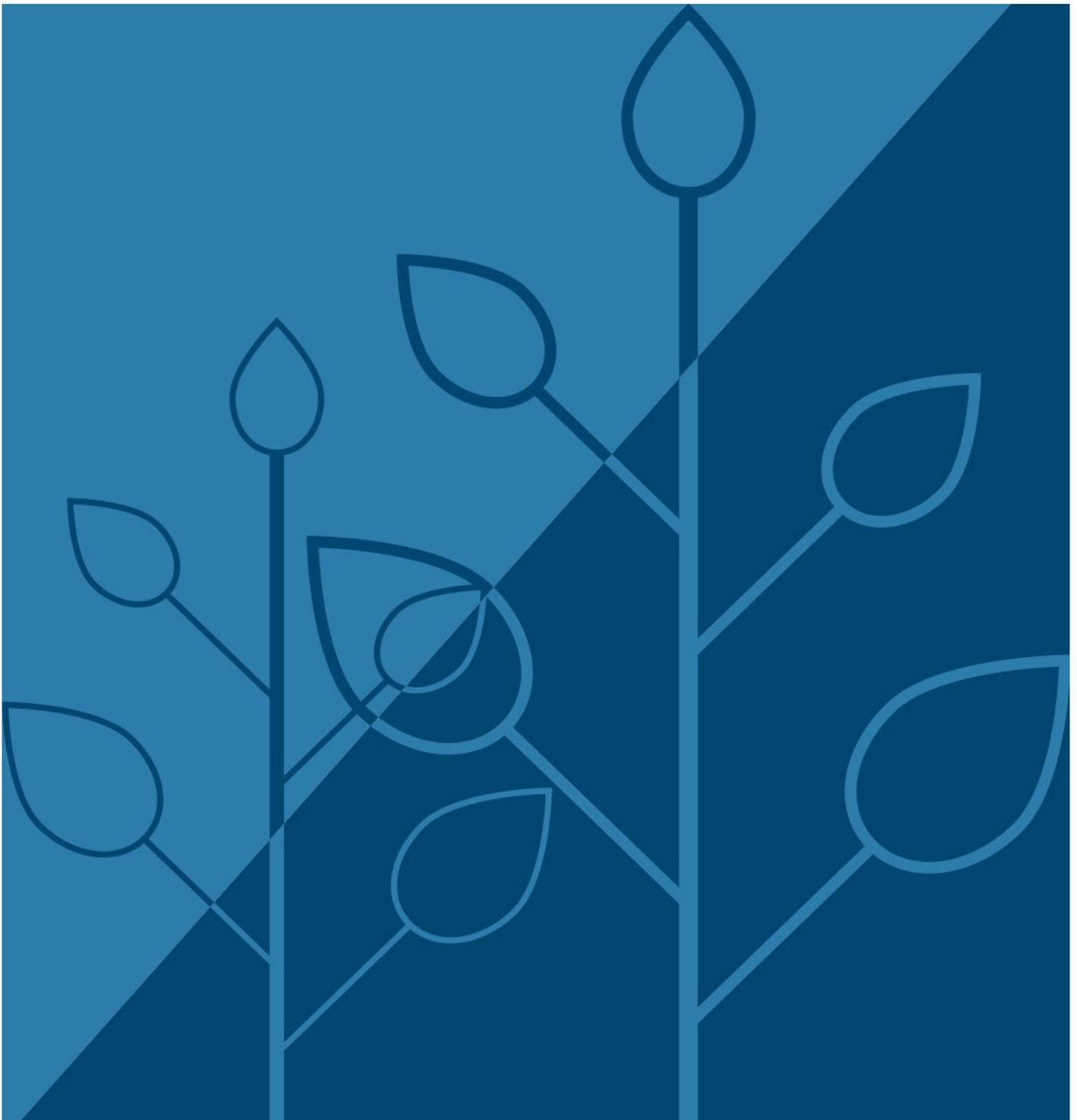


Q3/2022



Sievi Capital Plc
Business Review

January–September 2022
3 November 2022



January-September 2022

KH-KONEET GROUP'S GROWTH CONTINUED, INDOOR GROUP'S MARKET ENVIRONMENT REMAINED CHALLENGING

July-September 2022

- Operating profit was EUR -3.2 (5.2) million
- Net profit for the period was EUR -2.6 (4.1) million
- Earnings per share (undiluted and diluted) were EUR -0.04 (0.07)

January-September 2022

- Operating profit was EUR -8.5 (18.3) million
- Net profit for the period was EUR -6.9 (15.2) million
- Earnings per share (undiluted and diluted) were EUR -0.12 (0.26)
- Net asset value per share at the end of the review period was EUR 1.49 (1.55)
- Return on equity for rolling 12 months was -4.1% (24.9%)
- Gearing at the end of the review period was 13.8% (-4.7%)

Figures in parentheses are figures from the corresponding period in the previous year, unless indicated otherwise. Information in the Business Review is unaudited. Sievi Capital does not consolidate the data of its subsidiaries into Group-level calculations line item by line item but recognises investments in the companies at fair value through profit or loss.

CEO Jussi Majamaa:

"This year, Sievi Capital's target companies have operated in market environments that have been highly exceptional in many respects. Rising interest rate pressures and inflation driven by energy prices have created cost pressures on many companies and, at the same time, these factors have opened up new business opportunities for other companies. The common theme for many of Sievi Capital's target companies in the third quarter of the financial period has been improving operational efficiency through the development of business processes and cost savings, amongst other things.

The market environment has been challenging, particularly for Indoor Group, which was reflected negatively in the company's result. However, Indoor Group took steps in the right direction operationally. KH-Koneet Group continued its good growth in spite of the normalisation of the market situation. Logistikas achieved strong growth as service demand remained at a good level, although operational efficiency was somewhat negatively affected by challenges related to the predictability of the flows of goods as well as rising costs. HTJ continued its active tendering efforts and its order book developed favourably. During the first three quarters of the year, the company has successfully expanded its service offering both organically and through an acquisition. Nordic Rescue Group's result was adversely affected particularly by non-recurring costs related to Vema Lift's two cancelled orders and also by low delivery volumes. The company has also faced challenges related to the price development of raw materials and components, which has been negatively reflected in the company's margins.

The unrealised changes in the values of our investments were primarily negative in the third quarter. This was due to the companies' profit performance and changes in the general market environment. Our return on equity was below our minimum target level and came to -4.1% for rolling 12 months. This was due to unrealised changes in value and the fact that we did not make any exits during the review period, nor did our target companies pay any dividends or capital repayments during the period. For this reason, the Board of Sievi Capital has not made decision on the distribution of a dividend so far.

Sievi Capital's strategy process continued during the autumn. We aim to publish the new strategy by the end of the year."

January–September 2022

Target companies

Indoor Group

Indoor Group's operating environment remained challenging in July–September. Market demand remained weaker than in the previous year, particularly due to the low level of consumer confidence that has been continuing since the spring. In response to the challenging market conditions, the company has initiated efficiency improvement measures that include changes to the opening hours of stores and warehouses, energy saving measures and other cost saving measures. The company has also commenced change negotiations with regard to potential personnel adjustment measures. In addition, the company has optimised product pricing to improve its margins.

The company's net sales for January–September decreased by 4% year-on-year, and operating profit declined substantially. The decrease in operating profit was particularly attributable to lower net sales and higher fixed costs. Costs associated with the ongoing ERP system renewal project amounted to EUR 2.6 million during the review period, which contributed to the increase in expenses. In the third quarter, net sales decreased and operating profit was slightly lower than in the comparison period. Supported by the optimisation of product prices, the gross margin percentage developed favourably in July–September and was higher than in the comparison period. The company's working capital management also improved in the third quarter, and the adaptation of inventory levels progressed.

Indoor Group's ERP system renewal project progressed according to plan during the third quarter and reached the deployment testing phase. Indoor Group has also continued the development of its retail network. Earlier this year, the company concluded agreements with franchisees on acquiring 10 Sotka stores, and the transfer of the businesses to the company began according to plan during the quarter under review. The stores are being transferred to the company gradually, and it is estimated that, starting from the turn of the year, Indoor Group will operate without franchisee-owned stores.

Indoor Group Holding Oy's key figures

EUR million	1-9/2022	1-9/2021	1-12/2021
Net sales	145.1	151.2	204.8
EBITDA ⁽¹⁾	15.5	25.0	32.3
EBIT ⁽²⁾	1.1	11.6	14.1
EBITDA (FAS) ⁽³⁾	3.6	12.7	16.1
Sievi Capital's holding at the end of the period ⁽⁴⁾	58.3%	58.2%	58.3%

The key figures are consolidated IFRS figures. The interim figures are unaudited.

(1) EBITDA = operating profit + depreciation and amortisation

(2) EBIT = operating profit (earnings before interest and taxes)

(3) Unaudited EBITDA calculated according to the Finnish Accounting Standards (FAS)

(4) Of outstanding shares

January–September 2022

KH-Koneet Group

KH-Koneet Group's operating environment remained stable in July–September in spite of uncertainties related to the deliveries and production of certain manufacturers. The availability and delivery times of machinery have improved, and this trend is expected to continue during the rest of the year. The general demand in the earthworks machinery market stabilised after the exceptionally strong level seen in the first half of the year in both of the company's operating countries. The demand for machinery was slightly higher in Sweden than in Finland due to infrastructure investments in the Swedish municipal sector, amongst other factors. The stabilisation of market demand has affected the machine dealership business more than the machine rental business, where demand has remained at a good level.

KH-Koneet Group's net sales in January–September grew by 29% year-on-year. Driven by this growth, the company's EBITDA increased by EUR 2.9 million. Net sales grew in both of the company's operating countries, but especially in Sweden. Net sales and EBITDA were higher than in the comparison period in the third quarter. The company has continued its strong growth in Sweden, with net sales in Sweden being on a par with net sales in Finland in July–September.

The company's fixed expenses have increased in Sweden due to the strong growth of the business. In the third quarter, the company initiated measures to improve the efficiency of its operations in Sweden. This involves, amongst other things, optimising the cost structure through combining functions, which will also enable improvements to the service offering for the company's customers.

KH-Koneet Group Oy's key figures

EUR million	1-9/2022	1-9/2021	1-12/2021
Net sales	142.7	110.6	168.7
EBITDA ⁽¹⁾	9.3	6.5	10.3
EBITA ⁽²⁾	7.3	5.5	8.9
Sievi Capital's holding at the end of the period ⁽³⁾	90.7%	66.4%	90.5%

The key figures are consolidated FAS (Finnish Accounting Standards) figures. The interim figures are unaudited.

(1) EBITDA = operating profit + depreciation and amortisation

(2) EBITA = operating profit + depreciation related to intangible assets resulting from corporate acquisitions

(3) Of outstanding shares

January–September 2022

Logistikas

The operating environment for logistics services developed favourably in July–September, and demand was strong in both warehousing services and in-house logistics for industrial customers. However, disruptions in global supply chains are still affecting flows of goods, and many of Logistikas' customers have sought to increase their inventory levels in response to these challenges. The war in Ukraine and the decline in Russian trade have shifted logistics flows to Western Finland, where the company has a strong market position.

Logistikas' net sales for January–September increased by nearly 50% year-on-year due to an acquisition made in July 2021 and strong organic growth. The company has managed to increase its net sales from existing customers by offering an even broader range of services. EBITDA improved by EUR 0.4 million year-on-year, although rising costs reduced relative profitability particularly in the third quarter. In July–September, net sales grew substantially, but EBITDA was lower than in the comparison period.

Logistikas continued to strengthen its organisation in July–September and built a management model to support growth. New employees have been recruited both for the company's business units and administrative functions. Logistikas also conducted a customer satisfaction survey during the end of the review period and as in the previous year, the results were excellent. Good customer satisfaction indicates that the company's business has a strong foundation for building the service concept and organisation also in the future. Furthermore, Logistikas has assessed various projects aimed at organic growth, in addition to acquisitions. Along with growth the company aims to improve its efficiency, for example, through ongoing process development.

Logistikas Oy's key figures

EUR million	1-9/2022	1-9/2021	1-12/2021
Net sales	22.9	15.3	22.0
EBITDA ⁽¹⁾	1.7	1.3	1.7
EBITA ⁽²⁾	1.4	1.0	1.3
Sievi Capital's holding at the end of the period	65.9%	65.9%	65.9%

The key figures are consolidated FAS (Finnish Accounting Standards) figures. The interim figures are unaudited.

(1) EBITDA = operating profit + depreciation and amortisation

(2) EBITA = operating profit + depreciation related to intangible assets resulting from corporate acquisitions

January–September 2022

Nordic Rescue Group

Nordic Rescue Group's operating environment developed favourably in July–September due to the improved predictability of the delivery times of components and truck chassis. Nevertheless, the rising prices of raw materials and components continued to have a negative impact on the company's margins. In the company's home markets in Finland and Sweden, the public sector procurement of rescue vehicles has continued at a fairly good level. New maintenance agreements have increased the stability of demand, which has been favourably reflected in the operations of Saurus and Sala Brand in particular. At the same time, however, budget uncertainties associated with the reform of social, health and rescue services have delayed new orders in Finland. For Vema Lift, activity in terms of enquiries and requests for quotations increased substantially in July–September, and the order book was on a par with the comparison period. Nordic Rescue Group's total order book at the end of September was higher than in the comparison period.

Nordic Rescue Group's net sales grew by 31% year-on-year in January–September, supported by the Sala Brand acquisition made in June 2021, but EBITDA was negative. In the third quarter, net sales decreased year-on-year and the result showed a substantial loss due to low vehicle delivery volumes and non-recurring expenses. The company's result for January–September was weighed down by a non-recurring expense of EUR 0.6 million recognised in the first quarter due to a dispute related to an acquisition and write-downs totalling EUR 0.8 million recognised in the third quarter in relation to two cancelled orders in the business of Vema Lift. Amongst Nordic Rescue Group's operating companies, profitability was weak particularly for Vema Lift, where the number of vehicles delivered was substantially lower than in the comparison period. As Nordic Rescue Group's performance was weaker than expected, the company did not meet the financial indicator covenants of its financing agreement as at 30 September 2022. The company has initiated negotiations with the financing provider to adapt the financing agreement and its covenants to better reflect the current situation of the company.

Near the end of the review period, Saurus expanded its maintenance operations by relocating the operation to a new separate facility in Jyväskylä. This will enable Saurus to serve its maintenance customers more efficiently and on a more diverse basis. For Vema Lift, which manufactures rescue platforms for export markets, the financial situation has remained challenging due to low sales volumes in particular. In China, which has been an important market for the company over the past few years, the general situation has remained very difficult. The company has taken actions to address these challenges by opening new sales channels, reviving old export markets and improving the efficiency of the order and delivery process. However, the sales cycles are long, which means it takes time for a turnaround to happen.

Nordic Rescue Group Oy's key figures

EUR million	1–9/2022	1–9/2021	1–12/2021
Net sales	28.5	21.8	37.6
EBITDA ⁽¹⁾	-2.4	-0.9	-0.1
EBITA ⁽²⁾	-2.7	-1.2	-0.4
Sievi Capital's holding at the end of the period ⁽³⁾	68.1%	67.9%	67.9%

The key figures are consolidated FAS (Finnish Accounting Standards) figures. The interim figures are unaudited.

(1) EBITDA = operating profit + depreciation and amortisation

(2) EBITA = operating profit + depreciation related to intangible assets resulting from corporate acquisitions

(3) Of outstanding shares

January–September 2022

HTJ

Uncertainty continued in the construction market in July–September. At the same time, however, the rise in construction costs has levelled off and the availability of materials has improved, which supports tendering activities and, consequently, the launch of new projects. The company has been active in its tendering efforts, particularly with regard to infrastructure projects. Public sector projects, which account for a majority of HTJ's net sales, have also progressed according to plan for the most part. In addition, the demand for the environmental and energy services offered by HTJ has developed very favourably over the past few months, and demand is expected to grow further in the future. The company's order book has remained at a good level and in September it was higher than in the comparison period and also higher compared to the turn of the year.

HTJ's net sales for January–September increased by 18% year-on-year, driven by organic growth as well as the Infrac acquisition. EBITDA was almost on a par with the previous year at EUR 1.8 million. In the third quarter, net sales were substantially higher than in the comparison period, while EBITDA was in line with the previous year. Profitability has been negatively affected in particular by sickness-related absences, which continued at above normal rate in July–September, and cost pressures due to wage increases. In addition, the integration processes associated with the Infrac acquisition carried out in May have generated some non-recurring expenses.

The integration of Infrac has enabled HTJ to take advantage of the increased geographic scope of operations resulting from the acquisition, which makes it possible to provide services to customers in infrastructure, building and industrial construction projects on a nationwide basis. Successful recruitment is an important cornerstone of organic growth, and the company is continuously seeking to recruit new professionals for all of its units. However, competition for the industry's top professionals is tight, and in addition to organic growth, HTJ has continued to actively assess acquisition opportunities.

HTJ Holding Oy's key figures

EUR million	1-9/2022	1-9/2021	1-12/2021
Net sales	16.4	13.9	19.0
EBITDA ⁽¹⁾	1.8	1.9	2.3
EBITA ⁽²⁾	1.8	1.8	2.2
Sievi Capital's holding at the end of the period	91.7%	-	92.4%

The key figures are unaudited consolidated FAS (Finnish Accounting Standards) figures. The figures for 2021 are unaudited pro forma figures, which have been combined from the figures of the acquired company Rakennuttajatoimisto HTJ Oy until the completion of the acquisition (4 October 2021) and from the figures of the HTJ Holding group in the period after that.

(1) EBITDA = operating profit + depreciation and amortisation

(2) EBITA = operating profit + depreciation related to intangible assets resulting from corporate acquisitions

January–September 2022

Result, financial position and net asset value

Sievi Capital's operating profit in the third quarter was EUR -3.2 (5.2) million, its net profit for the period amounted to EUR -2.6 (4.1) million and earnings per share (undiluted and diluted) were EUR -0.04 (0.07). The key factors influencing operating profit in July–September were the negative changes in the values of the Indoor Group and Nordic Rescue Group investments and the positive change in the value of the KH-Koneet Group investment.

Sievi Capital's operating profit in January–September was EUR -8.5 (18.3) million, its net profit for the period amounted to EUR -6.9 (15.2) million and earnings per share (undiluted and diluted) were EUR -0.12 (0.26). Operating profit in January–September was negatively affected particularly by the EUR -8.2 million change in the value of the Indoor Group investment and the EUR -2.6 million change in the value of the Nordic Rescue Group investment, adjusted for the effect of the junior loan granted in April, while operating profit was favourably affected by the EUR +3.6 million change in the value of the KH-Koneet Group investment. Sievi Capital's return on equity for rolling 12 months was -4.1%, which is below the company's long-term minimum target level of 13%.

Gearing at the end of the review period was 13.8% (-4.7%). Sievi Capital took out a loan of EUR 4.5 million in March for the purpose of the company's investment activities and other general financing needs. The loan is due in one instalment in October 2023. The loan agreement includes a financial covenant based on Sievi Capital's equity. The terms of the covenant were met at the end of the review period.

At the end of the review period, the total value of private equity investments was EUR 102.9 million (9/2021: EUR 93.1 million and 12/2021: EUR 108.3 million). The total value of private equity investments declined from the end of 2021 due to a decrease in the fair value of investments. Sievi Capital's net asset value per share on 30 September 2022 was EUR 1.49 (9/2021: EUR 1.55 and 12/2021: EUR 1.61).

January-September 2022

Distribution of investments and net asset value

EUR million	30 Sep. 2022	%	30 Sep. 2021	%	31 Dec. 2021	%
Private equity investments						
Indoor Group Holding Oy	41.5	48.0%	58.6	65.0%	49.7	53.2%
KH-Koneet Group Oy ⁽¹⁾	40.2	46.4%	20.8	23.1%	36.5	39.1%
Logistikas Oy	6.0	7.0%	6.4	7.1%	6.3	6.7%
Nordic Rescue Group Oy ⁽²⁾	5.2	6.0%	7.2	8.0%	6.5	7.0%
HTJ Holding Oy ⁽¹⁾	9.9	11.5%	-	-	9.3	10.0%
Private equity investments, total	102.9	118.9%	93.1	103.2%	108.3	115.9%
Cash and cash equivalents and other financial assets	2.8	3.2%	4.5	5.0%	1.8	2.0%
Loans from financial institutions	-10.0	-11.6%	-	-	-5.5	-5.9%
Deferred tax liabilities and assets, total	-4.4	-5.1%	-7.5	-8.4%	-6.2	-6.6%
Other liabilities, receivables and assets, total ⁽¹⁾	-4.7	-5.4%	0.1	0.1%	-5.0	-5.4%
Total net asset value	86.5	100.0%	90.2	100.0%	93.5	100.0%
Net asset value per share (EUR)	1.49		1.55		1.61	

The percentages in the "Distribution of investments and net asset value" table have been calculated on the basis of net asset value.

(1) Sievi Capital and all of 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 held by the minority shareholders. Therefore, the investment in said companies is presented as if Sievi Capital had a 100% holding and the non-controlling interests are presented as contingent liabilities at fair value through profit or loss in other liabilities.

(2) Includes Sievi Capital's loan and interest receivables from the company (totalling EUR 1.4 million on 30 September 2022).

January-September 2022

Future outlook

Sievi Capital will continue to explore new investment opportunities in line with its strategy. The company plans to make an average of 1–2 new investments per year but the number of investments made may vary from year to year. For existing investments, the active development of the companies' business operations will continue. Exit planning and the assessment of exit opportunities will also continue.

Sievi Capital does not consolidate the data of its subsidiaries into Group-level calculations line item by line item but recognises investments in the companies at fair value through profit or loss. Changes in the fair values of the investments have a material impact on Sievi Capital's results. In addition to the target companies' own development, factors that influence the development of the fair values of the investments include, for instance, the general development of different sectors and national economies as well as changes in their outlooks, the development of stock market and interest rates and other factors beyond Sievi Capital's control. Furthermore, the coronavirus pandemic increases uncertainty when it comes to anticipating development.

Sievi Capital's financial target is a return on equity of at least 13%, the achievement of which the company considers to be realistic in the long term. Due to the nature of the business, the company's short-term result development is subject to volatility that is difficult to predict. Therefore, Sievi Capital does not provide an estimate of the result development in 2022.

Helsinki, 2 November 2022
Sievi Capital Plc
Board of Directors

Sievi Capital's financial information in 2023

Financial Statements for 2022 on 28 February 2023

Annual Report for 2022 in week 10

Business Review for January-March 2023 on 4 May 2023

Half-Year Report for January-June 2023 on 17 August 2023

Business Review for January-September 2023 on 1 November 2023

Sievi Capital is a partner for Finnish entrepreneurs. We support the growth, performance and value creation of small and medium-sized companies and concurrently build national competitiveness. We believe that we succeed together as co-entrepreneurs. Sievi Capital's share is listed on Nasdaq Helsinki.