest share price was EUR 1.21, the lowest was EUR 0.73 and the trade-weighted average price was EUR 0.94. At the end of 2023, the closing price was EUR 0.81 and the market capitalisation was EUR 47.2 (68.4) million. The number of KH Group shares traded on Nasdaq Helsinki during 2023 was 58.08 (27.1) million, corresponding to 24.7% (46.7%) of outstanding shares.

On 31 December 2023, KH Group had a total of 11,857 (13,097) shareholders. The ten largest registered shareholders owned 42.96% (42.1%) of the shares. Nominee-registered shares accounted for 3.7% (5.2%) of the shares. During the financial year 2023, the company did not receive flagging notifications concerning changes in holdings in KH Group.

10 Largest registered shareholders on 3 December 2023

Subsidiaries	Number of shares	% of shares and votes
Preato Capital Ab	13,490,000	23.23
Laakkonen Mikko Kalervo	4,363,086	7.51
MI Stable Oy	2,837,268	4.89
Takanen Martti Tapio	1,954,218	3.36
Amlax Oy	436,220	0.75
Takanen Sanna Johanna	428,891	0.74
Takanen Juha Petteri	421,191	0.73
Kuusisto Teppo	408,204	0.70
Nieminen Jorma Juhani	330,581	0.57
Kaski Marko Petteri	280,000	0.48
10 largest registered shareholders, total	**24,949,659**	**42.96**

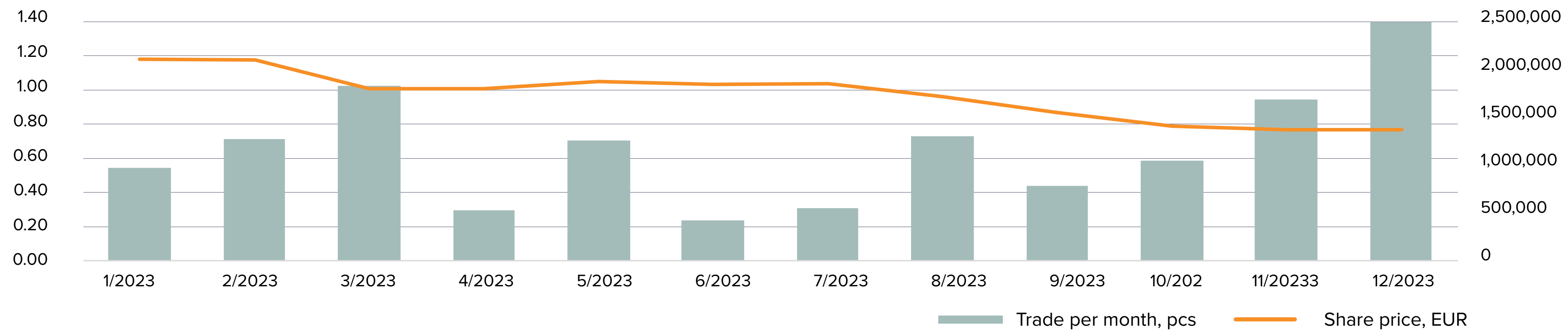
Share distribution 31 December 2023

Number of shares	Shareholders	% of shareholders	Number of shares	% of shares
1-100	2,193	18.50	101,986	0.18
101-1 000	5,125	43.22	2,612,668	4.50
1 001-10 000	4,021	33.91	12,884,190	22.18
10 001-100 000	482	4.07	12,006,252	20.67
100 001-1 000 000	31	0.26	6,765,989	11.65
1 000 001-	5	0.04	23,707,810	40.82
Total	**11,857**	**100.00**	**58,078,895**	**100.00**
Nominee-registered	8	0.07	2,121,126	3.67
Number of shares issued			**58,078,895**	**100**

Shareholding by sector on 31 December 2023

Sector	Number of shareholders	% of shareholders	Number of shares	% of shares
Private companies	415	3.50	5,770,534	10.31
Financial and insurance institutions	11	0.09	475,253	0.85
Households	11,380	95.98	33,193,131	59.32
Non-profit organisations	40	0.34	13,628,243	24.35
Foreigners	11	0.09	2,890,608	5.17
Total	**11,857**	**100.00**	**55,957,769**	**100.00**
Nominee-registered	8		2,121,126	
Number of shares issued	**11,857**		**58,078,895**	

Share price and turnover 2023



Share-based incentive schemes

On 22 December 2022, the Board of Directors decided to discontinue the performance-based share scheme for its key personnel established in March 2020. In connection with discontinuing the scheme, the Board of Directors decided to pay cash compensation for the performance periods ending due to the discontinuation to key personnel who have participated in LTI 2020–2022 and LTI 2021–2023 plans initiated thereunder. The total amount of cash compensation to be paid out due to the discontinuation of the scheme was EUR 0.1 million. The cash compensation was recognised in its entirety as an expense for the financial period 2022 and will be paid out after the adoption of the financial statements for the financial period 2022 in spring 2023. Following the discontinuation of the share scheme, diluted earnings per share are equal to the undiluted earnings per share.

Annual General Meeting and the Board of Directors' authorisations

The Annual General Meeting of KH Group was held on 4 May 2023 in the Symposion conference room of Hotel Kämp at Kluuvikatu 2, 00100 Helsinki, Finland. The Annual General Meeting supported all the proposals contained in the Notice of the Annual General Meeting. The Annual General Meeting adopted the financial statements for the financial period 2022, discharged the members of the Board of Directors and the CEO from liability for the financial period 2022, adopted – through an advisory resolution – the company's Governing Bodies' Remuneration Report for the year 2022, and decided on the amendment of the Governing Bodies' Remuneration Policy due to the company establishing a Shareholders' Nomination Board. The Annual General Meeting resolved, in accordance with the proposal of the Board of Directors, that no dividend be distributed for the financial year that ended on 31 December 2022.

The Annual General Meeting resolved to keep the fees paid to the Board of Directors unchanged, with the Chairman of the Board of Directors paid remuneration of EUR 3,550 per month and each member of the Board of Directors EUR 2,300 per month. The travel expenses of the members of the Board of Directors are compensated in accordance with the company's Travel Policy. Earnings-related pension insurance contributions are paid voluntarily for the paid remuneration.

Juha Karttunen, Kati Kivimäki and Taru Narvanmaa, Timo Mänty and Harri Sivula were re-elected to the Board of Directors until the end of the Annual General Meeting of 2024. In its constitutive meeting held after the Annual General Meeting, the Board of Directors elected Juha Karttunen as its Chairman. According to the assessment of the Board of Directors, all Board members are independent of the company and its significant shareholders.

The Annual General Meeting elected KPMG Oy Ab, authorised public accountants, as the company's auditor. KPMG Oy Ab has notified that Esa Kailiala, APA, will act as the principal auditor. The General Meeting decided that the remuneration of the auditor shall be paid according to the auditor's reasonable invoice approved by the company.

In accordance with the proposal of the Board of Directors, the Annual General Meeting resolved to amend Article 1 (Company's name and domicile) and Article 2 (Company's line of business) of the company's Articles of Association to take into account the change in strategy announced by the company on 15 December

2022, which will transform the company from a private equity investment company into a conglomerate, and in connection with which the company will change its name and line of business. The Annual General Meeting further resolved to amend Article 7 (Notice of the General Meeting and participation in the General Meeting) and Article 8 (Annual General Meeting) of the Articles of Association. The amendments to the Articles of Association are described in more detail in a stock exchange release published on 4 May 2023 regarding the resolutions of the Annual General Meeting.

The General Meeting authorised the Board of Directors to decide on the issuance of shares and/or the granting of special rights entitling to shares, in one or several instalments. The total number of shares to be issued under the authorisation may be at the most 11,400,000 shares. In addition, the General Meeting authorised the Board of Directors to decide to repurchase a maximum of 5,700,000 shares in the company in one or several instalments. The authorisations are effective until 30 June 2024, and they cancel the corresponding authorisations given to the Board of Directors by the Annual General Meeting of 11 May 2022. The contents of the new authorisations are described in more detail in a stock exchange release published on 4 May 2023 regarding the resolutions of the Annual General Meeting. The minutes of the Annual General Meeting are available on the company's website.

The most significant near-term business risks and risk management

The goal of KH Group's risk management is the comprehensive and proactive management of risks. The company aims to detect and identify factors that may have a negative impact on the achievement of the company's goals in a long or short term and to take necessary measures to manage these factors. Risk management at the Group's business level plays a key role in risk management, as risk management is mainly organised as part of business operations. KH Group's management promotes and monitors the risk management of the businesses through active group-level steering and participation in the board work of the group companies.

The company's Board of Directors confirms the company's strategy and action plan, which defines goals related to the development of the business areas and future exits, among other things. The Board of Directors makes decisions on business area exits and oversees the implementation of operations. Due to the nature of the company's operations and the change in strategy, a significant proportion of KH Group's material risks are related to the company's business areas, their activities, and exits.

The company risk of the business areas of, among other things, risks associated with market and competitive situations, strategic risks, operational risks and financial risks, with the material risks including, for instance, liquidity and interest rate risks. At the end of the financial year, KH Group had four business areas, all of which are of significant size. It cannot be guaranteed that the business areas or sectors that are within the scope of KH Group's structure will develop as expected in the future. The financial results of the business areas have a direct effect on KH Group's result. Changes in the operations of a single business area may have a material negative impact on KH Group's business operations, financial position, results or future outlook. Pandemics and inflation, which has accelerated in recent times, may also have significant direct and indirect impacts on the development of the business areas and, consequently, on KH Group.

KH Group's most significant strategic risks are related to exiting the business areas and the timing of those exits, which may have a material impact on the execution of the ongoing change in strategy. The company's structure makes the flexible timing of exits possible but, to optimise return on equity, the company aims to time exits to coincide with circumstances in which KH Group considers the value creation that was planned for the business area in advance to have realised and the market situation to be favourable for the exit. As the operating environments of the business areas and the M&A market vary, it cannot be guaranteed that conditions favourable for an exit and a favourable M&A market situation coincide. The company seeks to manage this risk through proactive exit planning that models different options.

KH Group's operational risks include, for instance, dependence on the parent company's and business areas' key personnel's competence and input. The company's key personnel play a central role in the establishment, implementation and management of the company's strategy. Measures with which the company tries to protect itself from the key personnel risk include incentive schemes, among other things.

Liquidity risk is the most significant financial risk that KH Group is exposed to. The management of liquidity risk ensures that the company has sufficient funds to make any payments falling due and for potential additional capitalisation of the business areas in line with the company's value creation strategy.

The war in Ukraine and the resulting sanctions are not expected to have significant direct impacts on KH Group under the current circumstances. However, the prolongation or expansion of the war may have potentially significant indirect negative impacts on KH Group through unfavourable developments in financial and capital markets, a decline in the overall economic outlook or a deterioration in the operating conditions of KH Group's business areas, for instance. KH Group has no business operations in Ukraine, Russia or Belarus.

Financial objectives and future outlook

KH Group's objective is to become an industrial group built around the KH-Koneet business and to divest other business areas in line with previous strategy. At the same time, active developments will continue regarding other business areas. Exit planning and the assessment of exit opportunities for the other business areas will also continue.

During the next few years, the aim is to invest in the growth of the core business and pay dividends after significant exits within the limits established by the balance sheet structure and financing agreements.

With the current group structure, KH Group estimates the turnover of EUR 400-420 million in 2024 and operating profit EUR 14-16 million.

The Board of Directors' proposal for the distribution of profit and the Annual General Meeting 2024

Due to the investments required by the change in strategy, the Board of Directors of KH Group decided not to use the dividend authorisation issued by the Annual General Meeting held on 4 May 2023. Consequently, no dividend was paid in 2023.

The parent company's distributable funds on 31 December 2023 were EUR 36,935,092.23. The Board of Directors proposes to the Annual General Meeting that no dividend be distributed for the past financial period. The profit distribution proposal of the Board of Directors takes into account the company's liquidity situation at the time of making the profit distribution proposal, expected cash flows during the new year and the investments required by the change in strategy.

KH Group Plc's Annual General Meeting is scheduled for Thursday, 7 May 2024. A notice of the Annual General Meeting will be published later as a stock exchange release.

Events after the review period

After the financial period, Indoor Group, KH-Koneet and HTJ agreed on amendments to the financing agreements with the creditor. On the closing date, EUR 11.4 million of the current loans from financial institutions was transferred to be repaid after 2024 and the covenants were updated, taking into consideration the current financial position and the future outlook.

Corporate Governance Statement

KH Group's Corporate Governance Statement will be published in week 13 as a report that is separate from the Board of Directors' report and, after that, it will also be available on the company's website at www.khgroup.com on 31 March 2024 at the latest.

Statement of non-financial information

This is KH Group Plc's statement of non-financial information. In this statement, we explain how KH Group, as a group, handles environmental matters, social and employee-related matters, respect for human rights and anti-corruption and anti-bribery matters.

The parent company KH Group Plc issues annually a Group-wide statement, which is approved by the Board of Directors. The statement for the financial period 2023 covers the parent company KH Group Plc and the subsidiaries and their sub-groups that were part of the Group during the financial period.

Based on the EU Directive (2014/95/EU), the Accounting Act requires listed companies to report on the above-mentioned matters. For each aspect, the company must disclose the following, among other things:

- Policies, including due diligence processes implemented
- Risks and risk management
- Outcomes
- Non-financial key performance indicators (KPIs) relevant to the business [1]

(1) In this statement, the term KPI, or Key Performance Indicator, refers to an indicator that KH Group has defined for non-financial information.

KPIs by topic

Environment	Electricity consumption, MWh
Social and employee-related matters	Sick leave rate, % Personnel turnover, %
Respect for human rights	Reports through the whistleblowing channel
Anti-corruption and anti-bribery matters	Reports through the whistleblowing channel

The most important non-financial KPIs that are significant to KH Group Plc's business operations are key performance indicators that are common to the parent company and the Group companies and have a clear impact on business performance as well as strong ethical and social responsibility. In selecting the KPIs, KH Group has sought to use commensurable KPIs while taking into account the differences between the operations of the parent company and the various Group companies. Significant changes and trends are reacted to as necessary, and notifications submitted through the whistleblowing channel are reacted to immediately. KH Group complies with a Code of Conduct that is binding on the entire Group. The Code of Conduct contains guidance on our responsibilities to our business environment, employees, business partners and society. The principles of the Code of Conduct form a framework of rules that guides our operations and exceeds legislative requirements: Our goal is to develop business on the basis of solid ethical principles in everything we do.

KH Group is committed to acting responsibly. The principles of responsibility have been integrated into KH Group's investment decision-making process and ownership practices. KH Group considers it important to understand the long and short-term risks and opportunities related to group companies' environmental, social and corporate governance aspects. KH Group's Board of Directors regularly follows the implementation and development of the responsible business practices in the group companies. KH Group continuously develops its sustainability-related efforts. In 2022, we established an overview of the current state of the Group companies' sustainability efforts and related future plans. We also assessed the sustainability trends that influence the industries in which the KH Group companies operate, as well as industry and value chain changes from the perspective of sustainability. We also focus on defining KH Group's key internal and external stakeholders and surveying the views of internal and external stakeholders regarding KH Group's material aspects of sustainability.

In 2024, our aim is to carry out a comprehensive assessment of the environmental, social and governance factors that influence KH Group's operations, and to identify KH Group's material aspects of sustainability, taking into account the environmental and social impacts of the Group's operations and the financial impacts on the Group's operations. Increasing stakeholder engagement and dialogue will be one of the key measures in this respect. Targets and performance indicators will be set for the material aspects of sustainability. They will serve as the foundation for KH Group's sustainability reporting in the coming years. KH Group recognises that the development

of responsibility is a continuous process. It needs to be supported by clearly defined operating practices, processes and a management system, and KH Group promotes their development. In connection with these activities, KH Group will also assess the development of ESG-linked remuneration to accelerate sustainability efforts.

Business model

KH Group Plc is a listed conglomerate. Its current group structure was based on the previous private equity model, where the business aimed to invest in profitable small and medium-sized companies with positive cash flows. Now that the private equity model has been replaced by the conglomerate model, our new business model also includes the same basic ideas. We will continue to act as an active majority shareholder, supporting the growth, performance and value generation of our group companies. As a partner for the business areas' management and co-owners, we encourage prudent risk-taking and corporate restructuring arrangements as well as leaps of growth and exploration of new opportunities. We develop our group companies' organisations and processes and optimise their financing solutions. In our group companies, we always strive for significant growth and value creation, which is realised at exit in accordance with our change in strategy.

Growth and value creation must be achieved by responsible and ethical means. Social responsibility is an important part of our process and we require our group companies to commit to the development of responsible business. We believe that responsible business will create genuine value and competitive edge in the long run. KH Group has integrated sustainability into all stages of the investment process. Already when acquiring group companies, KH Group uses an ESG survey as part of the due diligence stage, with the aim of identifying and evaluating potential risks related to the acquiree's environmental, social and governance aspects. The ESG assessment also serves as the foundation for the development of sustainability as part of the group's operations. The responsibility for the realisation and continuous development of sustainability in business operations primarily lies with the CEOs of the group companies together with their management teams. Some of the group companies have designated persons in charge of sustainability.

The development of sustainability is continuously monitored by the group companies' Boards of Directors, which approve the subsidiaries' strategies and the targets of their sustainability programmes. The parent company KH Group's Board of Directors also regularly monitor the practical implementation and development of responsible investment practices as well as KPIs and the development of sustainability in the various group companies. The group companies report to KH Group on the progress and results of their sustainability efforts as part of their financial reporting. KH Group's CEO is responsible for the development of the parent company's sustainability-related KPIs.

Through active ownership steering and participation in the board work of the group companies, KH Group strives to promote comprehensive risk management in all of its business operations. KH Group also assesses the most relevant risks per business area and strives to promote the implementation of risk management also in the areas of environmental responsibility, social responsibility and good governance in addition to normal business risks.

Environmental matters

KH Group recognises its environmental responsibility and seeks to reduce adverse environmental impacts, increase the recycling rate and uphold the principles of sustainable development. We comply with environmental legislation and practices that protect and conserve the environment. We also require all of our stakeholders to comply with environmental legislation and regulations, and we regularly review potential environmental risks and their effects in our own operations.

Due to the differences of KH Group's business areas, environmental risks are surveyed separately for each group company. The group companies' CEOs and management teams are in charge of the assessment of environmental risks and risk management. Our aim is to use and develop environmentally friendly solutions. We strive to improve the energy efficiency of our operations, reduce the amount of waste and protect the environment.

KH Group has identified electricity consumption as the

Group's main environmental KPI. The group companies operate in different sectors and electricity consumption varies from company to company. KH Group's group companies do not operate in energy-intensive industry, so the management assesses the Group's environmental risk to be low.

The group companies report their electricity consumption for all the properties involved in their operations. Consumption details are collected from energy companies' reports and the figures are added together.

KPI	2023	2022
Electricity consumption, MWh	10,679	13,586

The transition towards more energy-efficient choices is highlighted in different ways in different group companies. In KH-Koneet Group, for example, the focus is on transitioning towards electrically powered, low-emission and energy-efficient machinery and solutions.

KH Group seeks to promote development efforts related to environmental responsibility in all of its group companies. Some of the group companies have set their own environmental responsibility targets and performance indicators. KH Group requires the companies to put effort into identifying their key environmental responsibility themes and setting related targets, and supports them in those efforts. In some of KH Group's companies, environmental responsibility is supported by an environmental management system model, or the companies take advantage of industry-specific standards and certifications. For example, HTJ uses the relevant RALA standards and certificates pertaining to the quality of construction.

Climate change is one of the focus areas in the development efforts of KH Group with regard to environmental responsibility. The aim is to promote carbon footprint and carbon handprint measurements in the group companies and to support the group companies in committing to science-based climate targets, such as targets validated by the Science Based Targets initiative (SBTi).

KH Group's goal is to ensure and promote sustainable business in both the short and long term. We seek to integrate sustainability into business by, for example, identifying and promoting new business opportunities related to the circular economy and carbon neutrality in the group companies.

Social and employee-related matters

Employee wellbeing and job satisfaction are of paramount importance to the success of KH Group and its group companies. Operations are based on the Code of Conduct created by the parent company. The purpose of the Code of Conduct is to establish a set of ground rules that guide the decision-making and actions of the employees of KH Group and its subsidiaries in their respective business environments. KH Group requires all of the Group's employees to adhere to the Code of Conduct. The Code of Conduct must be available to all employees, and the implementation of the principles it contains in the company's day-to-day operations is the responsibility of each employee. Supervisors are responsible for reviewing the Code of Conduct with both new and old employees. Through their own behaviour and actions, each supervisor is required to demonstrate the importance of adherence to the Code of Conduct and provide guidance to employees if they have any questions regarding adherence to the principles. KH Group's Code of Conduct supports our aim of creating a desirable workplace for all of our employees, where they are treated with equal respect and dignity. In addition, we promote a culture of equal opportunities and diversity. We do not tolerate any form of abuse, discrimination or harassment.

Group company representatives and partners are expected to treat and respect all people equally, regardless of gender, nationality, religion, ethnicity, age, disability, sexual orientation, political opinions, trade union membership or social or ethnic origin.

We offer a safe and healthy working environment that complies with applicable laws and regulations. Our goal is to prevent accidents during working hours and reduce health and safety risks at the workplace. The development of occupational safety is a continuous effort in KH Group's group companies. All subsidiaries provide training to their employees on occupational safety. The group companies use various types of mechanisms for the proactive development of occupational safety. The recording of proactive observations and the comprehensive assessment of near misses are examples of the methods used by the various group companies. All of the group companies monitor occupational safety on a regular basis. The goal is to minimise occupational accidents and lost time incidents. Occupational safety is also a high priority in the operations and partner choices of the customers of group companies.

Despite the Code of Conduct and the Group companies' responsibility orientation training, there is always a risk that actions jeopardising the health and occupational safety of individuals take place in the Group's own operations and its supply chain. Such actions may also damage KH Group's reputation. The aim is to manage risks related to the Group's social and employee-related matters through continuous monitoring and early intervention in potential problems.

The Group regularly monitors information related to employees' sick leave and personnel turnover. Information is collected from HR, payroll and occupational health care statistics.

This information serves as a basis for the following non-financial KPIs of the Group:

KPI	2023	2022
Sick leave rate, % (1)	4.5	4.7
Personnel turnover, % (2)	23.3	19.9

((1) Number of sick leave days in the financial period 1 Jan.–31 Dec. / theoretical regular working hours in days in the financial period * 100. Absences include illness- and accident-related absences as well as absences related to the illness of an employee's child during the financial period.
(2) Number of resigned employees in the period 1 Jan.–31 Dec. / average number of employees during the financial period * 100

Employee wellbeing and job satisfaction are a key theme for all of the group companies. They conduct regular personnel surveys and employee satisfaction surveys, and the results are monitored by the management teams and the Boards of Directors of the subsidiaries. The personnel surveys and employee satisfaction surveys are focused on themes that are important to the personnel and also measure the employees' willingness to recommend their employer to others. This is measured, for example, by the internationally comparable Employee Net Promoter Score (eNPS) indicator.

A recognition of the successful efforts to promote employee wellbeing and job satisfaction among KH Group's group is that HTJ was awarded the Future Workplaces 2023 certificate for the second consecutive year. Futures Workplaces certification is awarded to companies whose corporate culture is managed with exceptionally good employee insight.

For HTJ's employees, the most significant factors included motivating tasks, the freedom to work on a place- and time-independent basis, a healthy balance between work and personal life, fair pay and fringe benefits, and opportunities to influence one's work and work environment.

The results of the surveys conducted regularly in KH Group constitute the foundation for the continuous development of personnel and competence. In the group companies, the wide-ranging development of employee competence has been identified as one of the key drivers of success. This is supported, for example, by regular development discussions.

The business areas have also identified the development of diversity as an important theme. Some of them use regular diversity reporting and equality planning; some group companies are developing their diversity-related reporting, monitoring and action planning by using key indicators of diversity related to their personnel. From the parent company's perspective, one key diversity-related development area in the coming years will also be the continuous development of the diversity of the group companies' management and Boards of Directors.

Respect for human rights

KH Group respects and adheres to the principles set out in the United Nations Universal Declaration of Human Rights. The Code of Conduct covers themes including human equality, prohibition of discrimination and freedom of opinion and religion. In addition, the Group complies with labour legislation and collective agreements. KH Group strives to build its operating methods and practices in such a way that respect for human rights is taken into account in all operations of the company. In its Group-wide Code of Conduct, KH Group prohibits all violations of human rights and indicates the channel where personnel can report possible misconduct.

KH Group estimates the Group's risk related to respect for human rights to be low; however, there is a risk that human rights are violated in the Group's own operations and its supply chain. These violations may have adverse effects for individuals and also damage KH Group Plc's reputation.

KH Group companies have established whistleblowing channels. Their operating principles vary slightly depending on the structure and size of the organisation. Regardless of the structure of the whistleblowing channel, the key principle is to provide employees with the opportunity to confidentially report any concerns related to the Group's Code of Conduct.

We encourage Group employees to report any violations of legislation and the Code of Conduct or concerns arising from both the Group's own operations and the operations of our partners. All submitted reports are handled confidentially and investigated thoroughly. Persons who report this kind of misconduct in good faith will not be subject to any harmful work-related consequences. Violations of the Code of Conduct may result in appropriate disciplinary action, including the termination of employment or similar contract.

In 2023, no cases of misconduct related to respect for human rights were reported through the whistleblowing channel.

Anti-corruption and anti-bribery matters

KH Group complies with applicable laws and regulations and promotes fair and honest competition. This includes, for example, the regular and transparent competitive tendering of direct and indirect purchases. The group companies are also active in various industry organisations, where they promote the development, transparency and sustainability of their industry. We comply with applicable competition legislation and refrain from engaging in or committing unlawful acts. The Group companies do not participate in cartels and do not discuss contractual terms, prices or other competition issues with competitors.

We prohibit corruption and bribery in all our operations. We do not pay bribes or other unlawful payments, nor do we authorise such payments to gain or maintain business. We acknowledge that reasonable courtesy is customary in business relationships, but we prohibit the acceptance of any bribery and gifts that cannot be considered customary, reasonable and legal, or which could be interpreted as an attempt to influence the business. The topic is covered by KH Group's Code of Conduct.

We do not accept, promote or support money laundering. We only do business with reputable parties who do legitimate business and whose funds come from legitimate sources.

KH Group estimates the Group's risk related to anti-corruption and anti-bribery matters to be low; however, there is a risk that corruption and bribery occur in the Group's own operations and its supply chain. Although assessments indicate that the Group's own operations do not entail a high risk of corruption or bribery, KH Group strives to integrate responsible business practices in all areas of its operations and to maintain a discussion on the existence of risks in the Group companies.

In 2023, no cases of misconduct related to corruption or bribery were reported through the whistleblowing channel.

INFORMATION UNDER THE EU TAXONOMY REGULATION

KH Group discloses information in this section in accordance with the following regulation: Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (Taxonomy Regulation). Under the Taxonomy Regulation, companies that are required to report under the Non-Financial Information Directive (2014/95/EU) must comply with the disclosure requirements of the Taxonomy Regulation. KH Group Plc is subject to this requirement. The EU Taxonomy has been developed to promote sustainable investment and reorient capital towards environmentally sustainable activities.

The taxonomy sets technical evaluation criteria for economic activities covering six environmental objectives. With regard to taxonomy reporting, a distinction is made between taxonomy-eligible and taxonomy-aligned economic activities. Taxonomy-eligible activities are all economic activities which, in theory, when they fulfil the technical criteria and other requirements, can also be taxonomy-aligned activities. However, eligibility does not require an assessment of the possible fulfilment of these criteria. Instead, it is sufficient that the economic activity is included in the EU taxonomy as it stands, in other words, the assessment concerns whether the activity is taxonomy-eligible. Taxonomy-alignment, on the other hand, means that the taxonomy-eligible activity has been assessed on the basis of the Taxonomy Regulation and the regulations issued thereunder to meet all the requirements that have been set for that activity.

The reporting obligations will enter into force gradually in accordance with the schedule laid out in the Taxonomy Regulation. For 2023, only taxonomy eligibility is required to be reported and taxonomy alignment only with regard to the first two environmental objectives: climate change mitigation and climate change adaptation. In addition, as a new obligation in 2023, taxonomy eligibility for environmental objectives 3–6 is to be disclosed. The new environmental objectives are 3 the sustainable use and protection of water and marine resources; 4 the transition to a circular economy; 5 pollution prevention and control; and 6 the protection and restoration of biodiversity and ecosystems. The objective of the taxonomy review is to identify which financial activities (turnover, capital expenditure, operating expenditure) of companies contribute to the sustainable use of water and marine resources, support the circular economy and waste minimisation, reduce pollution and protect or restore biodiversity and ecosystems. This review is conducted by reflecting the company's business against the technical screening criteria of the EU Taxonomy.

The EU Taxonomy uses the NACE industry classification, which provides guidance on which sectors are included in taxonomy-eligible activities. NACE (Nomenclature statistique des Activités économiques dans la Communauté Européenne) is the European Community's statistical classification system for economic activities that has been used to define sectors as a basis for screening taxonomy eligibility and alignment. KH Group has used this approach in its assessment. As the references to the NACE codes in the EU Taxonomy are indicative, it would also be possible to assess taxonomy eligibility and alignment using an approach whereby the NACE codes are not weighted equally and whereby only the compatibility of the description of taxonomy-eligible activities with KH Group's operations is assessed without regard to the indicative industry classification. Had this approach been used in the assessment, the company's assessment of the activities relevant to the Taxonomy Regulation could therefore have been different.

In the context of the first and second objectives, taxonomy alignment has been further assessed for taxonomy-eligible activities. This refers to assessing whether a taxonomy-eligible activity meets the technical screening criteria set for it, does no significant harm to the other environmental objectives and fulfils the minimum social safeguards criteria.

Based on the review of the first and second objective, it is estimated that for 2023,

- net sales were not considered to meet the criteria for taxonomy alignment with sufficient verifiably. The taxonomy-eligible share of net sales was 0%. The taxonomy-eligible share consisted of expert services related to the energy efficiency of buildings from KH Group's subsidiary HTJ (code 9.3.).
- Capital expenditure was not considered to include taxonomy-aligned activities in 2023. The taxonomy-eligible share of capital expenditure was 0%.
- Operating expenditure was not considered to include taxonomy-aligned activities in 2023. The taxonomy-eligible share of operating expenditure was 0%. Based on the assessment, the taxonomy-eligible share of operating expenditure consisted of the same activities of HTJ as their taxonomy-eligible turnover.

When screening at the taxonomy eligibility of objectives 3–6, a few activities were identified that could be taxonomy-eligible for KH Group. These potential activities have been identified as related to environmental objective 4 Transition to a circular economy. However, the NACE sectors listed in the activity criteria do not include the sector classifications of KH Group companies. For this reason, KH Group has interpreted that they do not have activities deemed taxonomy eligible in the absence of NACE codes relevant to them in the activities of the Taxonomy Regulation. Although no taxonomy-eligible activities have been reported for this reason, we clarify below which activities were screened in more detail under environmental objectives 3–6 of the Taxonomy.

For KH-Koneet and Nordic Rescue Group, taxonomy-eligible activities could be found in objective 4 Transition to a circular economy. For KH-Koneet, the potential activities under this objective would be

- 5.1 Repair, refurbishment and remanufacturing
- 5.2. Sales of spare parts
- 5.3. Sale of second-hand goods

KH-Koneet repairs and refurbishes equipment and sells second-hand equipment. However, the industry classification of KH-Koneet (C28.9.2 – Manufacture of machinery for mining, quarrying and construction) is not included in the sectors of activities, which means that taxonomy-eligible financial figures for 2023 are not reported for these activities.

For Nordic Rescue Group, taxonomy eligible activities could be

- 5.1 Repair, refurbishment and remanufacturing
- 5.2. Sales of spare parts.

Since the Nordic Rescue Group's industry classification (C29.1.0 – Manufacture of motor vehicles) is also not included in the list of NACE industries listed in the activities, taxonomy eligibility is not reported for the company.

HTJ and Indoor Group, on the other hand, do not have any activities related to the new environmental objectives 3–6 of the Taxonomy.

Due to the NACE classification, none of the activities identified as taxonomy-eligible under the new environmental objectives 3–6 of the Taxonomy affect the operations of KH Group companies and, therefore, KH Group does not report taxonomy-eligible net sales, operating expenditure or capital expenditure related to those objectives.

In summary, KH Group is committed to monitoring the development of the EU Taxonomy and to updating its reporting practices accordingly. The addition of new NACE classifications for activities would provide the Group with the opportunity to report taxonomy-eligible activities. Although the current NACE classifications do not directly support the Group's taxonomy eligibility reporting, the Group continuously assesses the environmental impact of its operations and actively seeks to identify opportunities to promote sustainability.

Accounting principles concerning financial figures in taxonomy reporting

Taxonomy reporting analyses what proportion of KH Group's and its subsidiaries' net sales, capital expenditure and operating expenditure is taxonomy-eligible and, for the first two objectives, what proportion of eligible activities are also taxonomy-aligned.

In determining taxonomy-eligible turnover, the numerator includes the turnover derived from products or services related to KH Group's and its subsidiaries' economic activities that are within the scope of the taxonomy. The denominator covers the turnover of KH Group and its subsidiaries.

In determining taxonomy-eligible capital expenditure, the numerator includes capital expenditure by KH Group and its subsidiaries that is related to assets or processes related to taxonomy-aligned economic activities, or is part of an investment plan intended to expand taxonomy-aligned economic activities or turn taxonomy-eligible activities into taxonomy-aligned activities, or relates to purchasing outputs of taxonomy-aligned economic activities and individual measures by which the activities in question can be made low-carbon, or their greenhouse gas emissions can be reduced. The denominator covers the increases in the tangible and intangible assets of KH Group and its subsidiaries.

In determining taxonomy-eligible operating expenditure, the numerator includes operating expenditure by KH Group and its subsidiaries that relates to assets or processes related to taxonomy-aligned economic activities, or direct non-capitalised costs arising from research and development activities, or is part of an investment plan intended to expand taxonomy-aligned economic activities or turn taxonomy-eligible activities into taxonomy-aligned activities, or relates to purchasing outputs of taxonomy-aligned economic activities and individual measures by which the activities in question can be made low-carbon, or their greenhouse gas emissions can be reduced,or individual measures concerning the renovation of buildings. The denominator covers the non-capitalised costs of KH Group and its subsidiaries that relate to research and development, building renovation measures, short-term lease, maintenance and repair and other direct expenditures relating to tangible and intangible assets.

The tables below summarise the taxonomy breakdown of KH Group's turnover, capital expenditure and operating expenditure by economic activity in 2023.

TURNOVER

Financial year 2023	2023			Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic Activities (1)	Codei (2)	Revenue (3)	Proportion of turnover, year 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Wate (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy aligned (A.1) or -eligible (A.2) revenue, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
		1 000 EUR	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	(%)	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Revenue of environmentally sustainable activities (A.1.)		**0 %**	**0 %**														**0 %**		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Energy efficiency of buildings related expert services	9.3	59	0 %	EL	N	N	N	N	N								0 %		
Revenue of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned acitivites) (A.2.)		**59**	**0 %**														**0 %**		
Total (A.1. + A.2.)		**59**	**0 %**														**0 %**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Revenue of Taxonomy-non-eligible activies (B)		**270,516**	**100,%**																
Total (A+B)		**270,575**	**100,%**																

Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL – Not eligible, Taxonomy-non-eligible acitivity for the relevant environmental objective

CAPITAL EXPENDITURE

Financial year 2023	2023			Substantial contribution criteria						DNSH criteria (”Does Not Significantly Harm”)									
Economic Activities (1)	Codei (2)	Revenue (3)	Proportion of turnover, year 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Wate (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy aligned (A.1) or -eligible (A.2) revenue, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
		1 000 EUR	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	(%)	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
CapEx of environmentally sustainable activities (Taxonomy-aliged) (A.1.)		**0 %**	**0 %**														**0 %**		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Installation of energy efficiency equipment, maintenance and repair	7.3	0	0 %	EL	N	N	N	N	N								0 %		
Cap of Taxonomy-eligible but not environmentally (not Taxonomy-aligned acitivites) (A.2.)		**0**	**0 %**														**0 %**		
Total (A.1. + A.2.)		**0**	**0 %**														**0 %**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activies (B)		**2,002**	**100 %**																
Total (A+B)		**2,002**	**100 %**																

Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL – Not eligible, Taxonomy-non-eligible acitivity for the relevant environmental objective

OPERATING EXPENDITURE

Financial year 2023	2023			Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic Activities (1)	Codei (2)	Revenue (3)	Proportion of turnover, year 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Wate (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy aligned (A.1) or -eligible (A.2) revenue, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
		1 000 EUR	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	(%)	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
OpEx of environmentally sustainable activities (Taxonomy-aligned)(A.1.)		**0 %**	**0 %**														**0 %**		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Energy efficiency of buildings related expert services	9.3	2	0 %	EL	N	N	N	N	N								0 %		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned acitivites) (A.2.)		**2**	**0 %**														**0 %**		
Total (A.1. + A.2.)		**2**	**0 %**														**0 %**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activies (B)		**260,757**	**100 %**																
Total (A+B)		**260,759**	**100 %**																

Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL – Not eligible, Taxonomy-non-eligible acitivity for the relevant environmental objective

Alternative Performance Measures

KH Group adheres to the guidelines issued by the European Securities and Markets Authority (ESMA) concerning Alternative Performance Measures (APM) when reporting certain other widely used performance measures in addition to IFRS performance measures. The accounting principles for these alternative performance measures are not defined in the IFRS standards. Consequently, they may not be fully comparable with the alternative performance measures presented by other companies.

KH Group believes that presenting alternative performance measures provides the users of the financial statements with better insight into the Group's financial performance, profitability and financial position. Comparable EBITDA and comparable operating profit (EBIT) are used to follow the profitability of the business in order to improve comparability between periods. Other alternative performance measures used by the company include return on equity (%), return on capital employed (%), gearing (%) (including lease liabilities and excluding lease liabilities) and equity ratio (%) and equity per share. All of the alternative performance measures and their comparison figures are calculated consistently between reporting periods unless otherwise mentioned.

Items affecting comparability

In its financial statements, the Group presents items that affect the comparability of EBITDA and operating profit (EBIT) in different reporting periods. From the Group's perspective, items affecting comparability must be exceptional and outside the course of ordinary business. The consolidation of subsidiaries resulting from the change in investment entity status had the following impact on the Group's result for the financial period through the introduction of the acquisition method of accounting:

- When the acquisition method was introduced, the Group's inventories were measured at fair value rather than cost, resulting in a higher than ordinary inventory level measured in euros. As a result of this method, the Group's material and service costs do not correspond to the ordinary level for the fiscal year 2023.
- In connection with the introduction of the acquisition method of accounting, trademarks and customer relationships were recorded in the Group's balance sheet. Depreciation of these assets leads to the Group's depreciation level being non-ordinary during their depreciation period.

KH Group considers that adjusting these items will give users of the financial statements a better picture of the Group's profitability and financial performance.

RECONCILIATION OF KEY INDICATORS

EUR million	1–12/2023	1–12/2022
Operating profit	-14.4	-10.1
Depreciation, amortisation and impairment	24.6	0.1
EBITDA	**10.2**	**-10.0**
Items affecting comparability (EBITDA)		
Adjustment of the fair value of inventories	20.6	0.0
Comparable EBITDA	**30.7**	**-10.0**
Depreciation, amortisation and impairment	-24.6	-0.1
Items affecting comparability (EBIT)		
Depreciation of intangible assets arising from acquisitions	1.2	0.0
Comparable operating profit (EBIT)	**7.3**	**-10.1**
Profit before taxes, rolling 12 months	-23.4	-10.3
Financial expenses, rolling 12 months	-10.2	-0.2
Equity at the beginning of the period	85.1	93.5
Interest-bearing liabilities, including IFRS 16 lease liabilities, at the beginning of the period	10.0	5.6
Equity at the end of the period	79.3	85.1
Interest-bearing liabilities, including IFRS 16 lease liabilities, at the end of the period	166.0	**9.9**
Return on capital employed (ROCE), %	**-7.8 %**	**-10.4 %**
Net profit for the period, rolling 12 months	-14.4	-8.2
Equity at the beginning of the period	85.1	93.5
Equity at the end of the period	79.3	85.1
Return on equity (ROE), %	**-17.5 %**	**-9.2 %**
Total equity	79.3	**85.1**
Balance sheet total	347.7	109.3
Advances received	-5.8	0.0
Equity ratio, %	**23.2**	**77.9 %**
Interest-bearing liabilities, including IFRS 16 lease liabilities	166.0	10.0
Cash and cash equivalents	-11.1	-2.2
Interest-bearing net liabilities	**154.9**	**7.8**
IFRS16 Lease liabilities	-62.4	-0.1
Interest-bearing net liabilities, excluding IFRS 16 lease liabilities	**92.5**	**7.7**
Total equity	79.3	85.1
Gearing, %	**195.4 %**	**9.2 %**
Gearing, excluding IFRS16 lease liabilities, %	**116.7 %**	**9.0 %**

CALCULATION OF KEY INDICATORS

Alternative Performance Measure	Calculation formula	Purpose
Comparable EBITDA	Comparable operating profit (EBIT) + Depreciation, amortisation and impairment	Adjusted EBITDA is considered to provide a comparable view of the operating result as compared to previous periods.
EBITDA	EBIT + Depreciation, amortisation and impairment	EBITDA is considered to provide an operative view of the business results.
Comparable operating profit (EBIT)	Operating profit - Items affecting comparability	Comparable operating profit EBIT is considered to provide a comparable view of the operating result as compared to previous periods.
Equity ratio, %	Total equity / (Balance sheet total - advances received) x 100	The equity ratio provides information on the debt financing used by the Group to finance its assets.
Interest-bearing liabilities	Loans from financial institutions + Lease liabilities + Other interest-bearing financial liabilities	The component is used in the calculation of gearing.
Interest-bearing net liabilities	Interest-bearing liabilities - Cash and cash equivalents	Interest-bearing net liabilities illustrate the total amount of the Group's external debt financing.
Gearing, %	Interest-bearing net liabilities / Total equity x 100	Gearing indicates the ratio of interest-bearing net debt to equity. It illustrates the company's capital structure.
Return on equity, %	Net profit for the period (rolling 12 months) / Total equity (average) x 100	The return on equity (ROE) percentage indicates how much return the company is able to generate on the equity invested in it by its owners.
Return on capital employed, %	(Profit before taxes + financial expenses) (rolling 12 months) / (Balance sheet total - non-interest-bearing liabilities) (average) x 100	The return on capital employed (ROCE) percentage indicates how much return the company is able to generate before taxes with the invested equity and financial liabilities in it.
Equity per share	Total equity / Number of shares at the end of the period	Equity per share indicates the amount of equity per share.

Pro forma financial figures

The following unaudited pro forma financial figures have been prepared for illustrative purposes only. The pro forma figures aim to illustrate the comparable result of the segments and the Group if the change in investment entity status had taken place on 1 January 2022, and the companies that were part of the group structure on 31 December 2023 had been consolidated into the income statement line item by line item for the periods 1 January–31 December 2022 and 1 January–31 December 2023.

The unaudited pro forma figures are based on the subsidiaries' audited financial statements for the financial year 2022 and on unaudited accounting figures for the periods 1 January–31 December 2022 and 1 January–31 December 2023.

The presented pro forma figures include comparable net sales, EBITDA, operating profit and profit before taxes for the consolidated group and segments. The consolidated figures include the subsidiaries' transactions as if the consolidation had commenced on 1 January 2022. Intra-group transactions have been eliminated. The pro forma figures do not include the Logistikas business, which was divested in 2023, and the Nordic Rescue Group's subsidiary Vema Lift Oy, which filed for bankruptcy in 2022. The historical financial figures of Indoor Group and KH Group Plc were previously drawn up in compliance with the IFRS standards. The historical financial figures of KH-Koneet, Nordic Rescue Group and HTJ were drawn up in compliance with the Finnish Accounting Standards ("FAS"). In the pro forma figures, the FAS accounting figures for the subsidiaries have been adjusted to be in line with IFRS principles, the parent company's fair value entries have been reversed, and the effect of discontinued operations has been adjusted for as follows:

- The net sales figures do not include the Logistikas business divested in 2023 and the Nordic Rescue Group subsidiary Vema Lift Oy, which filed for bankruptcy in 2022.

- EBITDA has been adjusted to eliminate the discontinued operations, fair value changes of the parent company's investments in subsidiaries, and lease expenses recognised in FAS accounting, which are not recognised in EBITDA in accordance with IFRS 16.
- Operating profit has been adjusted to eliminate discontinued operations, the parent company's fair value entries, and FAS lease expenses. Depreciation of leases in accordance with IFRS 16 has been added to operating profit.
- Profit before taxes has been adjusted to eliminate discontinued operations, the parent company's fair value entries, and FAS lease expenses. IFRS 16 depreciation and interest expenses according to IFRS 16 have been added to profit before taxes.

PRO FORMA INCOME STATEMENTS

EUR million	Pro forma 1–12/2023	Pro forma 1–12/2022
Net sales		
KH-Koneet	152.3	182.5
Indoor Group	186.3	192.2
Nordic Rescue Group	38.3	31.5
HTJ	26.3	23.1
Non-allocated	-	-
Group	**403.3**	**428.9**
EBITDA		
KH-Koneet	**20.5**	**20.5**
Indoor Group	21.8	20.3
Nordic Rescue Group	2.5	0.3
HTJ	3.3	3.4
Non-allocated	-2.7	-2.1
Group	**45.3**	**42.4**
EBITDA %		
KH-Koneet	13.4 %	11.3 %
Indoor Group	11.7 %	10.6 %
Nordic Rescue Group	6.6 %	0.8 %
HTJ	12.4 %	14.9 %
Non-allocated	-	-
Group	**11.2 %**	**9.9 %**

PRO FORMA INCOME STATEMENTS

EUR million	Pro forma 1–12/2023	Pro forma 1–12/2022
Depreciation		
KH-Koneet	-11.5	-10.0
Indoor Group	-20.7	-19.3
Nordic Rescue Group	-0.6	-0.5
HTJ	-0.7	-0.6
Non-allocated	-0.1	-0.1
Group	**-33.6**	**-30.5**
Operating profit (EBIT)		
KH-Koneet	9.0	10.5
Indoor Group	1.0	1.0
Nordic Rescue Group	1.9	-0.2
HTJ	2.6	2.8
Non-allocated	-2.9	-2.2
Group	**11.7**	**11.9**
Operating profit (EBIT) %		
KH-Koneet	5.9 %	5.8 %
Indoor Group	0.6 %	0.5 %
Nordic Rescue Group	5.0 %	-0.7 %
HTJ	9.8 %	12.2 %
Non-allocated	-	-
Group	**2.9 %**	**2.8 %**

PRO FORMA INCOME STATEMENTS

EUR million	Pro forma 1–12/2023	Pro forma 1–12/2022
Financial items, net		
KH-Koneet	-3.2	-3.2
Indoor Group	-4.4	-3.1
Nordic Rescue Group	-1.3	-0.8
HTJ	-0.7	-0.4
Non-allocated	-2.4	-0.2
Group	**-12.5**	**-7.6**
Profit before taxes		
KH-Koneet	5.3	7.3
Indoor Group	-3.4	-2.1
Nordic Rescue Group	0.6	-1.0
HTJ	1.9	2.4
Non-allocated	-5.3	-2.4
Group	**-0.8**	**4.3**

PRO FORMA RECONCILIATIONS

KH Group

EUR million	1–12/2023	1–12/2022
Reported FAS EBITDA [(1) (3)]	15.2	13.5
Reported IFRS EBITDA [(2) (3)]	21.5	10.3
Sale and leaseback adjustment	-0.9	-0.7
Reversal of FAS lease expenses	12.0	9.6
Reversal of the EBITDA of Vema Lift Oy (3)	0.0	1.7
Reversal of the parent company's fair value entries	2.3	7.9
Reversal of the capital gain on the sale of Logistikas	-4.8	0.0
Pro Forma EBITDA [(3)]	**45.3**	**42.4**
Reported FAS/IFRS depreciation	-28.6	-32.5
Reversal of FAS depreciation of goodwill	4.9	10.0
FAS companies' IFRS 16 depreciation	-9.9	-8.3
Reversal of the depreciation of Vema Lift Oy	0.0	0.4
Pro forma EBIT	**11.7**	**11.9**
Reported FAS/IFRS net financial expenses	-10.6	-9.6
FAS companies' IFRS 16 interest	-1.9	-1.2
Reversal of Vema Lift Oy's financial items	0.0	3.1
Pro forma profit before taxes	**-0.8**	**4.3**

(1) KH-Koneet, NRG and HTJ reported FAS EBITDA
(2) Indoor Group and parent company reported IFRS EBITDA
(3) EBITDA = operating profit + depreciation and amortisation

KH-KONEET

EUR million	1–12/2023	1–12/2022
Reported FAS EBITDA (1)	**10.7**	**12.6**
Sale and leaseback adjustment	-0.9	-0.7
Reversal of FAS lease expenses	10.7	8.6
Pro forma EBITDA (1)	**20.5**	**20.5**
FAS depreciation	-4.6	-4.4
Reversal of FAS depreciation of goodwill	1.9	1.8
IFRS 16 depreciation	-8.8	-7.3
Pro forma operating profit (EBIT)	**9.0**	**10.5**

(1) EBITDA = operating profit + depreciation and amortisation

INDOOR GROUP

Indoor Group reports its figures according to IFRS, and the pro forma figures correspond to the figures reported by the company.

HTJ

EUR million	1–12/2023	1–12/2022
Reported FAS EBITDA (1)	**2.5**	**2.9**
Reversal of FAS lease expenses	0.8	0.6
Pro Forma EBITDA (1)	**3.3**	**3.4**
FAS depreciation	-2.1	-1.9
Reversal of FAS depreciation of goodwill	2.0	1.8
IFRS 16 depreciation	-0.6	-0.5
Pro forma (EBIT)	**2.6**	**2.8**

(1) EBITDA = operating profit + depreciation and amortisation

NORDIC RESCUE GROUP

The pro forma figures do not include the figures of Vema Lift Oy, which filed for bankruptcy in December 2022.

EUR million	1–12/2023	1–12/2022
Reported FAS EBITDA [1]	**2.0**	**-2.0**
Reversal of FAS lease expenses	0.5	0.5
Reversal of the EBITDA of Vema Lift Oy(1)	0.0	1.7
Pro forma EBITDA [1]	**2.5**	**0.3**
FAS depreciation	-1.1	-6.7
Reversal of FAS depreciation of goodwill	1.0	6.4
IFRS 16 depreciation	-0.5	-0.5
Reversal of the depreciation of Vema Lift Oy	0.0	0.4
Pro forma operating profit (EBIT)	**1.9**	**-0.2**

(1) EBITDA = operating profit + depreciation and amortisation

Consolidated Financial Statements (IFRS)

CONSOLIDATED INCOME STATEMENT, IFRS

1 000 EUR	Note	2023	2022
Net sales		270,575	-
Other operating income	3.2	2,598	-
Materials and services	3.3	-185,219	-
Personnel expenses	3.5	-48,501	-1,198
Other operating expenses	3.4	-27,038	-940
Unrealised changes in fair values of investment	2.1	-2,228	-7,883
Depreciation, amortisation and impairment	3.6	-24,576	-111
Operating profit/loss		**-14,387**	**-10,132**
Financial income	3.7	1,188	7
Financial expenses	3.7	-10,168	-186
Profit before taxes		**-23,367**	**-10,311**
Income taxes	3.8	4,287	2,079
Profit from continuing operations		**-19,080**	**-8,232**
Profit from discontinued operations	1.3	4,717	-
Net profit for the period		**-14,363**	**-8,232**
Distribution of the net profit for the period:			
Parent company shareholders		-10,429	-8,232
Non-controlling interest		-3,934	-
Earnings per share	2.7		
Continuing operations, EUR			
Undiluted		-0.26	-0.14
Diluted		-0.26	-0.14
Discontinued operations, EUR			
Undiluted		0.08	-
Diluted		0.08	-
Continuing and discontinued operations, EUR			
Undiluted		-0.18	-0.14
Diluted		-0.18	-0.14

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

1 000 EUR	Note	2023	2022
Net profit for the period			**-8,232**
Comprehensive income items that may be later recognised through profit and loss			
Translation differences		-29	-
Items not transferred to profit or loss:			
Defined-benefit pensions		-117	
Other comprehensive income after taxes for the financial period		**-146**	
Total comprehensive income for the period		**-14,509**	**-8,232**
Distribution			
Parent company shareholders		-10,540	-8,232
Non-controlling interest		-3,969	-

CONSOLIDATED BALANCE SHEET, IFRS

1 000 EUR	Note	2023	2022
ASSETS			
Non-current assets			
Goodwill	4.2 ja 4.3	39,874	-
Intangible assets	4.2	63,766,	-
Property, plant and equipment	4.1	41,386	30
Right-of-use assets	2.5	61,792	137
Investments at fair value through profit and loss	2.1	-	102,385
Non-current receivables and other financial assets		736	25
Deferred tax assets	4.8	5,316	4,451
Non-current assets, total		**212,869**	**107,029**
Current assets			
Inventories	4.4	100,022	-
Trade receivables	4.5	19,304	-
Accrued income and other receivables	4.5	4,414	57
Cash and cash equivalents	2.2	11,089	2,216
Current assets, total		**134,828**	**2,273**
Assets, total		**347,698**	**109,302**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company			
Share capital	2.6	15,179	15,179
Reserve for invested unrestricted equity	2.6	12,886	12,886
Translation differences		-42	-
Retained earnings		46,575	57,076
Equity attributable to the owners of the parent company		**74,597**	**85,140**
Non-controlling interest		4,669	-

CONSOLIDATED BALANCE SHEET, IFRS

1 000 EUR	Note	2023	2022
Total equity	2.6	**79,266**	**85,140**
Non-current liabilities			
Interest-bearing financial liabilities	2.3	40,485	9,900
Financial liabilities for leased equipment	2.3	24,424	-
Lease liabilities	2.5	40,686	28
Other non-current liabilities	4.9	3,372	4,822
Provisions	2.1	83	-
Pension obligations	4.7	155	-
Deferred tax liabilities	4.8	12,666	8,544
Non-current liabilities, total		**121,870**	**23,294**
Current liabilities			
Interest-bearing financial liabilities	2.3	29,601	-
Financial liabilities for leased equipment	2.3	9,052	-
Lease liabilities	2.5	21,712	111
Advances received	3.1	5,842	-
Trade and other liabilities	4.6	80,355	757
Current liabilities, total		**146,562**	**868**
Liabilities, total		**268,432**	**24,162**
Shareholders' equity and liabilities, total		**347,698**	**109,302**

CONSOLIDATED CASH FLOW STATEMENT, IFRS

1 000 EUR	Note	2023	2022
Cash flow from operating activities			
Net profit for the period		-14,363	-8,232
Adjustments to the net profit for the period			
Depreciation, amortisation and impairment	3.6	24,576	111
Financial income and expenses	3.7	8,980	179
Income taxes	3.8	-4,287	-2,079
Other adjustments		8,143	7,797
Adjustments, total		**37,412**	**6,008**
Changes in working capital		7,655	-197
Purchase of investments		-	-1,305
Interest received		71	7
Financial expenses paid		-7,078	-196
Income taxes paid		-996	-
Net cash flow from operating activities		**22,700**	**-3,915**
Cash flow from investing activities			
Cash and cash equivalents of subsidiaries, 1 May 2023		16,309	-
Sales of subsidiaries	1.3	11,813	-
Investments in tangible and intangible assets	4.1 and 4.2	-2,002	-
Sale of tangible and intangible assets		744	-
Net cash flow from investing activities		**26,864**	-
Cash flow from financing activities			
Proceeds from loans	2.3	966	14,400
Repayment of loans	2.3	-29,766	-10,000
Withdrawals of financial loans for leased equipment	2.3	11,068	-
Repayments of financial loans for leased equipment	2.3	-7,806	-
Repayments of lease liabilities	2.5	-15,152	-101
Dividends paid		-	-
Net cash flow from financing activities		**-40,690**	**4.299**
Change in cash and cash equivalents		**8,873**	**384**
Cash and cash equivalents at the beginning of the period		2,216	1,832
Cash and cash equivalents at the end of the period	**2.2**	**11,089**	**2,216**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, IFRS

2023 1 000 EUR	Note	Equity attributable to equity holders of the parent company Share capital	Reserve for invested unrestricted equity	Translation differences	Retained earnings	Total	Non-controlling interest	Total equity
Equity 1 Jan. 2023		**15,179**	**12,886**	**-**	**57,076**	**85,140**	**-**	**85,140**
Net profit for the period		-	-	-	-10,429	-10,429	-3,934	-14,363
Other comprehensive income items								
Translation differences		-	-	-42	-	-42	14	-29
Defined-benefit pensions		-	-	-	-68	-68	-49	-117
Comprehensive income for the period		**-**	**-**	**-42**	**-10,498**	**-10,540**	**-3,969**	**-14,509**
Change in consolidation principles[1]		-	-	-	-	-	7,938	7,938
Equity loan and interest[2]		-	-	-	-3	-3	700	697
Equity 31 December 2023		**15,179**	**12,886**	**-42**	**46,575**	**74,597**	**4,669**	**79,266**

1) See note on business combinations
2) Additional investment in Indoor Group by other shareholders

2022 1 000 EUR	Note	Equity attributable to equity holders of the parent company Share capital	Reserve for invested unrestricted equity	Translation differences	Retained earnings	Total	Non-controlling interest	Total equity
Equity 1 Jan. 2022		**15,179**	**12,866**	**-**	**65,393**	**93,457**	**-**	**93,457**
Net profit for the period		-	-	-	-8,232	-8,232	-	-8,232
Other comprehensive income items		-	-	-	-	-	-	-
Comprehensive income for the period		**-**	**-**	**-**	**-8,232**	**-8,232**	**-**	**-8,232**
Share-based incentive schemes		-	-	-	-86	-86	-	-86
Equity 31 Dec. 2022		**15,179**	**12,886**	**-**	**57,076**	**85,140**	**-**	**85,140**

Notes to the consolidated financial statements

1. GENERAL ACCOUNTING PRINCIPLES AND GROUP STRUCTURE

Basis of preparation of the financial statements
The accounting policies are presented as part of the note to which they relate. The accounting principles are highlighted with a blue background colour in connection with each note.

Estimated items and management discretion
Estimates and management discretion are presented as part of the notes in which the estimated financial statements item is presented. Accounting estimates and management discretion in applying the accounting principles are highlighted in orange background colour in connection with each note.

Information about the company and the financial statements
KH Group Plc (until 9 May 2023, Sievi Capital Plc) is a listed (Nasdaq Helsinki) conglomerate.

Based on the change in strategy announced on 15 December 2022, Sievi Capital Plc transformed its operations from a private equity investment company into a conglomerate on 4 May 2023 by a decision of the Annual General Meeting. In connection with this, the company's name was changed to KH Group Plc. The trading code of the share was previously SIEVI and was changed to KHG as a result of the change of the trade name on 10 May 2023. KH Group's strategy will no longer include making private equity investments in new industries. The medium-term objective is to become an industrial group built around the KH-Koneet business. The development of other business areas will continue in the same way as before, and the aim is to divest them in line with the previous investment strategy. KH Group did not previously consolidate the data of its subsidiaries into Group-level calculations line item by line item, but recognised investments in the companies at fair value through profit and loss. Starting from 1 May 2023, the Group has consolidated its subsidiaries into the income statement and balance sheet line item by line item. For this reason, KH Group reported its consolidated financial statements as a conglomerate for the first time in connection with the half-yearly financial report 2023.

The Group's parent company, KH Group Plc, is a Finnish public limited liability company with its registered office in Sievi and its registered address at Kuninkaalantie 19, 01300 Vantaa, Finland, wherefrom a copy of the consolidated financial statements is also available. The company's share is listed in Nasdaq Helsinki Ltd.

At its meeting on 20 March 2024, the Board of Directors of KH Group Plc approved these financial statements. According to the Finnish Limited Liability Companies Act, shareholders have the option of adopting or rejecting the financial statements at a general meeting after their publication.

Basis of preparation of the financial statements
KH Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), applying the IAS and IFRS standards effective on 31 December 2023 as well as SIC and IFRIC interpretations. "IFRS" refers to the standards and their interpretations that have been adopted for application in the Community in the Finnish Accounting Act and the provisions issued thereunder in accordance with the procedure laid down in the Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards. The notes to the financial statements are also in compliance with Finnish accounting and corporate legislation supplementing IFRS.

The financial statements are presented in thousands of euros. KH Group's investments in subsidiaries were measured at fair value up to 30 April 2023 and, as of 1 May 2023, the subsidiaries have been consolidated on a line item-by-line item basis in the income statement and balance sheet. The valuation of other financial statements items is based on original acquisition costs, unless otherwise stated in the accounting principles. All figures presented have been rounded, due to which the total sum of the individual figures may differ from the sum presented. The figures in brackets refer to the corresponding period in 2022. The financial statements are prepared for a calendar year, which is KH Group's reporting period.

Changes to the accounting policies for the financial statements 2023

Change of investment entity status and commencing the consolidation of subsidiaries
KH Group prepared its previous financial statements and interim reports as an IFRS 10 investment entity whose investments in subsidiaries were treated as financial

instruments and measured at fair value through profit and loss. On 4 May 2023, in accordance with the proposal of the Board of Directors, the Annual General Meeting resolved to change the company name and line of business and amend the Articles of Association to be in line with the change in strategy from private equity investment company into a conglomerate announced on 15 December 2022.

KH Group deems that it ceased to be an investment entity on 1 May 2023 and, from that date onwards, has consolidated its subsidiaries into the consolidated financial statements by applying the IFRS 3 acquisition method of accounting. The date on which the investment entity status changed, 1 May 2023, is considered to be the acquisition date of the subsidiaries in accordance with IFRS 3. The fair value of the subsidiary on the acquisition date is deemed to represent the assumed consideration paid when determining the goodwill arising from the acquisition. The accounting principles are described in more detail in the note "1.2 Acquired businesses".

The material effects of the change in investment entity status on the consolidated income statement, consolidated balance sheet and consolidated cash flow are described below.

Consolidated income statement

The consolidated income statement for the financial period 2023 includes both the period 1–4/2023, during which the parent company, as an investment entity, recognised its investments at fair value through profit and loss, and the period 5–12/2023, during which the subsidiaries were consolidated line item by line item in accordance with the acquisition cost method. Consequently, the subsidiaries' income statements for the period 1–4/2023 have not been consolidated into the consolidated income statement line item by line item.

The change in the value of the investments during the period 1–4/2023 was the EUR -2.2 million reported in the Q1/2023 Business Review, and there were no changes in value in April 2023.

The Logistikas business is presented in the income statement as a discontinued operation in a single line; additional information is presented in the note "1.3 Discontinued operations and sales of businesses".

Consolidated balance sheet

After the date on which the investment entity status changed, subsidiaries have been consolidated into the consolidated balance sheet line item by line item in accordance with the acquisition cost method, and the parent company's investments previously recognised at fair value through profit and loss have been eliminated as shares in subsidiaries. The subsidiaries assets and liabilities on the date consolidation began are described in more detail in the note "1.2 Acquired businesses". A non-controlling interest was also created in consolidated equity in connection with the change of investment entity status.

Consolidated cash flow statement

The consolidated cash flow statement for the financial period 2023 includes both the period 1–4/2023, during which the cash flow statement consisted of the parent company's cash flow, and the period 5–12/2023, during which the subsidiaries were consolidated line item by line item. The subsidiaries' cash and cash equivalents on 1 May 2023 are included in cash flow from investing activities, as the change in the consolidation principle is treated as an IFRS 3 acquisition without paid cash consideration.

Estimated items and management discretion

Management exercises discretion in applying the accounting policies for the financial statements. Discretionary decisions made by the management influence the selection and application of accounting principles. This applies especially to those cases where the current IFRS standards contain alternative recognition, valuation or presentation methods.

In addition, accounting estimates are used when preparing the financial statements. As the factors underlying the estimates change, the actual results may differ significantly from the estimates used in the financial statements. The estimates and associated assumptions are based on KH Group's previous experience and other factors, such as the latest available information, circumstances related to future events and the future outlook on the balance sheet date. These are considered to represent the management's best judgment at the time of review and to be reasonable under the circumstances.

Item	Estimate	Discretionary decisions	Note
Principles of consolidation	Change of investment entity status	Yes	1.1 and 1.2
Lease liabilities	Defining the lease term and determining the lease components	Yes	2.5
Goodwill and intangible assets	Assumptions in value in use calculations and fair value in acquisitions	Yes	4.1 and 4.2
Inventories	Measurement of inventories	No	4.4
Trade receivables	Measurement of trade receivables	Yes	4.5
Deferred tax assets	Recognition of tax receivables and validity of recognised tax receivables	Yes	4.8

Below is an overview of the areas that have been subject to significant discretion or are complex, and the items that are most likely to be subject to material adjustments should the estimates and assumptions prove to be incorrect. Details of these estimates and discretionary decisions are provided in the notes to each financial statement item, which also provide information on the basis on which the financial statement item is calculated.

1.1 Group structure

Company information

KH Group's businesses KH-Koneet, Indoor Group, Nordic Rescue Group and HTJ are responsible for their own operations, customer relationships and their development. The Logistikas business segment is reported as a discontinued operation in accordance with IFRS 5. On 30 June 2023, KH Group announced that it had signed an agreement on the sale of its Logistikas business to the Swedish logistics company Logent AB. The transaction was signed and completed simultaneously. The Group's main markets are Finland and Sweden. The Group had no associated companies in the 2022 and 2023 financial periods.

KH Group Plc and the minority shareholders of KH-Koneet and HTJ have agreed on a mutual right to complete a transaction concerning all of the shares in the subsidiaries held by the minority shareholders if certain conditions are met. Therefore, the sub-groups in question are consolidated as if KH Group Plc had a 100% holding and the non-controlling interests are presented as liabilities at fair value through profit or loss.

Group companies

Subsidiaries	Country	% holding 31.12.2023	31.12.2022
Indoor Group Holding Oy	Finland	58.3%	58.3%
Indoor Group Oy	Finland	100%	100%
Insofa Oy	Finland	100%	100%
Indoor Group AS	Estonia	100%	100%
KH-Koneet Group Oy	Finland	90.7%	90.7%
KH-Koneet Oy	Finland	100%	100%
KH Tekninen Kauppa Oy	Finland	100%	100%
Edeco-Tools Oy	Finland	100%	100%
Crent Oy	Finland	100%	100%
KH-Maskin AB	Sweden	100%	100%
S-Rental AB	Sweden	100%	100%
Nordic Rescue Group Oy	Finland	68.1%	68.1%
Saurus Oy	Finland	100%	100%
Sala Brand AB	Sweden	100%	100%
HTJ Holding Oy	Finland	91.7%	91.7%
Rakennuttajatoimisto HTJ Oy	Finland	100%	100%
Logistikas Oy	Finland	0.0%	65.9%

Principles of consolidation

KH Group prepared its previous financial statements as an IFRS 10 investment entity whose investments in subsidiaries were treated as financial instruments and measured at fair value through profit and loss. Since 1 May 2023, the subsidiaries have been consolidated in their entirety in the consolidated financial statements, as KH Group considers that it has ceased to be an investment entity. The date on which the investment entity status changed is considered to be the acquisition date in accordance with IFRS 3. The fair value of the subsidiary on the acquisition date is deemed to represent the assumed consideration paid when determining the goodwill arising from the acquisition.

The Group consists of the parent company and all companies in which KH Group exercises control. KH Group is deemed to exercise control when KH Group is exposed to the variable returns of a target company or has rights to the variable returns of a target company, and it has the ability to affect those returns by exercising control over the target company.

All intra-group transactions, receivables and liabilities, as well as gains and losses from transactions between subsidiaries, are eliminated as part of the consolidation process. Non-controlling interests in subsidiaries are presented in the consolidated balance sheet as part of equity, separately from the equity attributable to the shareholders. The non-controlling interests' share of the net profit for the period is separately indicated in the consolidated income statement. The goodwill arising from the acquisition of foreign units and fair value adjustments made in connection with the acquisition of the foreign units in question are treated as assets and liabilities of the foreign units in question and translated into euros at the exchange rate on the financial statements date.

Intra-group shareholdings are eliminated using the acquisition method of accounting. Acquisition cost includes, in addition to the consideration transferred, the fair value of issued shares and any liabilities acquired. For each acquisition, the non-controlling interest can be recognised at either fair value or as a relative share of the net assets of the acquiree. Acquisition cost exceeding the fair value of the acquiree's net assets is recognised as goodwill. If the acquisition cost is lower than the fair value of the net assets acquired by the Group, the difference is recognised directly in the consolidated income statement.

In significant business combinations, the Group uses an external advisor in determining the fair values of acquired assets and liabilities. Where possible, the fair values of acquired assets and liabilities are determined in accordance with their available market values. If market values are not available, the measurement is based on the estimated revenue-generating capacity of the asset item and its future purpose in KH Group Plc's business operations. In particular, the measurement of intangible assets is based on the present values of future cash flows, and this requires management estimates on future cash flows, discount rates and the use of the assets.

Foreign group companies

The results and financial position figures of Group companies are determined in the currency of the main operating environment of each entity ("functional currency"). The consolidated financial statements are presented in euros, which is the functional and reporting currency of the Group's parent company.

In the consolidated financial statements, the income statements of foreign Group companies are converted into euros at the average rate for the financial period. Balance sheet items are translated into euros at the exchange rate on the balance sheet date. Translation differences are presented in equity as a separate item. When a subsidiary is sold in whole or in part in such a way that the Group no longer has control, accumulated translation differences are reclassified from equity to the income statement as part of capital gains or losses.

1.2 Business combinations

Following the cessation of KH Group Plc's investment entity status on 1 May 2023, the following subsidiaries and all of their respective subsidiaries were combined with KH Group:

- Indoor Group Holding Oy
- KH-Koneet Group Oy
- Nordic Rescue Group Oy
- HTJ Holding Oy

The fair values of the components of the consideration paid, the acquired assets and liabilities, and goodwill at the time of the acquisition are presented in the table below:

EUR million	Indoor Group	KH-Koneet	Nordic Rescue Group	HTJ	Total
Acquired shareholding	58.3%	100.0%	68.1%	100.0%	
Assets					
Trademarks	45.0	-	3.9	-	48.9
Customer relationships	0.0	7.9	0.0	6.2	14.1
Other intangible assets	0.7	0.1	0.8	-	1.6
Property, plant and equipment	4.9	35.0	0.3	0.3	40.6
Right-of-use assets	53.0	9.1	1.5	1.8	65.4
Other financial assets	0.1	0.2	-	0.5	0.8
Deferred tax assets	2.1	0.3	-	-	2.3
Inventories (1)	36.2	81.9	5.4	-	123.6
Trade and other receivables	2.2	16.2	6.5	3.6	28.4
Cash and cash equivalents	11.1	2.6	1.6	1.1	16.3
Assets, total	**155.3**	**153.3**	**19.9**	**13.6**	**342.1**

EUR million	Indoor Group	KH-Koneet	Nordic Rescue Group	HTJ	Total
Liabilities					
Loans from financial institutions and other financial liabilities	36.8	61.1	13.1	8.9	120.0
Lease liabilities	53.0	9.1	1.5	1.8	65.4
Provisions	0.1	-	-	-	0.1
Deferred tax liabilities	12.1	3.6	1.0	1.2	17.9
Trade and other liabilities	31.8	39.6	7.8	5.8	84.9
Liabilities, total	**133.6**	**113.5**	**23.4**	**17.8**	**288.2**
Identifiable net assets, total	**21.7**	**39.8**	**-3.4**	**-4.2**	**53.9**
Consideration paid					
Fair value of the investment less unrealised deferred tax liabilities	30.0	37.7	3.1	9.7	80.6
Liability on the non-controlling interest	0.0	4.3	-	0.9	5.2
Total consideration paid	**30.0**	**42.0**	**3.1**	**10.6**	**85.8**
Non-controlling interests	**9.0**	**-**	**-1.1**	**-**	**7.9**
Goodwill arising from acquisitions	**17.4**	**2.2**	**5.5**	**14.8**	**39.9**
Cash flow effect					
Cash and cash equivalents acquired	11.1	2.6	1.6	1.1	16.3
Cash flow effect, total	**11.1**	**2.6**	**1.6**	**1.1**	**16.3**

(1) The value of the inventories includes an allocation of fair value of a total of EUR 20.6 million for KH-Koneet and Indoor Group that is recognised as an expense during 2023.

Goodwill on consolidation amounted to EUR 39.9 million, representing human resources and other intangible assets for which the conditions for recognition were not met. Goodwill is not tax-deductible. Indoor Group trademarks are considered to have an unlimited economic useful life and are subject to annual impairment testing.

Acquisitions
Acquisitions are accounted for according to the acquisition method. The consideration given and the assets and liabilities of the acquiree are measured at fair value at the time of acquisition. Expenses related to the acquisition are recognised as expenses. Any contingent additional purchase price is measured at fair value at the time of acquisition and is classified as either a liability or equity.

The additional purchase price classified as a liability is measured at fair value at the end of each reporting period and the resulting gain or loss is recognised through profit or loss. An additional purchase price classified as equity is not re-measured. The acquisition cost of goodwill is the amount by which the acquisition cost of a subsidiary exceeds the fair value of the acquired identifiable assets, liabilities and contingent liabilities.

1.3 Discontinued operations and sales of businesses

Discontinued operations
On 30 June 2023, KH Group announced that it had signed an agreement on the sale of its Logistikas business to the Swedish logistics company Logent AB. The transaction was signed and completed simultaneously.

KH Group's holding in Logistikas was 66.5%, and its share of the purchase price, after the deduction of net debt and transaction costs, is approximately EUR 11.8 million, including the purchase price for the shares and for the receivables from Logistikas Oy related to dividend and capital distribution in conjunction with the transaction. The final purchase price was determined on the basis of Logistikas Oy's balance sheet on 30 June 2023 and adjustments to the purchase price were paid during the third quarter.

Logistikas was deemed to meet the IFRS 5 criteria for a non-current asset held for sale on the date of the change in investment entity status on 1 May 2023, which was the company's acquisition date in accordance with IFRS 3. Consequently, the Logistikas business was classified as a discontinued operation during the financial period, as it was, under IFRS 5, a subsidiary acquired solely for the purpose of selling it.

Continuing and discontinued operations are presented separately in the consolidated income statement. The comparison figures have not been restated, as Logistikas Oy's profit had not been consolidated into the Group before the change of investment entity status on 1 May 2023. The discontinued operation's result for the period 1 January–31 December 2023 includes the capital gain of EUR 4.4 million arising from the transaction and the discontinued operation's profit of EUR 0.3 million for the financial period.

EUR million	2023
Effect of the divestment on consolidated cash flow	
Cash consideration received (net)	11.8
	2023
Effect of the divestment on consolidated profit	
Consideration received (net)	11.8
Net assets at the time of disposal	7.4
Capital gain	**4.4**
Result of discontinued operations for the financial period	0.3
Profit from discontinued operations	**4.7**

Discontinued operations and disposal groups classified as held for sale
Non-current assets or disposal groups are classified as held for sale if the amount corresponding to their book value will be generated primarily from their sale and the sale is considered to be highly probable. They are measured at the lower of book value or fair value less disposal expenses.

Assets included in a disposal group held for sale are presented on the balance sheet separately from other assets. Liabilities included in a disposal group held for sale are presented on the balance sheet separately from other liabilities. Assets are not depreciated after the classification. Interest and other expenses arising from liabilities included in a disposal group will continue to be recognised.

A discontinued operation is a part of the company that has been divested or classified as held for sale and represents a separate business area or geographical operation and is part of a coordinated plan to divest such a business area. The results of discontinued operations are presented separately on the income statement. The income statement for the reference period is adjusted to reflect the presentation method for the reporting period.

2. CAPITAL STRUCTURE

The Group's objective is a capital structure that ensures both short-term and long-term operating conditions for its business in addition to a sufficient return on capital. The most significant factors affecting the capital structure are any structural arrangements in accordance with the strategy, KH Group Plc's dividend policy and the profitability of the subsidiaries' business.

Capital management
KH Group's capital management is based on the monitoring of gearing and solvency ratios (equity ratio and gearing). The Group has set target levels for the key figures, in addition to which some debt items are subject to capitalisation level requirements from the external creditor. These levels are monitored and reported to both KH Group management and the creditor. The solvency of subsidiaries is monitored within the framework of regulation and capital items may be transferred between Group companies.

KH Group's capital

1 000 EUR	2023	2022
Total equity	**79,266**	**85,140**
Interest-bearing financial liabilities	70,085	9,900
Lease liabilities	62,398	139
Financial liabilities for leased equipment	33,475	-
Interest-bearing liabilities, total	**165,959**	**10,040**
Interest-bearing net liabilities, excluding lease liabilities	**92,472**	**7,684**
Shareholders' equity and interest-bearing liabilities, total	**245,225**	**95,179**
Cash and cash equivalents	11,089	2,216
Net debt	**154,870**	**7,824**
Gearing, %	**195.4%**	**9.2%**
Gearing, excluding lease liabilities, %		**9.0%**
Total equity	79,266	85,140
Shareholders' equity and liabilities, total	347,698	109,302
Advances received	-5,842	-
Equity ratio, %	**23.2%**	**77.9%**

2.1 Financial assets and liabilities

The table below shows the book values, measurement categories and fair value hierarchy of the Group's financial assets and liabilities. For assets and liabilities that are not recognised at fair value through profit or loss, the book value corresponds to the fair value to a material extent.

Financial assets and liabilities

1 000 EUR	Fair value hierarchy	2023	2022
Non-current financial assets			
Financial assets recognised at fair value through profit or loss			
Unlisted shares (shares in subsidiaries)	3	-	102,385
Financial assets recognised at amortised cost			
Other non-current financial assets	2	736	-
Non-current financial assets, total		**736**	**102,385**
Current financial assets			
Financial assets recognised at amortised cost			
Trade receivables	2	19,304	-
Cash and cash equivalents	2	11,089	2,216
Current financial assets, total		**30,393**	**2,216**
Financial assets, total		**31,129**	**104,627**
Non-current financial liabilities			
Financial liabilities recognised at fair value through profit or loss			
Liabilities to non-controlling interests	3	3,372	4,800
Financial liabilities recognised at amortised cost			
Loans from financial institutions	2	39,637	9,900
Lease liabilities	2	40,686	-
Financial liabilities for leased equipment	2	24,424	-
Other non-current financial liabilities	2	847	-
Non-current financial liabilities, total		**108,966**	**14,700**
Current financial liabilities			
Financial liabilities recognised at fair value through profit or loss			
Liabilities to non-controlling interests	3	3,849	-
Financial liabilities recognised at amortised cost			
Loans from financial institutions	2	29,601	-
Lease liabilities	2	21,712	1111
Financial liabilities for leased equipment	2	9,052	-
Trade payables	2	41,246	300
Current financial liabilities, total		**105,460**	**411**
Financial liabilities, total		**214,426**	**15,111**

Financial assets and liabilities
The Group's exposure to risks related to financial instruments is described in Note 5.1 Financial risks and management of financial risks. The maximum amount exposed to credit risk at the end of the financial period is the book value of each financial asset class.

Financial assets
Based on its business model, KH Group has classified its financial assets into two categories: 1) items recognised at amortised cost and 2) items recognised at fair value through profit or loss.

Financial assets recognised at amortised cost are non-derivative financial instruments that are not quoted on public markets, that have a fixed or definable payment date and that are not held by KH Group for trading purposes. This item includes sales and other receivables. Financial assets recognised at amortised cost are recognised at cost that has been amortised by using the effective interest method. They are recorded under non-current assets if their maturity date is more than 12 months after the reporting date. Receivables are recognised at acquisition cost less expected credit losses. The amount of uncertain receivables is estimated on a case-by-case basis and credit losses are recorded as expenses in the income statement. Loans to subsidiaries and associated companies are treated as financial instruments, recognised at fair value through profit or loss, in the same way as equity investments in those companies.

Investments at fair value through profit or loss include investments in subsidiaries and associated companies until 30 April 2023. Investments are recognised at fair value on each reporting date and changes in fair value are recognised in the net profit for the financial period in which they have arisen. Changes in the fair values of investments are recognised through profit or loss and presented in the income statement under realised profits/losses & expenses of investments or unrealised changes in fair values of investments, depending on the nature of the changes.

Cash and cash equivalents consist of cash in hand and at bank as well as short-term bank deposits. Items classified as cash and cash equivalents have a maturity of no more than three months from the date of acquisition. They are easily convertible into a known amount of cash and have a low risk of value changes.

Derecognisation takes place when the Group has lost its contractual right to cash flows or when it has transferred risks and income outside the Group to a significant extent.

Financial liabilities
KH Group has classified financial liabilities into two categories: 1) financial liabilities at fair value through profit or loss and 2) financial liabilities at amortised cost. Financial liabilities also include lease liabilities, the measurement principles for which are described in note 2.5 Leases.

Financial liabilities are initially recognised at fair value and subsequently recognised at amortised cost by using the effective interest method or at fair value, on the basis of the above classification.

On the closing date, KH Group's financial liabilities recognised at fair value through profit or loss were liabilities related to the redemption of minority interests included in other balance sheet liabilities associated with obligations to purchase the shares held by minority shareholders in certain KH Group subsidiaries if certain conditions are met. Changes in the fair values of liabilities related to the redemption of non-controlling interests are recognised through profit or loss and unrealised changes in their fair values are presented in the income statement under unrealised changes in values of investments.

A financial liability is classified as current unless KH Group has an unconditional right to defer payment of the liability for at least 12 months from the end date of the reporting period. Borrowing costs are recognised as financial expenses in the financial period in which they have incurred.

Determination of fair values
Fair value is the monetary amount that would arise from the sale of an asset or would be paid for the transfer of a liability in a normal transaction between market participants in active markets on the valuation date. The IFRS standards require fair values to be determined both for the valuation of balance sheet items and for additional disclosures in the notes. The inputs used to determine fair values are categorised into three different levels of the fair value hierarchy. The hierarchy levels are based on the source of the inputs.

- Level 1: the fair values are based on quoted prices for identical assets in active markets on the valuation date.
- Level 2: the fair values of the instruments are based, to a significant extent, on inputs other than the quoted prices included in Level 1 but nevertheless on inputs that are verifiable, directly or indirectly, for the asset in question.
- Level 3: the fair values of the instruments are based on inputs concerning the asset that are not based on observable market data but are, instead, significantly based on management estimates and their use in generally accepted cash flow-based valuation models.

The fair value hierarchy level to which a particular asset recognised at fair value is classified as a whole has been determined on the basis of the lowest-level input data that is significant for the entire asset recognised at fair value. The significance of the input data has been estimated with regard to the asset recognised at fair value as a whole. There were no reclassifications between levels 1, 2 or 3 of the fair value hierarchy during the financial period.

Fair values of investments

KH Group deems that it ceased to be an investment entity on 1 May 2023 and, from that date onwards, has consolidated its subsidiaries into the consolidated financial statements by applying the IFRS 3 acquisition method of accounting. Previously, subsidiaries were measured at fair value through profit and loss in accordance with IFRS 10.

Fair values of investments

1 000 EUR	2023	2022
Shares in subsidiaries at the beginning of the period	102,385	108,328
Increase	-	1,305
Decrease (Logistikas)	-7,470	0
Changes in fair value	-2,228	-7,247
Change in consolidation principles	-92,688	
Shares in subsidiaries at the end of the period	**-**	**102,385**
Investments at fair value through profit or loss, total	**-**	**102,385**

Estimated items and management discretion

Hierarchy level 3 values are based inputs concerning the asset that are not based on observable market data but are instead significantly based on management estimates and their use in generally accepted valuation models. The valuation models used were mainly generally accepted models that are based on cash flow. Uncertainties associated with management estimates related to the fair value measurement of private equity investments have been increased by the COVID-19 pandemic, the war started by Russia in Ukraine and its potential indirect impacts, changes in the financial market environment, and inflation. The impacts of the war in Ukraine are discussed more under the heading “The most significant near-term business risks and risk management” in this report.

Unlisted private equity investments held by the company and liabilities connected to the redemption of minority interests in subsidiaries have been entered in hierarchy level 3, as they do not have quoted market prices and the inputs in valuation models can be verified based on market data.

2.2 Cash and cash equivalents

Cash and cash equivalents and unused credit facilities

1 000 EUR	2023	2022
Cash and cash equivalents	11,089	2,216
Unused credit facilities	14,654	-
Total	**25,743**	**2,216**

Cash and cash equivalents include cash, bank deposits and other highly liquid investments of up to three months. The Group's cash and cash equivalents at the end of the financial period amounted to EUR 11.1 (2.2) million. Unused credit facilities amounted to EUR 14.7 million. There is an insignificant risk of changes in value of cash and cash equivalents.

2.3 Financial liabilities

Interest-bearing liabilities and net debt

Net debt

1 000 EUR	2023	2022
Non-current interest-bearing liabilities	40,485	9,900
Non-current financial liabilities for leased equipment	24,424	-
Non-current lease liabilities	40,686	28
Current interest-bearing liabilities	29,601	-
Current financial liabilities for leased equipment	9,052	
Current lease liabilities	21,712	111
Liquid assets	-11,089	-2,216
Total interest-bearing net debt	**154,870**	**7,824**

The financial liabilities for leased equipment relate to the fleet of vehicles used in KH-Koneet's machinery rental business, which has been transferred to and leased back from the financing company. The transfer to the financing company is not treated as a sale but is held on the consolidated balance sheet and a financial liability corresponding to the transfer price is recognised.

Changes in interest-bearing liabilities

2023 1 000 EUR	Opening balance sheet values 1 January	Business combinations	Cash flows	Other non-cash changes	Values on the reporting date 31 December
Interest-bearing liabilities	9,900	90,035	-29,849	-	70,085
Financial liabilities for leased equipment	-	29,929	3,262	284	33,475
Lease liabilities	139	65,355	-15,152	12,056	62,398
Total changes in interest-bearing liabilities	**10,040**	**185,318**	**-41,740**	**12,340**	**165,959**

2022 1 000 EUR	Avaavan taseen arvot 1.1	Liiketoimintojen yhdistäminen	Kassavirrat	Muut ei raha-määräiset muutoserät	Raportointi-päivän arvot 31.12.
Interest-bearing liabilities	5,500	-	4,400	-	9,900
Lease liabilities	230,	-	-101	11	139
Total changes in interest-bearing liabilities	**5,730**	**-**	**4,299**	**11**	**10,040**

2.4 Maturity breakdown of financial liabilities

Liquidity and refinancing risk
KH Group's objective is to ensure adequate funding for operations in all situations and market conditions. In accordance with the financial policy, the sources of funding are distributed among a sufficient number of counterparties and across a number of different loan instruments. A sufficient number of binding financing agreements and maturities of sufficient length ensure the KH Group's current and near-term financing needs and manage the refinancing risks associated with the financing agreements.

The Group's businesses are primarily financed by their cash flows from operating activities. Investments may require additional debt capital. Liquidity is ensured by cash and binding overdraft facilities.

The maturity structure of the loans was balanced and the Group's refinancing risk was reduced during the financial period by renegotiating Nordic Rescue Group's financing agreement in May 2023. In addition, the financing agreements of KH-Koneet, Indoor Group and HTJ were renewed as events after the 2023 financial statements.

The maturity breakdown of financial liabilities includes the Group's outward cash flows related to financial liabilities. The table breaks down the liquidity requirements for future outward cash flows at an annual level. The maturity analysis includes interest-bearing liabilities and IFRS 16 lease liabilities to present actual outward cash flows related to the Group's financial liabilities.

Based on the maturity breakdown, Group management maintains the credit situation and liquidity requirement and amends the company's credit risk guidelines.

2023 **1 000 EUR**	**Balance sheet value**	**In less than 12 months**	**In 1–2 years**	**In 2–5 years**	**In more than 5 years**	**Total cash flows**
Loans from financial institutions	67,129	32,404	11,795	33,272	-	77,471
Other interest-bearing loans	2,956	976	1,036	1,096	-	3,108
Lease liabilities	62,398	23,804	18,366	22,750	2,298	67,219
Financial liabilities for leased equipment KH Koneet	33,475	11,878	9,017	16,702	110	37,706
Trade payables	41,246	41,246	-	-	-	41,246
Redemption liabilities for non-controlling interests	7,221	3,849	3,372	-	-	7,221
Contingent consideration	750	750	-	-	-	750
Total	**215,176**	**114,907**	**43,586**	**73,820**	**2,408**	**234,721**

2022 **1 000 EUR**	**Balance sheet value**	**In less than 12 months**	**In 1–2 years**	**In 2–5 years**	**In more than 5 years**	**Total cash flows**
Loans from financial institutions	9,900	596	10,599	-	-	11,195
Lease liabilities	139	113	28	-	-	141
Trade payables	757	757	-	-	-	757
Redemption liabilities for non-controlling interests	4,822	-	-	4,822	-	4,822
Total	**15,618**	**1,466**	**10,627**	**4,822**	**-**	**16,915**

A total of EUR 11.4 million of loans from financial institutions with maturities of less than 12 months reported on the balance sheet as at 31 December 2023 was renegotiated after the end of the financial period. This loan amount is used to finance KH-Koneet and Indoor Group's business operations.

2.5 Leases

The Group's leases mainly consist of office, shop and warehouse premises, vehicles and other equipment. At the time of entering into an agreement, the Group assesses whether the agreement is or includes a lease. The terms of leases are negotiated on a case-by-case basis and may include different terms and conditions. Leases typically run for less than five years.

Right-of-use assets
The table below shows the book values of right-of-use assets and changes during the period.

1 000 EUR	Buildings and land	Machinery and equipment	Total
Acquisition cost			
1 January 2022	**228**	**-**	**228**
Business combinations	-	-	-
Increase	11	-	11
Decrease	-	-	-
31 Dec. 2022	**239**	**-**	**239**
Business combinations	62,034	3,320	65,355
Increase	11,937	1,229	13,165
Decrease	-864	-373	-1,237
31 December 2023	**73,346**	**4,176**	**77,522**
Depreciation			
1 January 2022	**-**	**-**	**-**
Depreciation for the period	-101	-	-101
Decrease	-	-	-
31 Dec. 2022	**-101**	**-**	**-101**
Depreciation for the period	-14,767	-862	-15,628
Decrease	-	-	-
31 December 2023	**-14,868**	**-862**	**-15,730**
Balance sheet value			
31 December 2023	58,477	3,315	61,792
31 December 2022	137	-	137

Lease liabilities
The book values of lease liabilities and changes during the period are presented below

1 000 EUR	2023	2022
Book value at the beginning of the period	**139**	**230**
Business combinations		-
New contracts/contract changes		11
Terminated contracts/decrease		-
Charges		-102
Book value at the end of the period	**62,398**	**139**

1 000 EUR	2023	2022
Non-current lease liabilities	40,686	28
Current lease liabilities	21,712	111
Total	**62,398**	**139**

Note 2.4 Maturity breakdown of financial liabilities presents a maturity breakdown of lease liabilities.

Impact of leases on the income statement
The amounts recognised through profit or loss are as follows:

1 000 EUR	31.12.2023	31.12.2022
Short-term, low-value and unindexed variable rents	-1,759	-
Depreciation of right-of-use assets	-15,628	-101
Interest expenses on lease liabilities	-1,697	-
Total	**-19,085**	**-101**
Depreciation of leased assets is specified in note 3.6 Depreciation and impairment.		

Group as lessor

Leases entered into by KH-Koneet in its rental business are classified as operational because they are short-term and the risks and benefits inherent in ownership of the asset are not transferred to the lessee. Rental income is presented in net sales and described in more detail in Note 3.1.

Leases

Group as lessee

Leases are recognised as leased assets and corresponding liabilities when the leased asset is available to the Group. Other components, such as maintenance or service, may also be included in the contracts. In this case, KH Group differentiates them based on the individual prices stated in the leases or on an estimate.

The lease term is determined by the period specified in the agreement, taking into account the extension and termination options. For contracts in force until further notice, KH Group estimates the probable lease term based on the business plans and taking into account the costs of terminating the contract.

Assets and liabilities arising from leases are initially measured at present value. Lease liabilities include the net fair value of the following rents: fixed payments, index-based variable rents, amounts payable as residual value guarantees, the exercise price of the reasonably certain purchase option to be exercised and compensation for termination of the lease if the Group has taken into account the exercise of this option in the lease term. Rents based on extension options that are relatively certain to be used are also included in the liability.

Rents are discounted using the internal rate of return of the lease. If this interest rate cannot be easily determined, the lessee's incremental borrowing rate is used. The criteria used to determine the discount rate for each lease are the asset class, geographical location, currency, risk-free interest rate maturity and the lessee's credit risk premium.

Right-of-use assets, i.e. the leased assets, are measured at acquisition cost, including the original amount of the lease liability, rent paid before the commencement of the agreement less any incentives received, initial immediate expenses and expenses for restoring the original condition.

The Group is exposed to possible increases in index-based or price-based variable rents that are not taken into account in the lease liability until they are realised. When such a change occurs, the lease liability is re-measured and adjusted against the leased asset.

Rent is recognised in the income statement as a financial expense and depreciation of the lease. Leased assets are generally depreciated during the economic useful life of the asset or during a shorter lease term. If it is reasonably certain that the Group will exercise a purchase option, the depreciation period of the leased asset is used as the maturity of the asset. The financial expense is recognised through profit or loss during the lease period, with the interest rate on the remaining debt being the same for each period.

With regard to accounting for short-term leases and leases of low value assets, recognition exemptions are used, and the rents to be paid under the leases are recognised as expenses through profit or loss in equal instalments over the lease term.

Group as lessor

As a lessor, the Group classifies all of its leases as either operating leases or finance leases. The classification is made at the time of entering into the agreement. A lease is classified as a finance lease if it transfers substantially the risks and rewards associated with ownership of the asset. If the lease does not meet the characteristics of a finance lease, it is an operating lease. In this case, the lessee has the right to use the asset for a limited period, and the risks and benefits inherent in ownership of the asset are not transferred to the lessee. The Group's leases are operating leases.

The Group, as the lessor, presents the assets subject to the operating lease on its balance sheet according to the nature of the asset. The Group recognises rents received from operating leases either in equal instalments or on another systematic basis if this basis better describes the accumulation of the benefit from the use of the underlying asset. The Group recognises expenses, including depreciation, arising from the earning of rental income as expenses.

Estimated items and management discretion

Lease accounting involves significant management estimates concerning the determination of the lease term and lease components.

The determination of the lease period is subject to estimation, especially for contracts with an open-ended term. The length of the lease term is estimated on a lease-specific basis. For leases in force until further notice, the probable lease term is estimated based on the business plans, taking into account the costs of terminating the agreement.

Lease extension and termination options are taken into account when determining the length of the lease term. The period covered by the extension option is included in the lease term if, in the management's discretion, it is reasonably certain that the extension option will be exercised. Similarly, if it is reasonably certain that the termination option will not be exercised, the lease term includes the entire term of the agreement. The exercise of options is assessed on a case-by-case basis based on the profitability of the arrangement and business needs.

2.6 Equity

KH Group's equity consists of share capital, reserve for invested unrestricted equity, translation differences and retained earnings. Dividend distribution is described in the following section 2.7 Earnings per share and dividend distribution. Share-based remuneration is described in note 5.3 Share-based incentive schemes.

1 000 EUR	Number of shares	Share capital	Reserve for invested unrestricted equity	Translation differences	Retained earnings	Equity attributable to the owners of the parent company
2022	58,079	15,179	12,886	-	57,076	85,140
2023	58,079	15,179	12,886	-42	46,575	74,597

Shares
KH Group's share capital at the end of the financial year was EUR 15,178,567.50 and the number of shares was 58,078,895. All shares carry equal rights to dividends. The company did not own any treasury shares during the financial period.

Reserve for invested unrestricted equity
The reserve for invested unrestricted equity includes other equity investments.

Foreign exchange differences from foreign operations
Foreign exchange differences related to the conversion of the Group's foreign operations' result and net assets from their operating currencies to the Group's reporting currency (i.e. euro) are recognised in other comprehensive income in equity.

Authorisations
The Annual General Meeting of KH Group held on 4 May 2023 granted the Board of Directors the following authorisations:

As proposed by the Board of Directors, the General Meeting authorised the Board of Directors to decide on the issuance of shares and/or the granting of special rights entitling to shares as referred to in Chapter 10, Section 1 of the Finnish Limited Liability Companies Act, in one or several instalments. The total number of shares to be issued under the authorisation may be at the most 11,400,000 shares, and the authorisation concerns both the issuance of new shares as well as the conveyance of shares held by the company. The authorisation may be used to finance or carry out possible acquisitions or other arrangements or investments related to the company's business, to implement the company's incentive scheme, or for other purposes decided by the Board of Directors.

As proposed by the Board of Directors, the General Meeting authorised the Board of Directors to decide to repurchase a maximum of 5,700,000 shares in the company in one or several instalments by using funds in the company's unrestricted equity, however, taking into account the provisions of the Finnish Limited Liability Companies Act concerning the maximum number of own shares held by the company. The company's own shares may be repurchased to be used as consideration in possible acquisitions or in other arrangements related to the company's business, to finance investments, as a part of the company's incentive scheme, to develop the company's capital structure as well as to be conveyed for other purposes, to be held by the company or to be cancelled.

The authorisations will be valid until 30 June 2024 and their content is described in more detail in the stock exchange release on the decisions of the Annual General Meeting, published on 4 May 2023.

Equity
Payments received from the issue of new shares are recognised under equity, less the transaction costs directly attributable to the issue and less the share of taxes. If the parent company purchases its own shares (treasury shares), the consideration paid and the transaction costs directly attributable to the purchase, adjusted for tax effects, are deducted from the equity attributable to equity holders of the parent company until the shares are cancelled or re-issued. If the treasury shares in question are subsequently resold or re-issued, the consideration received is recognised directly in the equity attributable to equity holders of the parent company, less the transaction costs directly attributable to the issue and less the share of taxes. The dividend proposed by the Board of Directors to the Annual General Meeting is not deducted from the parent company's equity until the Annual General Meeting has decided on the payment of the dividend.

2.7 Earnings per share and dividend distribution

Earnings per share are calculated by dividing the net profit for the period attributable to the parent company's shareholders by the weighted average number of outstanding shares during the financial period. On 22 December 2022, the Board of Directors of KH Group decided to discontinue the performance-based share scheme for its key personnel established in March 2020. Following the discontinuation of the share scheme, KH Group's diluted earnings per share are equal to the undiluted earnings per share.

Earnings per share, undiluted

1 000 EUR	2023	2022
Net profit for the period attributable to parent company owners, continuing operations	-15,146	-8,232
Net profit for the period attributable to equity holders of the parent company, divested operations	4,717	-
Weighted average number of shares	58,079	58,079
Earnings per share, undiluted	**-0,18**	**-0,14**
Average number of outstanding shares during the financial period, 1,000	58,079	58,079
Number of shares at the end of the period, 1,000	58,079	58,079
Average number of shares, undiluted, 1,000	58,079	58,079
Average number of shares, diluted, 1,000	164,518	12,645

Earnings per share calculated on profit attributable to parent company shareholders

Earnings per share from continuing operations, EUR	2023	2022
Undiluted	-0.26	-0.14
Diluted	-0.26	-0.14

Earnings per share from continuing and discontinued operation EUR	2023	2022
Undiluted	0.08	-
Diluted	0.08	-

Earnings per share from continuing and divested operations, EUR	2023	2022
Undiluted	-0.18	-0.14
Diluted	-0.18	-0.14

Profit distribution

The parent company's distributable funds on 31 December 2023 were EUR 36,935,092.23. The Board of Directors proposes to the Annual General Meeting that no dividend be distributed for the past financial period. The profit distribution proposal of the Board of Directors takes into account the company's liquidity situation at the time of making the profit distribution proposal, expected cash flows during the new year and the investments required by the change in strategy.

KH Group Plc did not pay dividends during the 2023 financial period.

3. BUSINESS PERFORMANCE

Business segments
KH Group previously had only one operating segment, which was investment activity. Following the change in the company's strategy and the cessation of its investment entity status, the segments have been redefined effective from 1 May 2023.

KH Group's continuing operations' business segments and reporting segments are KH-Koneet, Indoor Group, Nordic Rescue Group and HTJ. The CEO, as the senior operative decision-maker of KH Group, is responsible for allocating resources to the businesses and assessing their results. The operating segments have been identified on the basis of KH Group's organisational structure, in which majority-owned companies are managed separately because they produce different products and services.

- KH-Koneet sells and rents out a range of machinery, equipment and services for needs related to earthworks, property maintenance and material handling.
- Indoor Group consists of the Asko and Sotka chains' retail operations for furniture and interior decoration products, and the furniture factory Insofa.
- Nordic Rescue Group manufactures and distributes rescue vehicles in the Nordic countries. The segment's revenue consists of the sale of rescue vehicle and related maintenance and repair services.
- HTJ provides its customers with a wide range of expert services in construction management, site supervision, energy and environmental consulting and project management.

In the Group, segment performance is assessed on the basis of the segments' operating profit, EBITDA and external net sales. The accounting and measurement principles used in the reporting of the segments are the same as those used in the consolidated financial statements. Transactions between segments are carried out at fair market price. There were no significant transactions between the segments.

Continuing operations 2023 1 000 EUR	KH-Koneet	Indoor Group	Nordic Rescue Group	HTJ	Non-allocated	Internal items	Group total
Net sales	**97.2**	**128.5**	**26.8**	**18.1**	**-**	**-**	**270.6**
Net sales share, %	35.9%	47.5%	9.9%	6.7%	-	-	100.0%
EBITDA	**5.2**	**4.9**	**2.4**	**2.6**	**-5.0**	**-**	**10.2**
PPA adjustment of inventories	9.0	11.6	-	-	-	-	20.6
Comparable EBITDA	**14.2**	**16.5**	**2.4**	**2.6**	**-5.0**	**-**	**30.7**
Depreciation	-8.4	-14.6	-0.8	-0.7	-0.1	-	-24.6
EBIT	**-3.1**	**-9.7**	**1.6**	**1.9**	**-5.1**	**-**	**-14.4**
PPA adjustment of inventories	9.0	11.6	-	-	-	-	20.6
PPA depreciation	0.5	-	0.4	0.2	-	-	1.2
Comparable operating profit (EBIT)	**6.4**	**1.9**	**2.0**	**2.1**	**-5.1**	**-**	**7.3**
Financial items, net	-2.4	-2.9	-0.8	-0.5	-2.4	-	-9.0
Profit before taxes	**-5.6**	**-12.6**	**0.8**	**1.5**	**-7.5**	**-**	**-23.4**
Cash and cash equivalents 31 December	**136.6**	**153.1**	**22.5**	**28.2**	**11.2**	**-3.9**	**347.7**
Interest-bearing net debt 31 December	**67.8**	**70.2**	**11.0**	**7.9**	**2.0**	**-**	**154.9**

1) Information about the comparable key figures is presented later in the section "Alternative performance measures"

Non-allocated items consist of the result of other operations, which primarily involves administrative expenses.

Segments' assets and liabilities are business items that the segment uses in its business operations or that can be allocated to it. Items not allocated to segments consist of parent company items and items related to income tax and centralised financing.

Operating profit
The IAS 1 Presentation of Financial Statements standard does not define the concept of operating profit. The Group defines operating profit as the net amount of net sales and other operating income less the cost of materials and services purchases adjusted for changes in inventories of finished products and work in progress, employee benefit expenses, depreciation, impairment losses and other operating expenses. All other income statement items than those mentioned above are presented under operating profit. Exchange rate differences are recognised in operating profit if they arise from business-related items; otherwise, they are recognised in financial items.

3.1 Net sales

KH Group's net sales from continuing operations consist mainly of the following income streams:

- KH-Koneet sells and rents out a range of machinery, equipment and services for needs related to earthworks, property maintenance and material handling. The segment's revenue consists of the sale of machinery and spare parts, the sale of maintenance and repair services, and the rental of machinery.
- Indoor Group consists of the Asko and Sotka chains' retail operations for furniture and interior decoration products, and the furniture factory Insofa. The segment's revenue consists of the sale of goods and services through physical retail locations and online stores.
- Nordic Rescue Group manufactures and distributes rescue vehicles in the Nordic countries. The segment's revenue consists of the sale of rescue vehicle and related maintenance and repair services.
- HTJ provides its customers with a wide range of expert services in construction management, site supervision, energy and environmental consulting and project management.

The Group did not have net sales when reporting as an investment entity for the financial period 2022. Segment-specific net sales for 1 May–31 December 2023 are reported as net sales for the financial period 2023, based on the discontinuation of investment entity status.

Net sales breakdown

Net sales by product and service type

1 000 EUR/EUR million	HTJ	Nordic Rescue Group	Indoor Group	KH-Koneet	Total
- Machine sales and service	-	-	-	85,302	85,302
- Machine rental	-	-	-	11,927	11,927
- Goods	-	26,752	124,634	-	151,386
- Services	18,097	-	3,864	-	21,961
Total sales revenue from customer contracts	**18,097**	**26,752**	**128,499**	**97,228**	**270,575**

Geographical breakdown of net sales

1 000 EUR/EUR million	HTJ	Nordic Rescue Group	Indoor Group	KH-Koneet	Total
- Finland	18,057	13,427	125,228	59,939	216,651
- Sweden	-	13,040	-	37,289	50,329
- Estonia	-	-	3,271	-	3,271
- Other	40	285	-	-	325
Total sales revenue from customer contracts	**18,097**	**26,752**	**128,499**	**97,228**	**270,575**

Net sales based on time of recognition

1 000 EUR/EUR million	HTJ	Nordic Rescue Group	Indoor Group	KH-Koneet	Total
- Revenue recognition at a point in time	-	26,752	128,499	85,302	240,552
- Revenue recognition over time	18,097	-	-	11,927	30,023
Total	**18,097**	**26,752**	**128,499**	**97,228**	**270,575**

Contractual assets and liabilities 2023

Tuhatta/EUR million	HTJ	Nordic Rescue Group	Indoor Group	KH-Koneet	Total
Trade receivables (note 4.5)	3,018	6,080	537	9,774	19,409
Advances received	-	472	5,328	42	5,842

Trade receivables are interest-free receivables and generally have terms of payment ranging from 0 to 30 days. On 31 December 2023, KH-Koneet recognised expected credit losses and changes in credit loss provisions of EUR 131.0 (131.7) thousand on trade receivables and contractual assets. Further information about the determination of expected credit losses is provided in note 4.5 Trade receivables and contractual assets.

Recognition of revenue

Revenue from KH-Koneet's sale of goods is recognised at a point in time at the time of delivery, when control over the product is transferred to the customer. Revenue from the sale of services is recognised at a point in time when the service has been performed and control has been transferred to the customer. The machinery rental business is considered operational leasing subject to IFRS 16, with the revenue being recognised over time so that the consideration stipulated by the lease being linked to the lease term and recognised for each period relative to the duration of the customer's lease.

Revenue from Indoor Group's sale of goods is recognised at a point in time at the time of delivery, when control over the product is transferred to the customer. Service sales consist of product delivery, assembly, installation and the removal of old products. Revenue from the sale of services is recognised at a point in time when the service has been performed and control has been transferred to the customer.

Revenue from Nordic Rescue Group's sale of vehicles is recognised at a point in time at the time of delivery, when control over the product is transferred to the customer. Revenue from the sale of services is recognised at a point in time when the service has been performed and control has been transferred to the customer.

The HTJ segment's services are tailored to each customer, and HTJ, as a rule, has a contractual right to receive payment for customised services performed as of the date of assessment. Revenue is recognised over time on the basis of the time spent on the work (input method), as control is deemed to be transferred to the customer as the service is performed for the customer.

The sales prices do not include a significant financial component, as trade receivables are generally due within 0–60 days of the invoice date. Advance payments made by customers are liabilities arising from customer contracts that are recognised in advance payments received.

Goods sold by the Group are subject to warranty liability for the replacement or repair of any defective products during the warranty period. Warranty obligations do not deviate from normal statutory or industry-standard obligations. The probable amounts of such liabilities are regularly assessed on the basis of historical experience. Expenses are accrued as operating expenses.

The Group has not had any significant additional expenses arising from the acquisition of customer contracts that should be capitalised on the balance sheet. Any additional expenses are recognised as expenses no later than one year after they are incurred.

Contractual items

Trade receivables

A receivable refers to KH Group's absolute right to consideration, i.e. only the elapse of time is a prerequisite for payment before the consideration becomes due. The accounting policies for trade receivables are set out in note 4.5 Trade receivables and contractual assets.

Contractual assets
Contractual assets refer to the right to consideration for goods and services delivered to the customer. If KH Group delivers goods or services before the customer has paid the consideration for the delivery or before an invoice for the payment has been issued, KH Group records a contractual asset.

Contractual liabilities
A contractual liability refers to an obligation to deliver goods or services to the customer for which KH Group has received payment (or payment is due) from the customer. If the customer pays the consideration before KH Group has delivered the goods or services to the customer, a contractual liability is recognised when the payment is made or when the payment is due (whichever is earlier). A contractual liability is recognised as revenue when KH Group performs its contractual obligation.

3.2 Other operating income

Other operating income
Other operating income includes income not related to actual sales. The Group's other operating income mainly includes capital gains from the disposal of fixed assets and Indoor Group's customer financing income. The Group did not have other operating income when reporting as an investment entity for the financial period 2022. Other operating income for the financial period 2023 includes the conglomerate's other operating income for the period 1 May–31 December 2023, based on the termination of the investment entity status.

1 000 EUR	2023	2022
Capital gains on disposal of fixed assets	140	-
Rental income	59	-
Government grants	56	-
Customer financing income	1,839	-
Other income	505	-
Other operating income	**2,598**	**-**

3.3 Materials and services

Materials and services include purchases of materials, supplies and goods, changes in inventories and external services during the financial period. The change in KH-Koneet's inventories includes EUR 8,979 thousand and Indoor Group's EUR 11,572 thousand of expenses for fair value adjustments recognised in the acquisition cost.

Material and service expenses for the financial period 2023 for companies other than the parent company include the conglomerate's purchases for the period 1 May–31 December 2023, based on the termination of investment entity status.

Materials and services

1 000 EUR	2023	2022
Purchases during financial period		
KH-Koneet	-62,480	-
Indoor Group	-67,716	-
Nordic Rescue Group	-17,639	-
HTJ	-26	-
Parent company	-	-
Total	**-147,861**	**-**
Change in inventories		
KH-Koneet	-11,968	-
Indoor Group	-11,056	-
Nordic Rescue Group	-545	-
HTJ	-	-
Parent company	-	-
Total	**-23,569**	**-**
Services purchased from third parties		
KH-Koneet	-3,436	-
Indoor Group	-7,062	-
Nordic Rescue Group	-1,852	-
HTJ	-1,439	-
Parent company	-	-
Total	**-13,788**	**-**
Materials and services total	**-185,219**	**-**

3.4 Other operating expenses

Other operating expenses include expenses other than those related to the cost of sold products. The Group's other operating expenses mainly consist of sales and marketing expenses, IT expenses, office rents and external services.

Other operating expenses for the financial period 2023 for companies other than the parent company include the conglomerate's expenses for the period 1 May–31 December 2023, based on the termination of investment entity status.

1 000 EUR	2023	2022
Other personnel expenses	-1,562	-
Short-term, low-value and unindexed variable rents	-1,759	-
Sales and marketing expenses	-7,018	-
Expenses related to premises and properties	-2,785	-9
Administrative expenses	-2,297	-
Travel expenses	-1,169	-
IT expenses	-5,104	-
Machinery and equipment	-1,427	-
External services	-2,756	-674
Other expenses	-1,161	-257
Other operating expenses, total	**-27,038**	**-940**

Auditor's fees

1 000 EUR	2023	2022
Auditor's fees	358	75
Other audit assignments	4	6
Tax advisory services	9	-
Other fees	89	13
Total	**460**	**94**

The auditor of KH Group is the auditing firm KPMG Oy. Other services purchased from KPMG mainly included IFRS advisory and sustainability reporting services.

3.5 Personnel expenses and numbers

Personnel expenses

1 000 EUR	2023	2022
Salaries, wages and fees	-39,235	-1,004
Pension costs – defined-contribution schemes	-6,010	-140
Pension costs – defined-benefit schemes	219	-
Other indirect personnel expenses	-3,476	-16
Share-based payments	-	-38
Personnel expenses, total	**-48,501**	**-1,198**

Personnel expenses for the financial period 2023 for companies other than the parent company include the conglomerate's expenses for the period 1 May–31 December 2023based on the termination of investment entity status.

The Group's statutory pension cover in Finland is organised by insurance policies taken out from pension insurance companies. In foreign entities, pension cover is organised in accordance with local legislation and social security regulations.

Information about senior management's benefits is presented in note 5.2 Related parties. Liabilities relating to defined-benefit schemes are presented in note 5.4 Long-term pension liabilities.

Number of employees

Personnel, average	2023	2022
KH-Koneet	201	198
Indoor Group (1)	702	714
HTJ	217	200
Nordic Rescue Group (2)	111	117
Parent company	6	6
Group, total	**1,237**	**1,235**

(1) For Indoor Group, the FTE figure is used due to the large number of part-time employees.
(2) Does not include the personnel of Vema Lift Oy, which filed for bankruptcy during the financial year 2022.

Personnel at the end of the financial period	2023	2022
KH-Koneet	201	209
Indoor Group [(1)]	685	744
HTJ	214	208
Nordic Rescue Group [(2)]	110	117
Parent company	6	6
Group, total	**1,216**	**1,284,**

(1) For Indoor Group, the FTE figure is used due to the large number of part-time employees.
(2) Does not include the personnel of Vema Lift Oy, which filed for bankruptcy during the financial year 2022.

Geographical breakdown of personnel at the end of the financial period	2023	2022
Finland	1,046	1,095
Sweden	134	143
Estonia	36	46
Group, total	**1,216**	**1,284,**

3.6 Depreciation, amortisation and impairment

Depreciation, amortisation and impairment for the financial period 2023 for companies other than the parent company include the conglomerate's expenses for the period 1 May–31 December 2023, based on the termination of investment entity status.

Depreciation, amortisation and impairment of tangible and intangible

1 000 EUR	2023	2022
Intangible assets		
Amortisation	-1,337	-
Impairments	-	-
Tangible assets		
Depreciation	-7,610	-10
Impairments	-	-
Right-of-use assets		
Depreciation	-15,628	-101
Impairments		
Total depreciation, amortisation and impairment	**-24,576**	**-111**

The accounting principles for depreciation and amortisation are described in note 4.1 Tangible assets and 4.2. Intangible assets. The accounting principles for leases are described in note 2.5 Leases.

3.7 Financial income and expenses

Financial income and expenses for the financial period 2023 for companies other than the parent company include the conglomerate's expenses for the period 1 May–31 December 2023, based on the termination of investment entity status.

Financial income

1 000 EUR	2023	2022
Interest income	154	-
Exchange rate gains	1,012	-
Other financial income	22	7
Financial income, total	**1,188**	**7**

Financial expenses

1 000 EUR	2023	2022
Interest expenses on loans and other liabilities	-4,486	-145
Interest expenses from financial liabilities for leased equipment	-1,031	-
Interest expenses from lease liabilities	-1,697	-3
Exchange rate losses	-668	-
Losses on financial liabilities at fair value	-1,990	-
Other financial expenses	-296	-38
Financial expenses, total	**-10,168**	**-186**

The loss on financial liabilities at fair value consists of the change in the fair value of liabilities related to the redemption of the non-controlling interests of KH-Koneet and HTJ.

Financial income and expenses
Financial income consists mainly of interest income and exchange rate gains. Financial expenses mainly relate to loans from financial institutions, financial liabilities at fair value (changes in the fair value of non-controlling interest redemption liabilities) and exchange rate losses. Financial income and expenses are recognised for the period in which they occur. Interest income and expenses are recognised by using the effective interest rate method.

3.8 Income taxes

Income statement, income taxes

1 000 EUR	2023	2022
Taxes based on taxable income for the financial period	-1,508	-
Deferred taxes	5,795	2,079
Total income taxes	**4,287**	**2,079**

Reconciliation of tax expense in the income statement and taxes calculated at the tax rate applicable to the parent company

1 000 EUR	2023	2022
Profit before taxes	**-23,367**	**-10,311**
Taxes calculated at the parent company's 20.0% tax rate	**4,673**	**2,062**
Impact of different tax rates for foreign subsidiaries	-323	-
Tax-exempt income	84	-
Non-deductible costs	-534	-
Unrecognised deferred tax assets from tax losses	-52	-
Use of previously unrecognised deferred tax assets	360	-
Taxes from previous financial periods	22	17
Other items	57	-
Taxes in the income statement	**4,287**	**2,079**
Effective tax rate	**18.3%**	**20.2%**

Income tax assets and liabilities

1 000 EUR	2023	2022
Income tax assets	463	-
Income tax liabilities	708	-

Income taxes

The Group's income taxes include taxes based on the Group companies' taxable profit for the period, tax adjustments for previous periods and deferred taxes. The Group companies' taxes have been calculated on the basis of the taxable income determined by the local tax laws of each company by using the tax rates and tax laws that have been imposed or approved in practice by the reporting date. If taxes relate to other comprehensive income or transactions recognised directly in equity, income taxes are recognised in those items.

4. CAPITAL INVESTED

4.1 Property, plant and equipment

Tangible assets

1 000 EUR	Buildings and renovations	Leased vehicle fleet	Machinery and equipment	Total
Acquisition cost				
1 January 2022	**-**	**-**	**40**	**40**
Business combinations	-	-	-	-
Increase	-	-	-	-
Decrease	-	-	-	-
31 Dec. 2022	**-**	**-**	**40**	**40**
Business combinations	1,224	28,509	10,848	40,581
Increase	254	10,624	1,586	12,465
Decrease	-16	-3,244	-836	-4,097
31 December 2023	**1,462**	**35,889**	**11,638**	**48,989**

Accumulated depreciation, amortisation and impairment

1 000 EUR	Buildings and renovations	Leased vehicle fleet	Machinery and equipment	Total
Depreciation, amortisation and impairment for the financial period	-	-	-10	-10
Accumulated amortisation of deductions and reclassifications	-	-	-	-
31 December 2022	**-**	**-**	**-10**	**-10**
Depreciation, amortisation and impairment for the financial period	-398	-4,295	-2,918	-7,610
Accumulated amortisation of deductions and reclassifications	-	-	17	17
31 December 2023	**-398**	**-4,295**	**-2,911**	**-7,603**
Balance sheet value				
31 December 2022	-	-	30	30
31 December 2023	**1,065**	**31,594**	**8,727**	**41,386**

The leased vehicle fleet consists of the fleet of vehicles used in KH-Koneet's machinery rental business, which has been transferred to and leased back from the financing company. The transfer to the financing company is not treated as a sale, but is held on the consolidated balance sheet and a financial liability corresponding to the transfer price is recognised. When the machine is handed over to the financing company, it is reclassified from inventories to tangible assets.

Tangible assets

Tangible assets are recognised at acquisition cost less accumulated depreciation and any impairment. Straight-line depreciation is performed for assets over their estimated useful life.

The estimated useful life for machinery and equipment is 4–15 years, for buildings and renovation expenditure 10–30 years and for leased vehicle fleet 3–5 years.

The residual values and useful lives of assets are reviewed at least at the end of each financial period and adjusted as necessary. The book value is immediately reduced in accordance with the recoverable amount of the asset if impairment is observed, and the impairment loss is recognised through profit or loss and the useful life of the asset subject to depreciation is reassessed. A previously recognised impairment loss is reversed if the estimates used to determine the recoverable amount change materially. The book value after reversal may not exceed the book value that would have been determined for the asset had no impairment loss been recognised.

Profits and losses arising from the disposal of tangible assets are included in other operating income or expenses.

4.2 Intangible assets

The Group's intangible assets mainly consist of goodwill, trademarks and customer relationships. Other recognised intangible assets include software and related licences.

Intangible assets

1 000 EUR	Goodwill	Trademarks	Customer relationships	Other intangible assets and advance payments	Total
Acquisition cost					
1 January 2022	**-**	**-**	**-**	**-**	**-**
Business combinations	-	-	-	-	-
Increase	-	-	-	-	-
Decrease	-	-	-	-	-
31 Dec. 2022	**-**	**-**	**-**	**-**	**-**
Business combinations	39,874	48,932	14,128	1,649	104,583
Increase	-	-	-	409	409
Decrease	-	-	-	-68	-68
31 December 2023	**39,874**	**48,932**	**14,128**	**1,991**	**104,924**

Accumulated depreciation, amortisation and impairment

1 000 EUR	Goodwill	Trademarks	Customer relationships	Other intangible assets and advance payments	Total
1 Jan. 2022	**-**	**-**	**-**	**-**	**-**
Depreciation, amortisation and impairment for the financial period	-	-	-	-	-
Accumulated amortisation of deductions and reclassifications	-	-	-	-	-
31 Dec. 2022	**-**	**-**	**-**	**-**	**-**
Depreciation, amortisation and impairment for the financial period	-	-173	-734	-431	-1,337
Accumulated amortisation of deductions and reclassifications	-	-	-	53	53
31 December 2023	**-**	**-173**	**-734**	**-378**	**-1,285**
Book value					
31 December 2022	-	-	-	-	-
31 December 2023	**39,874**	**48,759**	**13,394**	**1,613**	**103,640**

Intangible assets

Goodwill and trademarks
Goodwill arises from business combinations and corresponds to the amount by which the purchase price given exceeds the fair value of the identifiable net assets at the time of acquisition. Goodwill arising from business combinations is allocated to the cash-generating unit that is expected to benefit from synergies generated by the business combination for testing for impairment. Goodwill relates to all cash-generating units of KH Group.

Goodwill arising and trademarks from business combinations with an unlimited useful life are not amortised, but the balance sheet value is tested at least annually by using impairment testing based on value in use. The cash flow-based value in use is determined by calculating the discounted present value of cash flows. If there are indications of any impairment, impairment testing is carried out at shorter intervals.

An impairment loss is recognised through profit or loss if the asset's book value exceeds the recoverable amount. An impairment loss on an asset other than goodwill is reversed if the estimates used to determine the recoverable amount change materially. The book value after reversal may not exceed the book value that would have been determined for the asset had no impairment loss been recognised. An impairment loss recognised on goodwill is not reversed under any circumstances.

Management reviews goodwill and trademark valuation annually through segment-specific value in use calculation. Note 4.3. Goodwill and impairment testing provides additional information.

Other intangible assets
Intangible assets are recognised at acquisition cost less accumulated amortisation and any impairment. Straight-line amortisation is performed for assets over their estimated useful life. Customer relationships 10–20 years, IT software and licences 3–5 years. As regards impairment, the accounting principles are described in the note on tangible assets.

An intangible asset is derecognised when it is disposed of (i.e. the date on which the recipient gains control) or when its use or disposal is not expected to generate any future financial benefit. Any gain or loss on the derecognition of an asset (calculated as the difference between net disposal income and the asset's book value) is recognised in the income statement.

Estimated items and management discretion
stimates of the useful life and residual value, as well as the selection of depreciation methods, require significant management discretion. The choices made are continuously evaluated. Estimates are also made in connection with acquisitions to determine the fair values of the acquired tangible assets and the remaining useful life. The valuation at the time of acquisition is based on discounted cash flows.

4.3 Impairment testing of goodwill and assets with infinite useful lives

Goodwill and assets with infinite useful lives
The items for the impairment testing of goodwill and assets with infinite useful lives are allocated to cash–generating units (CGUs). The cash-generating units are defined at the level of reportable segments. The table below outlines how the Group's goodwill and trademarks with infinite useful lives are allocated at the Group's cash-generating units:

1 000 EUR	Goodwill	Trademarks, infinite useful life
KH-Koneet	2,200	0
Indoor Group	17,394	45,045
Nordic Rescue Group	5,459	0
HTJ	14,820	0
Total	**39,874**	**45,045**

In impairment testing, the recoverable amount of cash-generating units is estimated by means of value-in-use calculations. The cash flow-based value in use is determined by calculating the discounted present value of projected cash flows. Cash flows include estimates of future sales, profitability, maintenance investments and changes in working capital. The cash flow forecasts are based on the budgets for 2024 approved by the Board of Directors and the financial plans for 2025–2028, i.e. the cash flow forecasts used in the testing are prepared for a five-year period.

For periods not covered by the five-year period, cash flows are calculated by using the terminal value method. The terminal growth rate of 2 per cent is based on management's estimate of cautious long-term growth. The forecasts have been prepared in such a way that they reflect the results achieved in the past and expectations for the future, taking into account the Group's market position and the general economic environment.

The discount rate is based on the weighted average cost of capital (WACC). WACC takes into account the expected return on both debt and equity, calculated by using the beta figures, capital structures and tax rates of benchmark companies. The components of WACC are risk-free interest rate, market risk premium, company-specific factor and industry-specific beta value, debt costs and the ratio of debt to equity.

The pre-tax WACC used in the calculations and the assumption of terminal growth are presented by segment in the table below.

1 000 EUR	Pre-tax WACC	Terminal growth
KH-Koneet	16.8 %	2.0 %
Indoor Group	12.9 %	2.0 %
Nordic Rescue Group	17.1 %	2.0 %
HTJ	18.7 %	2.0 %

An annual impairment test was performed on 30 September 2023 and, as a result, no impairment loss was recognised on the cash-generating unit as at 31 December 2023 and 31 December 2022.

Sensitivity analysis
KH Group Plc has assessed the sensitivity of the most significant assumptions used in impairment testing. Management has assessed that no reasonably possible change in key assumptions would result in the cash flow units' recoverable amount falling below their book value, excluding the Indoor Group segment, where a decrease of half a percentage point in the forecasted EBITDA would result in the need for recognising an impairment loss. According to the impairment test, the value in use of the Indoor Group segment exceeded its book value by EUR 5.9 million.

Estimated items and management discretion
Management makes significant assessments and exercises discretion to determine whether there is evidence of impairment of goodwill. Management discretion has also been used to determine the number of cash-generating units.

Cash flow forecasts are based on budgets and estimates approved by management over a five-year period. Cash flow forecasts are based on the Group's existing business structure, actual results and management's best estimates of future sales, cost development, general market conditions and applicable tax rates. The growth figures are based on management's estimates of future business development.

Management tests the impact of changes in significant forecast-related estimates using sensitivity analyses as described above.

4.4 Inventories

2023 1 000 EUR	HTJ	Nordic Rescue Group	Indoor Group	KH-Koneet	Total
Materials and supplies	-	2,085	1,393	-	3,477
Work in progress	-	2,830	98	-	2,928
Finished goods and goods	-	-	25,641	70,214	95,855
Inventory advance payments	-	-	344	-	344
Inventory non-marketability provision	-	-	-2,082	-502	-2,583
Total inventories	**-**	**4,914**	**25,395**	**69,712**	**100,022**

The Group did not have inventories when reporting as an investment entity on 31 December 2022.

Inventories
Inventories are measured at the lower of acquisition cost or net realisable value. The net realisable value is the selling price in ordinary business including the cost of completing and selling the product. The acquisition cost of purchased readymade products includes all purchase costs including purchase freight. The acquisition cost of self-manufactured products includes all manufacturing costs, including direct costs and shares of variable and fixed overheads for manufacturing. The acquisition cost does not include the cost of debt capital.

Estimated items and management discretion
The Group regularly reviews the obsolescence and turnover rate of inventories and any reduction in net realisable value below acquisition cost and records any impairment, if necessary. These reviews require estimates of future demand for the products. Any changes in these estimates may result in changes in the valuation of inventories in future periods

4.5 Trade receivables and contractual assets

The Group did not have trade receivables when reporting as an investment entity on 31 December 2022.

Breakdown of trade receivables by age

Expected credit losses 2023

1 000 EUR	Gross value	Expected credit loss	Net value
Not due	15,857	-29	15,828
1–30 days	2,932	-44	2,889
31–180 days	528	-73	456
181–360 days	276	-145	131
More than 360 days	-	-	-
Total	**19,594**	**-290**	**19,304**

Trade receivables
Trade receivables and other receivables are measured at amortised cost. In the measurement of trade receivables, the simplified model permitted by IFRS 9 is used to determine the expected credit losses by segment. The Group estimates the expected credit losses by using an experience-based matrix that takes into account the age structure of the receivables, the segment-specific credit loss history, the market area and the customer base.

Trade receivables and contractual assets are derecognised as final credit losses when they cannot reasonably be expected to be paid, for example in the event of bankruptcy. Impairment losses are presented as net impairment losses included in operating profit. If payment is subsequently received for items recognised as final credit losses, it is recognised as a rebate for the same item.

Other receivables
Other interest-free receivables are recognised on the balance sheet at their original fair value, which may be subsequently adjusted for any impairment.

Estimated items and management discretion
The validity of trade receivables is essentially associated with the risk of the counterparty losing its solvency and, thus, being unable to pay its debts. Additional information about credit and counterparty risks is provided in note 5.1 Financial risks and management of financial risks.

Businesses make assessments based on the nature of the sale and the customer's credit rating and transaction history in order to determine the terms of payment under which the sale will be executed. If necessary, advance payment is used as the payment term. Credit loss provisions are recognised proactively based on the credit loss history of each segment.

4.6 Trade and other liabilities

Trade and other current liabilities

1 000 EUR	2023	2022
Trade and other current liabilities		
Trade payables	41,246	336
Accrued expenses caused by employee benefits	13,273	332
VAT and withholding tax liabilities	8,844	-
Interest liabilities	1,501	2
Tax liabilities based on taxable income for the financial period	708	86
Redemption liabilities for non-controlling interests	3,849	-
Contingent consideration	750	-
Other current liabilities	10,184	-
Trade and other liabilities, total	**80,355**	**757**

Trade payables are obligations to pay for goods and services purchased from producers as part of ordinary business operations. Trade payables are classified as current liabilities if they fall due within 12 months. If they do not mature within 12 months, they are classified as non-current liabilities.

4.7 Provisions

Provisions

1 000 EUR	Warranty provisions
1 January 2023	**-**
Business combinations	82
Recognised in the income statement	1
Cancellations	-
31 December 2023	**83**
Non-current	83
Current	-

The Group did not have provisions when reporting as an investment entity on 31 December 2022.

Provisions based on warranty commitments include an estimate of the future warranty costs of the delivered products. The amount of future warranty costs is based on accumulated historical experience. The amount of warranty costs has historically been very low and the amount of future warranty costs is based on this experience. Typically, the standard warranty period is one year from the date of delivery of the product.

Provisions
A provision is recorded on the balance sheet when a past event has created an existing obligation for KH Group, the realisation of which is probable, and the amount of the obligation can be reliably estimated. The amount recorded as a provision is the present value of the expenses required to meet the existing obligation on the end date of the reporting period.

4.8 Deferred taxes

Deferred tax assets and liabilities

2023 1 000 EUR	1 January	Business combinations	Recognised in the income statement	Change in consolidation principles	31 December
Deferred tax assets					
Investments and liabilities at fair value through profit or loss	1,845	-	452	-2,298	-
Leases and right-of-use assets1	-	293	202	-	495
Other temporary differences	-	1,473	227	-	1,700
Unused tax losses	2,606	-	516	-	3,122
Total	**4,451**	**1,766**	**1,397**	**-2,298**	**5,316**
Deferred tax liabilities					
Allocations of fair value	-	-16,869	4,340	-	-12,528
Investments and liabilities at fair value through profit or loss	-8,524	-	-	8,524	-
Other temporary differences	-20	-176	58	-	-138
Total	**-8,544**	**-17,045**	**4,399**	**8,524**	**-12,666**

2022 1 000 EUR	1 January	Business combinations	Recognised in the income statement	Change in consolidation principles	31 December
Deferred tax assets					
Investments and liabilities at fair value through profit or loss	866	-	979	-	1,845
Unused tax losses	2,101	-	504	-	2,606
Total	**2,967**	**-**	**1,484**	**-**	**4,451**
Deferred tax liabilities					
Investments and liabilities at fair value through profit or loss	-9,139	-	616	-	-8,524
Other temporary differences	-	-	-20	-	-20
Total	**-9,139**	**-**	**596**	**-**	**-8,544**

Deferred taxes
Deferred taxes are recognised on temporary differences between accounting and taxation by using the tax rate for future years confirmed at the time of the financial statements. The biggest temporary differences arise from fair value allocations, right-of-use assets, lease liabilities and tax losses. Deferred tax assets and liabilities are deducted (netted) from each other when they relate to taxes collected by the same tax recipient and can be offset against each other under legally enforceable law.

Estimated items and management discretion
The recognition of deferred tax assets is based on management's forecasts and estimates of whether the company will receive sufficient taxable income in the future. The estimates used in the calculation are based on the most recent management forecast on the reporting date and assumptions consistent with those used elsewhere in the financial statements. A deferred tax asset is recognised to the extent that it is probable that the asset can be utilised against future taxable income.

5. OTHER NOTES

5.1 Financial risks and management of financial risks

Financial risk management objectives and operating principles
KH Group's operations involve a wide range of financial risks. Financial risks are mainly due to changes in market conditions and customer behaviour. The risks affecting KH Group's financial assets are mainly related to changes in the counterparty's payment behaviour, credit risk and currency risk.

Changes in interest rates affect the Group's financial liabilities, which include floating-rate loans and are, therefore, subject to interest rate risk.

KH Group evaluates the risk environment at regular intervals and the management monitors the management of these risks in accordance with the Group's financial risk management policy. KH Group has appropriate policies and procedures, and financial risks are identified, determined and managed in accordance with the Group's policies and risk objectives. The Board of Directors reviews and approves the risk management policy, which is summarised below.

KH Group may use derivative instruments to hedge against currency and interest rate risks. KH Group does not currently hold any derivative instruments.

Sensitivity analysis
In its risk management policy, KH Group assesses exposure to material market risks by conducting a sensitivity analysis at regular intervals on each reporting date. The sensitivity analyses have been prepared on the basis that variables such as the amount of net debt, the ratio of fixed to floating interest rates and the share of financial instruments in foreign currencies are all constant.

The sensitivity analyses presented in the sections below relate to the situation as at 31 December 2023. The sensitivity of a particular income statement item is the effect of expected changes in the market risks in question on the item. This is based on the financial assets and liabilities held as at 31 December 2023.

Market risk
Market risk is the risk that the fair value of financial instruments or cash flows generated by them may fluctuate due to changes in market prices or market conditions. Market risk is comprised of three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial loans and deposits are subject to market risks.

Interest rate risk
Interest rate risk is the risk that the fair value of a financial instrument or future cash flows may fluctuate due to changes in market interest rates. The Group's exposure to interest rate fluctuations is mainly related to KH Group's floating rate debt obligations. The Group's long-term bank loans with floating interest rates are linked to Euribor rates. Changes in market interest rates have a direct impact on the Group's future interest payments.

The Group's principle for reducing the impact of interest rate risk is to maintain a predefined balance between the total amount of loan arrangements acquired and the liquidity position. Management assesses the interest rate risk on each reporting date in order to determine the actions required to maintain a stable interest rate environment. The Group has the opportunity to renegotiate the terms and conditions of the financial instruments in the event of changes in the market environment and interest rate environment.
KH Group may use derivatives to hedge against interest rate risk. KH Group does not currently hold any derivative instruments.

Interest rate sensitivity
The table below shows the sensitivity to a reasonably possible change in interest rates for the loans it affects. The sensitivity analysis is based on the assumption that the reference interest rate and the amount of loans are positive at the end of the reporting period, excluding any future repayments. Changes in interest rates are fully reflected in the sensitivity analysis, without taking into account the potential effects of contractual interest rate floors. Keeping all other variables constant and adjusting the interest rate by 1%, on the basis of the value of the interest-bearing net debt excluding lease liabilities at 31 December 2023 of EUR 92.5 million, these interest rate changes would affect the Group's profit before tax and equity as follows:

1 000 EUR	Increase/decrease, %	Impact on profit before taxes	Impact on equity before taxes
2023			
Euribor 12 months	+1%	-855	-855
Euribor 12 months	-1%	+855	+855

Currency risk
KH Group is exposed to currency risk arising from the conversion of non-euro investments in subsidiaries.

Transaction risk
In accordance with KH Group's financial policy, transactions between the Group's parent company and foreign subsidiaries are predominantly carried out in the local currency and, therefore, the transaction risk is low. This does not apply to subsidiaries with transactions and balances in non-local currencies due to the nature of the business. The majority of the Group's sales are in EUR or SEK based on customer preferences and the nature of the business. The exposure of the parent company and its subsidiaries to all foreign currency transactions relates to receivables and payables denominated in foreign currencies on the balance sheet, as well as binding purchase and sales agreements denominated in foreign currencies. KH Group may use currency derivatives, such as currency forwards, to hedge against risks associated with significant currency exposures.

Translation risk
In the financial statements, foreign operations and subsidiaries' balance sheets have been translated into euros by using the European Central Bank's closing rates and income statements using the average exchange rate during the year. The effects of exchange rate fluctuations on the translations of subsidiaries' income statements and balance sheets are recognised in exchange rate differences in the comprehensive income statement and equity in the translation differences item. The impact of exchange rate fluctuations on KH Group's comprehensive income was EUR -29 thousand.

Credit risk
Credit risk arises from customers that are unable to meet their obligations under financial instruments or customer contracts, resulting in a financial loss from the perspective of KH Group. Group companies are responsible for the credit risk management associated with normal commercial operations. KH Group's operational credit risk arises from outstanding receivables and long-term contracts with customers. The customer base and the nature of business agreements vary between Group companies and they are responsible for the ongoing monitoring of customer-specific credit risk.

The Group manages the credit risk associated with operating items through advance payments, payment guarantees and an accurate assessment of the customer's creditworthiness, for example. Most of the KH Group's operational activities are based on established, reliable customer relationships and generally accepted contractual terms. Payment terms on the invoice are between 14 and 90 days. In the case of new customers, the credit rating and background are assessed comprehensively and, where necessary, collateral is required from the customers and the payment behaviour of the customers is actively monitored.

In addition, the Group is exposed to counterparty risk, which is managed in the context of credit risk management by identifying clients prior to trading or charging clients for services performed in advance. The Group only conducts business with identified and trusted parties. The values of receivables are monitored and collected through ongoing arrangements. The maximum exposure to credit risk at the reporting date consists of all financial assets.

KH Group does not have any significant credit risk concentration, as the customer base is broad and spread across different business areas.

Expected credit losses
The Group estimates the amount of trade receivables on a quarterly basis in connection with reporting. In calculating expected credit losses, the Group applies a simplified method for assessing the impairment of trade receivables. Additional information about expected credit losses is presented in note 4.5 Trade receivables and contractual assets.

Liquidity risk
KH Group reviews its available cash assets and maturity analysis to determine its cash requirements. Management reviews business forecasts and related cash flows to maintain liquidity needs.

KH Group's objective is to maintain the continuity and flexibility of financing by using overdraft facilities and, if necessary, bank loans. The Group has assessed the level of risk concentration related to refinancing and estimates the risk to be low. KH Group has a sufficient number of different funding sources available and is able to carry forward liabilities due within 12 months with existing or new borrowers.

Loan covenants are reported to the creditors on a quarterly or semi-annual basis. The covenants relate to equity ratio, the amount of interest-bearing liabilities in relation to EBITDA and the amount of EBITDA in relation to financial expenses. The management regularly monitors the fulfilment of the loan covenants. Liquidity risk is continuously monitored and liquidity forecasts are made on a regular basis.

The maturity analysis of financial liabilities is presented as a maturity table in note 2.4 Maturity breakdown of financial liabilities, which presents the relevant outgoing cash flows in the near future.

Additional information about cash and cash equivalents is provided in note 2.2 Cash and cash equivalents. KH Group had EUR 14.7 million of unused credit limits available for withdrawal as on 31 December 2023.

5.2 Related parties and management remuneration

Parties are considered to be related if one party has the ability to control the other party or exercise joint control or significant influence over the other party in making financial and operating decisions.

The Group's related parties include its subsidiaries and key management personnel. Key management personnel include the members of the Board of Directors, the CEO, the other members of the Group Management Team, and their close family members. In addition, the related parties include owners that exercise control or significant influence in KH Group, and companies in which they have control.

Related party transactions during the period
In December 2023, the shareholders of Nordic Rescue Group Oy made an additional investment in the company, of which the Group's parent company's share was EUR

Management's employee benefits and fees paid to the Board of Directors

1 000 EUR	2023	2022
Salary and fees paid to the CEO		
Lauri Veijalainen (CEO since 1 August 2023)		
Salaries and other short-term benefits, including the salary of the CEO of Indoor Group	136	-
Ville Nikulainen (CEO 22 March–31 July 2023)		
Salaries and other short-term employee benefits	43	-
Jussi Majamaa (CEO 1 September 2021–22 March 2023)		
Salaries and other short-term employee benefits	347	262
Päivi Marttila (CEO until 1 September 2021)		
Salaries and other short-term employee benefits	-	28
Salary and fees paid to those in the role of CEO and their statutory pension contributions in total	**526**	**289**
Other management		
Salaries and other short-term employee benefits	140	232
Salary and fees paid to other management, total	**140**	**232**
Fees paid to the Board of Directors		
Juha Karttunen, member of the Board of Directors until 11 May 2022, Chair of the Board of Directors since 11 May 2022	43	36
Kati Kivimäki, member of the Board of Directors	27	28
Timo Mänty, member of the Board of Directors since 11 May 2022	27	15
Taru Narvanmaa, member of the Board of Directors	27	28
Harri Sivula, member of the Board of Directors since 11 May 2022	27	15
Lennart Simonsen, Chair of the Board of Directors until 11 May 2022	-	19
Fees paid to the Board of Directors, total	**151**	**141**

The information in the table is presented on an accrual basis.

250 thousand. Indoor Group Holding Oy received additional investments totalling EUR 2.8 million from its largest shareholders to strengthen its balance sheet position. KH Group's share of the additional investment was EUR 2.1 million.

Other benefits
The CEO of KH Group is entitled to statutory pension and the retirement age is determined in accordance with the statutory employment pension system. The notice period applied to the CEO's service relationship is six months. If the company terminates the service relationship, severance pay equal to six months' salary will be paid in addition to the salary for the period of notice.

5.3 Share-based incentive schemes

On 22 December 2022, the Board of Directors of KH Group's parent company decided to discontinue the performance-based share scheme for its key personnel established in March 2020. In connection with discontinuing the scheme, the Board of Directors decided to pay cash compensation for the performance periods ending due to the discontinuation to key personnel who have participated in LTI 2020–2022 and LTI 2021–2023 plans initiated there under. The total amount of cash compensation paid out due to the discontinuation of the scheme was approximately EUR 0.1 million. The cash compensation was paid in 2023.

The discontinuation of the share scheme was related to the change in strategy announced by KH Group on 15 December 2022. Consequently, the company's Board of Directors determined that there are no more grounds for continuing the share scheme established in March 2020.

Share-based employee benefits paid under equity
Share-based employee benefits paid under equity are recognised at fair value at the time of award. The amount recorded as expenses is amortised under personnel expenses and as an increase in equity over the vesting period. The estimated number of shares granted is reviewed and, if necessary, adjusted at least every six months. Any effect of adjustments made to initial estimates is recorded as personnel expenses in the income statement and the corresponding adjustment is made to equity.

5.4 Non-current pension liabilities

The Group has both defined-contribution and defined-benefit pension plans. Defined-benefit pension plans consist of Indoor's old, discontinued and closed employee supplementary pension plans. The Group did not have defined-benefit pension plans when reporting as an investment entity for the financial period 2022.

Present value of obligations and fair value of assets

1 000 EUR	2023	2022
Present value of the obligation	**657**	-
Fair value of plan assets	-502	-
Defined-benefit liabilities on the balance sheet	**155**	-

Defined-benefit pension obligations
All plans that do not meet the definition of defined contribution plans are defined as defined benefit plans. Defined-benefit pension plans define the pension benefit that an employee receives upon retirement. The present value of the defined-benefit pension plan earned from performance during the financial period is recognised as a performance-based expense in personnel expenses. The liability recognised on the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries by using the projected unit credit method.

5.5 Contingent liabilities, assets and other commitments

Contingent liabilities
KH Group and its subsidiaries may enter into various agreements in connection with their ordinary business operations under which guarantees are offered to third parties. These agreements are primarily made to improve the creditworthiness of Group companies and facilitate access to financial position.

Off-balance sheet liabilities and loan covenants

Business mortgages, EUR thousand	2023	2022
KH-Koneet	**47,370**	**47,200**
Indoor Group	65,455	**65,445**
HTJ	10,010	10,010
Nordic Rescue Group	19,051	14,702
Logistikas (divested on 30 June 2023)	-	12,993
Parent company	-	-
Group, total	**141,886**	**150,350**

KH-Koneet Group Oy has provided a general guarantee (generellt borgensåtagande) of SEK 132,000,000 as collateral for S-Rental AB's leasing financing limit.

Rental guarantees included in Indoor Group's commercial guarantee limit amounted to EUR 2,768 (2,293) thousand and customs guarantees to EUR 60 (60) thousand.

NRG has provided a warranty-period guarantee of EUR 973 (201) thousand and has an invoice credit of EUR 1,041 (1,386) thousand, which is collateralised by trade receivables under the arrangement.

The covenants of all Group companies were met on 31 December 2023.

Disputes and legal proceedings
The company discontinued the production of rescue cranes in December 2022 when Vema Lift filed for bankruptcy. The parent company Nordic Rescue Group is the largest creditor of Vema Lift's bankruptcy estate. Nordic Rescue Group received approximately EUR 0.5 million from the Vema Lift bankruptcy estate out of the estimated distribution quota of EUR 1.5 million. At the end of the financial period, the estimated final disbursement of EUR 1.0 million is pending the subsequent stages of the liquidation process.

Contingent liabilities
A contingent liability is a potential obligation that arises from past events and the existence of which will only be confirmed if an uncertain event outside the Group's control is realised. An existing obligation that is not likely to require a payment obligation to be fulfilled or whose size cannot be reliably determined is also considered to be a contingent liability. Contingent liabilities are presented in the notes.

5.6 Events after the financial period

After the financial period, Indoor Group, KH-Koneet and HTJ agreed on amendments to the financing agreements with the creditor. On the closing date, EUR 11.4 million of the current loans from financial institutions was transferred to be repaid after 2024 and the covenants were updated, taking into consideration the current financial position and the future outlook.

5.7 Changes in IFRS standards

New and adopted standards introduced during the financial period
The Group has complied with the following new and amended standards that have come into force at the beginning of 2023 (effective for financial periods beginning on or after 1 January 2023):

- Amendments to IAS 1 – Disclosure of Accounting Policies: The amendments clarify the application of the materiality principle to the disclosure of accounting policies.
- Amendments to IAS 8 – Definition of Accounting Estimates: The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, and focus on the definition of accounting estimate and its clarifications.
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction: The amendments narrow the scope of the exemption for initial recognition and clarify that the exemption does not apply to transactions such as leases and decommissioning obligations that result in equal and opposite temporary differences.
- Amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules: The amendments facilitate the accounting treatment of deferred taxes due to the OECD's international tax reform and require the disclosure of new notes to compensate for any loss of information resulting from the relief.

The above-mentioned amendments to standards have not had a significant impact on KH Group's consolidated financial statements.

Amendments to IFRS standards and IFRIC interpretations effective for the next financial period at the earliest
The published standards effective on or after 1 January 2024 known at the time of the financial statements mainly contain changes or improvements to the current standards that are not expected to have a material impact on the consolidated financial statements of KH Group.

Parent company's financial statements (FAS)

PARENT COMPANY'S INCOME STATEMENT

EUR	Note	1 January–31 December 2023	1 January–31 December 2022
Personnel expenses	1	-1,067,241.38	-1,283,753.30
Depreciation and amortisation	2	**-6,765.32**	-9,961.32
Other operating expenses	3	-1,788,362.05	-1,043,942.27
Operating profit		**-2,862,368.75**	**-2,337,656.89**
Financial income	4	6,374,739.85	97,595.68
Financial expenses	4	-363,057.71	-282,203.67
Impairment of investments in non-current assets	4	**0.00**	-2,448,046.35
Profit before appropriations and taxes		**3,149,313.39**	**-4,970,311.23**
Income taxes	5	0.00	0.00
Net profit for the period		**3,149,313.39**	**-4,970,311.23**

PARENT COMPANY'S BALANCE SHEET

EUR	Note	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Tangible assets			
Machinery and equipment	6	20,296.16	29,884.06
		20,296.16	**29,884.06**
Investments			
Holdings in Group companies	7	50,397,561.34	55,997,561.34
Other receivables	8	**3,882,414.40**	1,395,813.19
		54,279,975.74	**57,393,374.53**
Non-current assets, total		**54,300,271.90**	**57,423,258.59**
Current assets			
Non-current receivables			
Other receivables	8	0.00	25,245.00
Current receivables		**0.00**	**25,245.00**
Trade receivables	9	3,500.00	0.00
Other receivables		36,911.10	0.00
Accrued income	9	14,028.99	56,729.93
		54,440.09	**56,729.93**
Cash and cash equivalents		**287,367.69**	**2,215,929.95**
Current assets, total		**341,807.78**	**2,297,904.88**
Assets, total		**54,642,079.68**	**59,721,163.47**
LIABILITIES			
Equity			
Share capital		15,178,567.50	15,178,567.50
Reserve for invested unrestricted equity		12,885,510.35	12,885,510.35
Retained earnings		20,900,268.49	25,870,579.72
Net profit for the period		3,149,313.39	-4,970,311.23
Total equity	10	**52,113,659.73**	**48,964,346.34**

PARENT COMPANY'S BALANCE SHEET

EUR	Note	31 December 2023	31 December 2022
Liabilities			
Non-current			
Loans from financial institutions	11	0.0	10,000,000.00
Current			
Loans from financial institutions		2,137,914.98	
Trade payables	11	167,245.22	316,848.95
Other liabilities	11	58,815.31	86,378.27
Accrued expenses	11	164,444.44	353,589.91
		2,528,419.95	**756,817.13**
Total liabilities		**2,528,419.95**	**10,756,817.13**
Equity and liabilities, total		**54,642,079.68**	**59,721,163.47**

PARENT COMPANY'S CASH FLOW STATEMENT

EUR	Note	1 January–31 December 2023	1 January–31 December 2022
Cash flow from operating activities			
Net profit for the period		3,149,313.39	-4,970,311.23
Adjustments to the net profit for the period	12	-6,004,916.82	2,642,615.66
Change in working capital	12	1,800,769.88	-197,469.22
Purchase of investments		-59,776.24	-
Proceeds from and expenses related to sale of investments		11,395,852.21	-
Granted loan receivables from investment activities		-2,328,160.00	-1,304,999.52
Repayment of loan receivables		-	-
Interest received		,19,020.15	6,782.01
Financial expenses paid		-364,689.93	-292,518.66
Dividends received		461,202.52	-
Taxes paid		-	-
Cash flow from operating activities		**8,068,615.16**	**-4,115,900.96**
Cash flow from investing activities			
Investments in tangible assets		2,822.58	-
Cash flow from investing activities		**2,822.58**	**-**
Cash flow from financing activities			
Investments in other financial assets		**-**	-
Sale of other financial assets		-	-
Proceeds from long-term loans		**-**	14,500,000.00
Repayments of long-term loans		-10,000,000.00,	-10,000,000.00
Dividends paid		**-**	-
Cash flow from financing activities		**-10,000,000.00**	**4,500,000.00**
Change in cash and cash equivalents		**-1,928,562.26**	**384,099.04**
Cash and cash equivalents 1 Jan.		2,215,929.95	1,831,830.91
Cash and cash equivalents 31 Dec.		**287,367.69**	**2,215,929.95**

Notes to the parent company's financial statements

PARENT COMPANY ACCOUNTING PRINCIPLES

KH Group Plc (formerly known as Sievi Capital Plc until 9 May 2023) is a Finnish public limited liability company domiciled in Sievi. KH Group Plc's financial statements have been prepared in accordance with the Finnish Accounting Act and other regulations in force in Finland (FAS). The consolidated financial statements have been prepared in accordance with the IFRS standards.

Depreciation according to plan has been deducted from the acquisition cost of intangible and tangible assets recognised on the balance sheet. Machinery and equipment is depreciated by 25%, using the reducing balance method.

Investments are measured at the acquisition cost. They are impaired if the income likely to be generated by the securities in the future is estimated to be permanently lower than the non-amortised cost.

1. PERSONNEL EXPENSES

EUR	2023	2022
Salaries, wages and fees	954,843.39	1,127,394.53
Pension costs	95,931.57	140,106.89
Other personnel expenses	16,466.42	16,251.88
Total	**1,067,241.38**	**1,283,753.30**
Pension costs are defined-contribution costs.		
Average number of employees during the financial period		
Employees	6	5
Total	**6**	**5**

Information on the management's salaries and remuneration as well as transactions with related parties are reported in note 5.2 to the IFRS financial statements.

2. DEPRECIATION, AMORTISATION AND IMPAIRMENT

EUR	2023	2022
Depreciation and amortisation by asset class		
Tangible assets		
Machinery and equipment	6,765.32	9,961.32
Total	**6,765.32**	**9,961.32**
Depreciation and amortisation, total	**6,765.32**	**9,961.32**

3. OTHER OPERATING EXPENSES

EUR	2023	2022
Expenses related to premises and properties	129,761.57	112,768.58
Expert services	1,224,056.30	673,702.44
Other operating expenses	434,544.18	257,471.25
Total	**1,788,362.05**	**1,043,942.27**
Auditor's fees		
Auditing	88,500.00	75,000.00
Auditor's certificates and statements	4,260.99	5,723.01
Tax services	11,900.00	-
Other services	68,365.42	13,000.00
Total	**173,026.41**	**93,723.01**

4. FINANCIAL INCOME AND EXPENSES

EUR	2023	2022
Return on holdings in Group companies		
Dividend income	461,202.52	-
Total	**461,202.52**	**-**
Other interest and financial income		
Gains from the sale of Group company shares	5,736,075.97	-
Interest income from Group companies	158,441.21	90,813.67
From others	19,020.15	6,782.01
Total	**5,913,537.33**	**97,595.68**
Interest expenses and other financial expenses		
Other financial expenses	-363,057.71	-282,203.67
Total	**-363,057.71**	**-282,203.67**
Impairment of investments in non-current assets		
Impairment of holdings in Group companies	-	-2,448,046.35
Total	**-**	**-2,448,046.35**
Financial income and expenses, total	**6,011,682.14**	**-2,632,654.34**

5. INCOME TAXES

EUR	2023	2022
Tax based on taxable income for the financial period	-	-
Total	**-**	**-**

6. TANGIBLE ASSETS

2023 EUR	Machinery and equipment	Tangible assets, total
Acquisition cost 1 January 2023	65,158.18	65,158.18
Increase and decrease	-2,822.58	-2,822.58
Acquisition cost 31 December 2023	**62,335.60**	**62,335.60**
Accumulated depreciation 1 January 2023	-35,274.12	-35,274.12
Depreciation and amortisation	-6,765.32	-6,765.32
Accumulated depreciation 31 December 2023	**-42,039.44**	**-42,039.44**
Book value 1 January 2023	29,884.06	29,884.06
Book value 31 December 2023	**20,296.16**	**20,296.16**

2022 EUR	Machinery and equipment	Tangible assets, total
Acquisition cost 1 Jan. 2022	65,158.18	65,158.18
Increase and decrease	-	-
Acquisition cost 31 Dec. 2022	**65,158.18**	**65,158.18**
Accumulated depreciation 1 January 2022	-25,312.80	-25,312.80
Depreciation and amortisation	-9,961.32	-9,961.32
Accumulated depreciation 31 Dec. 2022	**35,274.12**	**-35,274.12**
Book value 1 January 2022	39,845.38	39,845.38
Book value 31 Dec. 2022	**29,884.06**	**29,884.06**

7. HOLDINGS IN GROUP COMPANIES

EUR	2023	2022
Acquisition cost 1 Jan.	62,776,761.32	62,776,761.32
Decrease, Logistikas Oy's shares	-5,600,000.00	-
Acquisition cost 31 Dec.	**57,176,761.32**	**62,776,761.32**
Impairments	-6,779,199.98	-6,779,199.98
Book value 31 Dec.	**50,397,561.34**	**55,997,561.34**

Group companies	Domicile	Parent company's holding (%)
Indoor Group Holding Oy	Finland	58.3 % (1)
KH-Koneet Group Oy	Finland	90.7 % (1)
Nordic Rescue Group Oy	Finland	68.1 % (1)
HTJ Holding Oy	Finland	91.7 %

'(1) of outstanding shares

8. NON-CURRENT RECEIVABLES

EUR	2023	2022
Loan receivables from Group companies	3,882,414.40	1,395,813.19
Other receivables	-	25,245.00
Book value 31 Dec.	**3,882,414.40**	**1,421,058.19**

9. CURRENT RECEIVABLES

EUR	2023	2022
Trade receivables	3,500.00	-
Other receivables	36,911.10	1.47
Accrued income	14,028.99	56,728.46
Total	**54,440.09**	**56,729.93**

10. EQUITY

EUR	2023	2022
Share capital		
Share capital 1 Jan.	15,178,567.50	15,178,567.50
Share capital 31 Dec.	**15,178,567.50**	**15,178,567.50**
Restricted equity, total 31 December	**15,178,567.50**	**15,178,567.50**
Reserve for invested unrestricted equity		
Reserve for invested unrestricted equity 1 Jan.	12,885,510.35	12,885,510.35
Share issue		
Reserve for invested unrestricted equity 31 Dec.	**12,885,510.35**	**12,885,510.35**
Retained earnings		
Retained earnings 1 Jan.	20,900,268.49	25,870,579.72
Profit distribution		25,870
Retained earnings 31 Dec.	**20,900,268.49**	**579.72**
Net profit/loss for the period	**3,149,313.39**	**-4,970,311.23**
Unrestricted equity, total	**36,935,092.23**	**33,785,778.84**
Total equity		
Statement of distributable equity at the end of the period		
Reserve for invested unrestricted equity	12,885,510.35	12,885,510.35
Retained earnings	20,900,268.49	25,870,579.72
Net profit for the period	3,149,313.39	-4,970,311.23
Total	**36,935,092.23**	**33,785,778.84**

11. LIABILITIES

EUR	2023	2022
Liabilities, non-current		
Loans from financial institutions	-	10,000,000.00
Total	**-**	**10,000,000.00**
Other liabilities, the most significant items		
Loans from financial institutions	2,137,914.98	-
Trade payables	167,245.22	336,174.35
Withholding tax and health insurance contribution liabilities	58,137.89	86,378.27
Total	**2,363,298.09**	**422,552.62**
The most significant items included in accrued expenses		
Personnel expenses, short-term	155,906.74	331,965.63
Total	**155,906.74**	**331,965.63**

12. ADJUSTMENTS TO CASH FLOW FROM OPERATING ACTIVITIES

EUR	2023	2022
Adjustments to the net profit for the period		
Depreciation according to plan	6,765.32	9,961.32
Financial income and expenses	-6,011,682.14	2,632,654.34
Total	**-6,004,916.82**	**2,642,615.66**
Changes in working capital		
Increase (-) / decrease (+) in current non-interest-bearing receivables	27,534.84	-24,429.31
Increase (+)/decrease (-) in current non-interest-bearing liabilities	1,773,235.04	-173,039.91
Change in working capital, total	**1,800,769.88**	**-197,469.22**

13. CONTINGENT LIABILITIES

	2023	2022
Lease liabilities		
Payable within one year	4,947.60	112,818.00
Payable in more than one year but at the latest within five years	-	28,204.50

KH Group and the minority shareholders of KH-Koneet Group and HTJ Holding have agreed on a mutual right to complete a transaction concerning all of the shares in the companies held by the minority shareholders if certain conditions are met. The estimated fair value of KH Group's contingent redemption obligation on the balance sheet date is EUR 7.2 million. The amount of the actual redemption obligation may differ considerably depending on, inter alia, the financial performance of the companies concerned and when the redemption right is exercised. KH Group's obligation to redeem the shares may emerge according to the terms of the agreement at the earliest during 2024–2025.

Signatures of the Board of Directors' report and the financial statements

Vantaa 20 March 2024

Juha Karttunen
Chair of the Board of Directors

Kati Kivimäki
member of the Board of Directors

Timo Mänty
member of the Board of Directors

Taru Narvanmaa
member of the Board of Directors

Harri Sivula
member of the Board of Directors

Lauri Veijalainen
member of the Board of Directors

Auditor's note

A report on the audit performed has been issued today.

Helsinki, 20 March 2024
KPMG Oy Ab
Audit firm

Esa Kailiala
APA

Auditor's Report

To the Annual General Meeting of KH Group Plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of KH Group Plc (business identity code 0190457-0) for the year ended 31 December 2023. The financial statements comprise the consolidated balance sheet, [income statement], statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including material accounting policy information, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with IFRS Accounting Standards as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.
  Our opinion is consistent with the additional report submitted to the Board of Directors.

Basis for Opinion

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

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

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 3.4 to the consolidated financial statements.

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

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit proce-dures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

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

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Change in accounting principles for the consolidated financial statements (Note Accounting principles for the consolidated financial statements)	
KH Group Plc considers that it ceased to be an investment entity on 1 May 2023, and since that date has consolidated the subsidiaries line by line, applying the acquisition method according to IFRS 3. Management has used judgment when applying the accounting principles. This is in particular the case where the current Accounting Standards provide alternative methods of recognition, measurement or presentation. The change in the accounting principle imple-mented has had a significant impact on the reported numbers and disclosure information in the financial statements and has thus been considered a key audit matter.	We assessed the appropriateness of the principles for preparing the financial statements and the adequacy of the disclosures. In particular, our assessment focuses on the changes in the principles made by the company and their effects. We also evaluated the application of the Accountings Standards by the company, in order to assess the correctness of the application and the adequacy of the notes. The evaluation is based on inspection of the documentation prepared by the company and on discussions with the company. In addition, KPMG specialists were involved in the audit on IFRS issues.
Measurement of goodwill and intangible assets related to business combinations (Note 4.2. and 4.3)	
The goodwill and intangible assets related to business combinations account for a significant part (about 30%) of the consolidated balance sheet total. In impairment testing, KH Group Plc determines the recoverable amount based on value in use. Preparing cash flow forecasts underlying impairment tests requires management judg-ments regarding profitability, long-term growth rate and discount rate. Due to the significance of the carrying amount and the high level of judgment related to fore-casts, the measurement of goodwill and intangible assets related to business combinations is considered a key audit matter.	We gained an understanding of management's process for assessing goodwill impairment and evaluated the appropriateness of the goodwill impairment testing calculations prepared by the company . KPMG valuation specialists participated in the audit to assess the appropriateness of the model used in the calculations and tested the technical correctness of the calculations. We challenged the key assumptions used in the testing calculations regarding the fore-cast revenue growth, profitability and discount rate, and compared them to market and industry-specific data. We also compared the cash flows used in the testing calculations and the underlying assump-tions to the budgets approved by the Board of the parent company. In addition, we assessed the appropriateness of the notes related to the presentation of goodwill and intangible assets related to business combinations.
Revenue recognition (Note 3.1 Net sales)	
KH Group sells goods and provides services as well as related maintenance and repair ser-vices. Revenue from the sale of goods and provision of services is recognized at a point in time when control has passed to the customer. In equip-ment rental, revenue is recognized over time. Due to the large number of sales transactions, price changes and several different invoicing systems, the revenue recognition is considered a key audit matter.	Our audit procedures included examination of the revenue recognition principles as applied by the group and assessment of their appropriate-ness compared to the IFRS Accounting Standards. We identified and evaluated internal controls related to invoicing and tested their effecti-veness. In addition, we performed substantive and analytical audit procedures to assess the accuracy of revenue and the recording of revenue and corresponding expenses in the appropriate period. Furthermore, we considered the appropriate-ness of the notes on net sales.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Accuracy and measurement of inventories (Note 4.4 Inventories)	
The group's inventories account for a significant part (about 29%) of the consolidated balance sheet total. The pricing of individual products included in inventories is based on the functionality of the information systems and the accuracy of the purchase prices recorded. Inventories are measured at the lower of cost and net realizable value. Management judgment is involved in determining write downs of inventories and in assessing slow-moving items. Due to the significance of the carrying amount and management judgment involved in inventory measurement, inventories are considered a key audit matter.	Our audit procedures included examination of the inventory measurement principles as ap-plied by the group and assessment of their appropriateness compared to the IFRS Accounting Standards. We evaluated the information systems relevant to the inventories of the group companies, in-ternal control and the effectiveness of the related controls. We attended physical inventory counts at selected locations and assessed the appropria-te-ness of the inventory count processes. We performed substantive audit procedures to test the accuracy of inventory pricing. We also assessed the adequacy of the writedowns recorded on inventories. Furthermore, we considered the appropriate-ness of the related notes to the financial statements.

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 fi-nancial 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 regula-tions 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 mis-statement, 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 a going concern, disclosing, as appli-cable, 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 liqui-date 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 about 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 in-cludes 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 the 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 main-tain 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 ef-fectiveness of the parent company’s or the group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting esti-mates 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 un-certainty exists related to events or conditions that may cast significant doubt on the parent compa-ny’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 finan-cial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the dis-closures, 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 busi-ness activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

OTHER REPORTING REQUIREMENTS

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting in 1999, and our appointment repre-sents a total period of uninterrupted engagement of 25 years. KH Group Plc became a public interest entity as of 25 April 2000. We have acted as the company’s auditor throughout the time that it has been a public interest entity.

Other Information

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

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

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

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

Helsinki 20 March 2024
KPMG OY AB
Esa Kailiala
Authorised Public Accountant, KHT

Shares and shareholders

At the end of the review period the number of KH Group's shares was 58,078,859. The company did not own any treasury shares on 31 December 2023 or during the review period.

The registered share capital of the company at the end of the year was EUR 15,178,568. The company has one share class and each share entitles its holder to one vote. All shares carry equal rights to dividends .

KH Group Plc's share "KHG" is listed on Nasdaq Helsinki. The shares are included in Euroclear Finland Ltd's book-entry system. The shares have been listed since 24 May 2000.

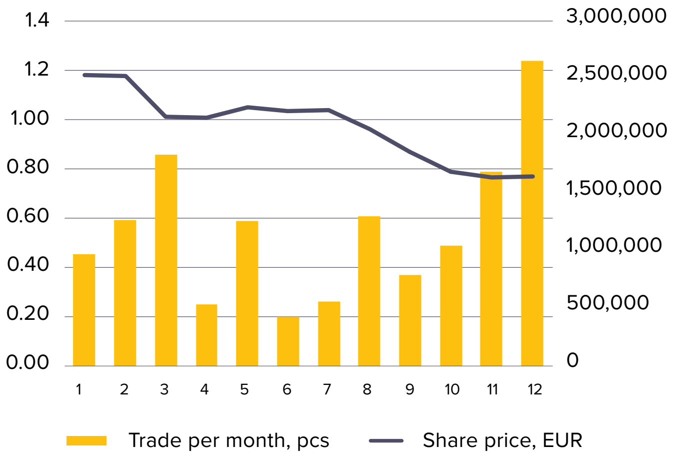
SHARE PRICE DEVELOPMENT, TRADE AND MARKET CAPITALISATION

The closing price of KH Group's share at the end of 2022 was EUR 1.18. During the review period, the highest share price was EUR 1.21, the lowest was EUR 0.73 and the trade-weighted average price was EUR 0.94. At the end of the year, the closing price was EUR 0.81 and the market capitalisation was EUR 47.3 (68.4) million. The number of KH Groupl's shares traded on Nasdaq Helsinki during 2023 was 14.3 (27.1) million, which accounted for 24.7 (46.7)% of all outstanding shares.

SHAREHOLDERS

On 31 December 2023, KH Group had a total of 11,857 (13,097) shareholders. The ten largest registered shareholders owned 43.0 (42.1) % of the shares. Nominee-registered shares accounted for 3.6 (5.2) % of the shares. During the review period, the company did not receive any flagging notifications concerning changes in holdings in KH Group.

SHARE PRICE AND TRADE VOLUME IN 2023



10 LARGEST REGISTERED SHAREHOLDERS ON 31 DECEMBER 2023

Shareholders	Number of shares	% of shares and votes
Preato Capital Ab	13,490,000	23.23
Laakkonen Mikko Kalervo	4,363,086	7.51
MI Stable Oy(1)	2,837,268	4.89
Takanen Martti Tapio	1,954,218	3.36
Amlax Oy	436,220	0.75
Takanen Sanna Johanna	428,891	0.74
Takanen Juha Petteri	421,191	0.73
Kuusisto Teppo	408,204	0.70
Nieminen Jorma Juhani	330,581	0.57
Kaski Marko Petteri	280,000	0.48
10 largest registered shareholders, total	**24,949,659**	**42.96**

(1) MI Stable Oy is controlled by Mikko Laakkonen

SHARE DISTRIBUTION 31 DECEMBER 2023

Number of shares	Shareholders	% of shareholders	Number of shares	% of shares
1–100	2,193	18.50	101,986	0.18
101–1 000	5,125	43.22	2,612,668	4.50
1 001–10 000	4,021	33.91	12,884,190	22.18
10 001–100 000	482	4.07	12,006,252	20.67
100 001–1 000 000	31	0.26	6,765,989	11.65
1 000 001-999 999 999 999	5	0.04	23,707,810	40.82
Total	**11,857**	**100.00**	**58,078,895**	**100.00**
Nominee registered	8	0.07	2,121,126	3.67
Number of shares issued			58,078,895	100

SHAREHOLDING BY SECTOR ON 31 DECEMBER 2023

Sector	Shareholders		Shares	
	Number	%	Number	%
Private companies	415	3.50	5,770,534	10.31
Financial and insurance institutions	11	0.09	475,253	0.85
Households	11,380	95.98	33,193,131	59.32
Foreigners	40	0.34	13,628,243	24.35
Non-profit organisations	11	0.09	2,890,608	5.17
Total	**11,857**	**100.00**	**55,957,769**	**100.00**
Nominee registered	8		2,121,126	
Number of shares issued	11,857		58,078,895	

Information to shareholders

ANNUAL GENERAL MEETING 2024

KH Group Plc's Annual General Meeting is scheduled for Tuesday, 7 May 2024. Notice to the Annual General Meeting will be published later as a stock exchange release.

The Annual General Meeting resolves matters addressed to it on the Notice to the Annual General Meeting published according to the company's Articles of Association and on stock exchange release related to the Annual General Meeting as well as on the company's website www.khgroup.com.

KH GROUP'S FINANCIAL INFORMATION IN 2024

- Financial Statements Release for 2023 on 21 March 2024
- Business Review for January–March 2024 on 7 May 2024
- Half-Year Report for January–June 2024 on 16 August 2024
- Business Review for January–September 2023 on 1 November 2024

IR CONTACT

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Cover photo: Niko Laurila
Other photos: Jaakko Jaskari, Ilkka Vuorinen and group companies
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KH Group Plc

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