H1/2022

Sievi Capital Plc
Half-Year Report

January–June 2022
17 August 2022

THE NET SALES OF TARGET COMPANIES MOSTLY INCREASED UNDER EXCEPTIONAL CIRCUMSTANCES

April–June 2022
- Operating profit was EUR -2.4 (9.4) million
- Net profit for the period was EUR -1.9 (7.6) million
- Earnings per share (undiluted and diluted) were EUR -0.03 (0.13)
- HTJ increased its infrastructure and industrial construction expertise through an acquisition
- Indoor Group agreed on the acquisition of the business operations of 10 Sotka stores from franchisees

January–June 2022
- Operating profit was EUR -5.3 (13.1) million
- Net profit for the period was EUR -4.3 (11.0) million
- Earnings per share (undiluted and diluted) were EUR -0.07 (0.19)
- Net asset value per share at the end of the review period was EUR 1.53 (1.48)
- Return on equity for rolling 12 months was 3.5% (30.4%)
- Gearing at the end of the review period was 13.0% (-5.7%)

Figures in parentheses are figures from the corresponding period in the previous year, unless indicated otherwise. Information in the Half-Year Report 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:

"Sievi Capital has continued to purposefully develop and grow its target companies under exceptional circumstances through the first half of the year. Our target companies made several acquisitions to accelerate growth. Four of our five target companies achieved growth in net sales during the period under review.

The strongest performance was achieved by KH-Koneet Group, which recorded substantial growth in net sales and EBITDA. KH-Koneet Group's growth strategy has been particularly focused on the Swedish market, which now represents nearly half of the company's net sales. Logistikas benefited from the exceptional operating environment and, in line with its goals, increased the share of the sales mix represented by value-added services and improved its operational efficiency. HTJ grew through an acquisition and developed in line with its strategy in many respects during the first half of the year. Nordic Rescue Group, which was particularly hard hit by the exceptional operating environment, also took a number of steps in the right direction. For Indoor Group, however, the first half of the year was not satisfactory. In addition to being affected by declining purchasing power and consumer confidence, the company also suffered from operational challenges. We are now seeking cost savings and efficiency in Indoor Group's operations. One example of these efficiency improvement measures is the acquisition of the business operations of 10 Sotka stores, which was agreed upon during the review period.

The total unrealised change in the value of our investments was negative during the review period. Our return on equity at 3.5% for rolling 12 months was below our minimum target level. This was due to the unrealised change in the value of our investments and, in particular, the fact that the target companies did not pay dividends or capital repayments during the first half of the year, and we did not make any exits.

Sievi Capital's ongoing strategy work aimed particularly at increasing shareholder value, and we have evaluated various alternatives in relation to that. The strategy process is well under way and our goal is to complete the process during this autumn."

Target companies

Indoor Group

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 Sotka have more than 90 physical stores as well as online stores in Finland and Estonia.

Indoor Group's operating environment was challenging during the review period. Consumer confidence fell to historically low levels, driven by the effects of the war in Ukraine and increased inflationary and interest rate pressures. The late start to the summer had a negative impact on sales, particularly in seasonal products, in the second quarter. The purchasing prices of raw materials and products increased, and freight costs were at record-high levels, which had a negative impact on profitability. In response to the weakened market conditions, the company has initiated efficiency improvement and cost saving measures to improve its profitability.

The company's net sales declined by 4% year-on-year in January–June, while operating profit declined by EUR 9.7 million compared to the strong comparison period. The decline in profitability was mainly due to a decrease in the gross margin and increased fixed costs. The ongoing ERP system renewal project has also contributed to the increase in fixed costs, with EUR 2.0 million in costs related to the project recognised during the review period. With consumer demand being substantially weaker than anticipated, the company's inventory levels increased during the review period and cash flow was negative.

The ERP system renewal project is one of Indoor Group's key development projects. The project progressed according to plan during the review period and the project is moving on to the deployment testing phase. Deployment will take place gradually during the fourth quarter of 2022 and the early part of 2023. During the review period, the company also developed its retail network strategy by concluding agreements with three franchisees on acquiring the business operations and assets of 10 Sotka stores. This move is based on Indoor Group's strategic decision to continue Sotka's business operations through company-owned stores. The transfer of the businesses to be acquired will have an effect of approximately EUR 6.0 million on net sales based on the 2021 figures. The stores will be transferred to the company gradually, which is estimated to be completed by the end of 2022. After the transfers, the company will have one franchisee-operated store remaining.

Indoor Group Holding Oy's key figures

EUR million	1–6/2022	1–6/2021 (1)	1–12/2021
Net sales	92.8	96.8	204.8
EBITDA (2)	6.8	15.9	32.3
EBIT (3)	-2.7	7.0	14.1
EBITDA (FAS) (4)	-0.7	7.6	16.1
Interest-bearing net debt at the end of the period (5)	83.3	70.4	74.1
Sievi Capital's holding at the end of the period (6)	58.3%	58.2%	58.3%

The key figures are consolidated IFRS figures. The interim figures are unaudited.
(1) The IFRS figures for 1–6/2021 have been adjusted retrospectively due to changed accounting practice for expenditure related to cloud services
(2) EBITDA = operating profit + depreciation and amortisation
(3) EBIT = operating profit (earnings before interest and taxes)
(4) Unaudited EBITDA calculated according to the Finnish Accounting Standards (FAS)
(5) Interest-bearing net debt = interest-bearing debt - cash and cash equivalents and loan receivables. Interest-bearing debt on 30 June 2022 includes EUR 51.4 (61.4) million in debt associated with IFRS 16.
(6) Of outstanding shares

KH-Koneet Group

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

KH-Koneet Group's operating environment during the review period was better than expected due to the demand for earthworks machinery, and the availability of machinery, being better than anticipated. The company has been able to respond well to product demand, although a few manufacturers experienced some delivery difficulties. However, the stabilisation of demand is possible if the industry expectations of a declining outlook for construction activity are realised.

In January–June, KH-Koneet Group's net sales grew by 32% year-on-year. Growth was achieved in both of the company's operating countries, but especially in Sweden. Sales increased in the machine dealership business in both countries, as did rentals, where growth was also accelerated by an acquisition made in Sweden in April. Supported by sales growth, the company's EBITDA came to EUR 6.3 million, representing year-on-year growth of over 60%. While profitability improved year-on-year, it was slightly limited by an increase in fixed expenses attributable to the growth of the Swedish business and related recruitments, among others.

The company's most significant event during the review period was the acquisition of the Swedish machinery rental company Törnells Maskinuthyrning, which supports KH-Koneet Group's long-term growth plan. The acquisition strengthens KH-Koneet Group's market position in Sweden and its ability to serve customers through flexible deliveries supported by Törnells Maskinuthyrning's large fleet of machinery. The acquired company's net sales for the financial period that ended in August 2021 amounted to SEK 47 million and its EBITDA was approximately SEK 20 million. The integration of the acquired company went according to plan and was carried out on a quick schedule.

KH-Koneet Group Oy's key figures

EUR million	1–6/2022	1–6/2021	1–12/2021
Net sales	97.1	73.7	168.7
EBITDA (1)	6.3	3.9	10.3
EBITA (2)	4.9	3.2	8.9
Interest-bearing net debt at the end of the period (3)	30.6	18.2	15.2
Sievi Capital's holding at the end of the period	90.5%	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) Interest-bearing net debt = interest-bearing debt - cash and cash equivalents and loan receivables

Logistikas

Logistikas offers local logistics, in-house logistics and immediate-proximity warehousing services, logistics expert services and comprehensive procurement services. The company operates in nine locations in Finland, both at its own logistics centres and at customer premises responsible for in-house logistics.

Logistikas' operating environment was challenging in the first half of the year, but the direction of development was positive. In spite of the continuing challenges in global supply chains and in container shipping in particular, demand for the company's services has been growing. Activity in the logistics market has increased and customers' flows of goods have grown. Many of Logistikas' customers have prepared for the ongoing availability challenges by increasing their inventory levels. There has been growing demand not only for warehousing services but also the value-added services provided by the company. In the second quarter, the company paid particular attention to its operational efficiency and managed to improve its profitability.

Logistikas' net sales grew by 68% year-on-year during the review period. The development of net sales was supported by organic growth as well as the acquisition made last year. The company's new customer acquisition developed favourably during the review period, and growth was derived from both the existing customer base and new customer accounts. The company's relative profitability developed favourably as a result of improvements in the sales mix and operational efficiency. Logistikas' EBITDA increased by EUR 0.7 million year-on-year and amounted to EUR 1.3 million.

Logistikas has continued to develop its business in accordance with its strategy. To develop its operational activities and support the next steps in its growth, the company strengthened its organisation during the review period by new recruits. The strengthening of the organisation is expected to support the company in managing its business units and allocating its resources more efficiently. In addition to organic growth, Logistikas is also actively exploring opportunities to make acquisitions.

Logistikas Oy's key figures

EUR million	1–6/2022	1–6/2021	1–12/2021
Net sales	15.2	9.0	22.0
EBITDA (1)	1.3	0.6	1.7
EBITA (2)	1.1	0.4	1.3
Interest-bearing net debt at the end of the period (3)	6.5	1.6	7.0
Sievi Capital's holding at the end of the period	65.9%	69.0%	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

(3) Interest-bearing net debt = interest-bearing debt - cash and cash equivalents and loan receivables

Nordic Rescue Group

Nordic Rescue Group is specialised in rescue vehicles. The Group companies are Vema Lift Oy and Saurus Oy, operating in Finland, and Sala Brand AB, operating in Sweden. Nordic Rescue Group is a leading Nordic company in its field, with a significant share of its business from international trade.

Nordic Rescue Group's operating environment remained challenging throughout the first half of the year. The long-standing problems with the availability and delivery times of truck chassis and various components have increased the purchase prices of components and made it difficult to optimise resources. Nevertheless, the company's order book has developed fairly well, although it was at a lower level than in the previous year. Demand for the company's products has been relatively stable, especially in its home markets in Finland and Sweden. In China, which is an important market for Vema Lift, the general situation has remained very challenging.

Nordic Rescue Group's net sales grew by 48% year-on-year in January–June, supported by an acquisition carried out last year. The net sales for the comparison period include EUR 2.2 million in a non-recurring asset sale. Adjusted for the effect of that sale, net sales for the review period also increased organically. EBITDA for the review period was negative due to increased costs, but it nevertheless improved by EUR 0.4 million year-on-year thanks to the positive result achieved in the second quarter. Profitability in the first quarter was weighed down by arbitration proceedings concerning a dispute related to the Saurus and Vema Lift transaction and purchase price liabilities, from which Nordic Rescue Group incurred non-recurring expenses totalling EUR 0.9 million. Of that amount, EUR 0.3 million was already recognised in 2021. In April, Nordic Rescue Group paid a deferred purchase price of EUR 1.7 million to the seller of Saurus and Vema Lift. The payment of the liability was financed by a junior loan granted by the owners of the company, of which Sievi Capital's share was EUR 1.3 million.

Nordic Rescue Group has several development measures under way. The development of sales and marketing has been focused on new markets, and the company has successfully revitalised old market areas and opened new markets, especially for Vema Lift products. The rescue vehicle market is showing signs of recovery, but tendering processes in that industry are long and it takes time for a turnaround to happen.

Nordic Rescue Group Oy's key figures

EUR million	1–6/2022	1–6/2021	1–12/2021
Net sales	22.5	15.1	37.6
EBITDA (1)	-0.3	-0.7	-0.1
EBITA (2)	-0.5	-0.9	-0.4
Interest-bearing net debt at the end of the period (3)	10.0	8.7	7.0
Sievi Capital's holding at the end of the period	67.9%	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) Interest-bearing net debt = interest-bearing debt + purchase price liabilities – cash and cash equivalents and loan receivables. On 30 June 2022, interest-bearing debt included EUR 1.8 million in loans from owners and related interest liabilities, of which Sievi Capital's share was EUR 1.3 million.

HTJ

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.

Uncertainty has increased in the operating environment of the construction industry due to the economic outlook, the inflation of construction costs and problems associated with the availability of materials. Nevertheless, development was positive in the first half of the year in HTJ's business areas, and the order book has grown thanks to the company's strong tendering efforts. Especially in public sector projects, which constitute a majority of HTJ's net sales, demand has remained stable and HTJ has received several new orders. HTJ's order book in June 2022 was substantially higher than in the comparison period.

HTJ's net sales grew by 10% year-on-year in January–June. Net sales growth was driven by the expanded project base and successful recruitment, as well as the acquisition of Infrap Oy in May. HTJ's EBITDA was EUR 1.2 million, and relative profitability decreased slightly year-on-year due to the rate of sickness-related absences being higher than usual, which led to a lower invoicing rate.

HTJ grew and developed on multiple fronts during the first half of the year. In May, HTJ acquired the entire share capital of Infrap. The acquisition significantly expanded HTJ's expertise in infrastructure and industrial construction, both geographically and in terms of the range of services provided. Infrap employs approximately 40 experts who work in infrastructure projects nationwide. Infrap had net sales of approximately EUR 4.5 million and EBITDA of approximately EUR 0.9 million in 2021. The integration of the acquired company has progressed according to plan. Boosted by the acquisition and recruitment activities, HTJ's number of personnel exceeded 200 professionals in January–June. During the review period, HTJ also established a new Environmental and Energy Services business area to develop operating models and services related to sustainable construction management. HTJ's strategy is to continue to actively seek growth both organically and through acquisitions.

HTJ Holding Oy's key figures

EUR million	**1–6/2022**	**1–6/2021 (1)**	**1–12/2021**
Net sales	10.5	9.6	19.0
EBITDA (2)	1.2	1.2	2.3
EBITA (3)	1.1	1.1	2.2
Interest-bearing net debt at the end of the period (4)	9.6	-	5.7
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) To improve comparability, the figures for 1–6/2021 have been retrospectively adjusted with regard to certain accruals. These changes have no effect on the previously reported figures for the full year 2021.

(2) EBITDA = operating profit + depreciation and amortisation

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

(4) Interest-bearing net debt = interest-bearing debt - cash and cash equivalents and loan receivables. Includes EUR 0.8 million of purchase price liability that is due for payment if the company has received at least an equivalent amount of returns from a specific project.

Result of investment activities

April–June

Sievi Capital's operating profit in the second quarter was EUR -2.4 (9.4) million, net profit for the period amounted to EUR -1.9 (7.6) million and earnings per share (undiluted and diluted) were EUR -0.03 (0.13). The operating profit for April–June was substantially affected by the negative change in the value of the Indoor Group investment on the one hand and the positive change in the value of the KH-Koneet Group investment on the other hand. Among the other private equity investments, the investments in HTJ and Logistikas had positive changes in value, and the investment in Nordic Rescue Group had a negative change in value. The development of the value of the Nordic Rescue Group investment was affected by an investment made in the form of a junior loan. The owners of Nordic Rescue Group Oy granted a junior loan to the company on 22 April 2022, of which Sievi Capital's share was EUR 1.3 million.

January–June

Sievi Capital's operating profit for January–June was EUR -5.3 (13.1) million and its net profit for the period amounted to EUR -4.3 (11.0) million. Earnings per share (undiluted and diluted) were EUR -0.07 (0.19), return on capital employed for rolling 12 months was 1.9% (36.0%) and return on equity for rolling 12 months was 3.5% (30.4%).

Interest and dividend income for the review period totalled EUR 0.0 (2.8) million.

Changes in the value of investments totalled EUR -4.2 (11.6) million, of which realised gains/losses and expenses of investments accounted for EUR 0.0 (0.0) million and unrealised changes in fair values accounted for EUR -4.2 (11.6) million. No private equity investments were sold during the period and thus there were no realised gains or losses.

The most significant unrealised changes in value during the review period were the EUR -5.9 million change in the value of the Indoor Group investment and the EUR +3.1 million change in the value of the KH-Koneet Group investment. The change in the value of the Logistikas investment during the review period was EUR -0.1 million, and that of the HTJ investment was +0.7 million. Adjusted for the effect of the junior loan, the change in the value of the Nordic Rescue Group investment during the review period was EUR -1.6 million. Sievi Capital 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. Therefore, the investment in said companies is presented as if the company had a 100% holding and the non-controlling interests are presented as commitments related to the redemption of the minority interest, recognised at fair value through profit or loss. Changes in the value of the aforementioned commitments, presented as part of the unrealised changes in the value of investments, had an impact of EUR -0.4 million on the unrealised change in the value of investments.

Sievi Capital's operating expenses were largely unchanged year-on-year at EUR 1.1 (1.2) million.

Investment distribution and net asset value

Sievi Capital's investment activities focus on private equity investments in small and medium-sized companies.

At the end of the review period, the total value of private equity investments was EUR 105.8 million (6/2021: EUR 86.5 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 June 2022 was EUR 1.53 (6/2021: EUR 1.48 and 12/2021: EUR 1.61).

Distribution of investments and net asset value

EUR million	30 June 2022	%	30 June 2021	%	31 Dec. 2021	%
Private equity investments						
Indoor Group Holding Oy	43.7	49.1%	52.1	60.6%	49.7	53.2%
KH-Koneet Group Oy (1)	39.7	44.5%	18.8	21.9%	36.5	39.1%
Logistikas Oy	6.2	7.0%	6.3	7.4%	6.3	6.7%
Nordic Rescue Group Oy (2)	6.2	7.0%	9.2	10.8%	6.5	7.0%
HTJ Holding Oy (1)	10.0	11.3%	-	-	9.3	10.0%
Private equity investments, total	**105.8**	**118.7%**	**86.5**	**100.6%**	**108.3**	**115.9%**
Cash and cash equivalents and other financial assets	3.2	3.6%	5.2	6.0%	1.8	2.0%
Loans from financial institutions	-10.0	-11.2%	-	-	-5.5	-5.9%
Deferred tax liabilities and assets, total	-5.1	-5.7%	-6.5	-7.5%	-6.2	-6.6%
Other liabilities, receivables and assets, total (1)	-4.8	-5.4%	0.8	0.9%	-5.0	-5.4%
Total net asset value	**89.1**	**100.0%**	**86.0**	**100.0%**	**93.5**	**100.0%**
Net asset value per share (EUR)	**1.53**		**1.48**		**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 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 1.3 million on 30 June 2022).

Financial position and cash flow

Sievi Capital's balance sheet total on 30 June 2022 was EUR 112.9 (95.0) million. The equity ratio was 79.0% (90.5%) and gearing was 13.0% (-5.7%). 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.

Net cash flow from operating activities amounted to EUR -3.0 (-1.0) million, net cash flow from investing activities to EUR 0.0 (0.0) million and net cash flow from financing activities to EUR 4.4 (-2.4) million. Sievi Capital did not receive any dividends during the review period, which was a key difference to the comparison period with regard to net cash flow from operating activities. The year-on-year change in net cash flow from financing activities was particularly attributable to the loan of EUR 4.5 million taken out during the review period and the payment of EUR 2.3 million in dividends in the comparison period.

Personnel

During the review period, Sievi Capital had an average of 6 (6) employees.

Shares, shareholders and share price development

Sievi Capital's share capital at the end of the review period 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 review period.

On 30 June 2022, Sievi Capital had a total of 13,158 (12,870) shareholders. Sievi Capital received two flagging notifications during the review period. On 23 February 2022, it was disclosed that Mikko Laakkonen's shareholding had exceeded the threshold of 10%. On 23 March 2022, it was disclosed that Mikko Laakkonen's direct shareholding had fallen below the threshold of 10%, but his combined direct and indirect shareholding came to 10.23%.

The closing price of Sievi Capital's share at the end of 2021 was EUR 1.92. During the review period, the highest share price was EUR 1.99, the lowest was EUR 1.23 and the average price was EUR 1.58. At the end of the review period, the closing price was EUR 1.26 and the market capitalisation was EUR 73.2 (88.7) million. The number of Sievi Capital's shares traded on Nasdaq Helsinki during the review period was 16.8 (49.4) million, which accounted for 28.9% (85.1%) of all outstanding shares on average.

The General Meetings and the Board of Directors' authorisations

Sievi Capital's Annual General Meeting was held on 11 May 2022 in Helsinki. In order to prevent the spread of the COVID-19 pandemic, the Annual General Meeting was held without shareholders' and their proxy representatives' presence at the meeting venue. The shareholders of the company participated in the meeting and exercised their shareholder's rights by voting in advance. The General Meeting adopted the financial statements for the financial period 2021, discharged the members of the Board of Directors and the persons who had acted as CEO from liability for the financial period 2021, and adopted, through an advisory resolution, the company's Governing Bodies' Remuneration Report for the year 2021. The Annual General Meeting resolved to authorise the Board of Directors to decide later, at its discretion, on the distribution of a dividend of a total maximum of EUR 0.05 per share, in one or more instalments, for the financial period that ended on 31 December 2021.

Juha Karttunen, Kati Kivimäki and Taru Narvanmaa were re-elected to the Board of Directors until the end of the Annual General Meeting of 2023, with Timo Mänty and Harri Sivula elected as new members for the same term. In its constitutive meeting held after the Annual General Meeting, the Board of Directors elected Juha Karttunen as its Chairman.

KPMG Oy Ab, Authorised Public Accountant firm, was re-elected as the company's auditor. KPMG Oy Ab has notified that Esa Kailiala, APA, will act as the principal auditor for the company.

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

The General Meeting authorised the Board of Directors to decide on a share issue, in one or several instalments, and/or on granting of special rights entitling to shares. The total allowed number of shares issued on the basis of the authorisation is 11,400,000 shares. In addition, the General Meeting authorised the Board of Directors to decide on repurchasing a maximum of 5,700,000 shares in the company in one or several instalments. The authorisations will be valid until 30 June 2023 and their content is described in more detail in the stock exchange release on the decisions of the Annual General Meeting, published on 11 May 2022.

The most significant near-term business risks and risk management

The goal of Sievi Capital'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 level of investments, which is mainly arranged by the target companies themselves. Sievi Capital promotes risk management at the target company level by exercising active control over its holdings and participating in the work of the Board of Directors in target companies.

Sievi Capital is engaged in investment activities. The company's Board of Directors confirms the company's strategy and action plan, which defines goals related to new investments and exits, among other things. The Board of Directors makes decisions on new private equity investments and supervises the execution of investment activities. Due to the company's business, investment strategy and nature of investments, a significant portion of Sievi Capital's most material risks are associated with the company's private equity investments in target companies and the risks related to their operations.

Through its investment activities, Sievi Capital is exposed to general market risks and the company risk of private equity investments. When it comes to general market risks, stock market and interest rate fluctuations, among other things, have an indirect impact on the company's financial performance through changes in the fair value of investments. Changes in stock markets and interest rates are also reflected on the fair values of private equity investments in unlisted companies as these changes influence the discount rates that Sievi Capital uses in its investment valuation models.

The company risk of private equity investments consists of, among other things, risks associated with the target companies' market and competitive situations as well as the target companies' strategic risks, operational risks and financial risks, with material risks including, for instance, liquidity and interest rate risks. The private equity investments made by the company are significant in size and at the end of the review period, the company had private equity investments in a total of five companies. It cannot be guaranteed that target companies or sectors which the company has invested in or will potentially invest in would develop as expected in the future. Pandemics and inflation, which has accelerated in recent times, may also have significant direct and indirect impacts on the target companies' business operations and, as a result, on the fair values of Sievi Capital's investments. The financial results and outlooks of the target companies influence Sievi Capital's financial performance through the changes in the values of the investments as the financial development and forecasts of the target companies have a significant impact on the fair values of the investments made in these companies. Changes in the operations of a single target company may have a material negative impact on Sievi Capital's business operations, financial position, results or future outlook.

Due to the illiquid nature of private equity investments, Sievi Capital's most significant strategic risks are associated with investments in new target companies. In addition to selective investment activities, the risk is managed with diligent investment preparations. Diligent preparations refer to, among other things, extensive analyses of potential investments before making actual investment decisions. There are also strategic risks related to investment exits and their timing. The company's structure makes flexible exit times possible but to optimise return on equity, the company aims to time exits to situations in which Sievi Capital considers the value creation strategy that was planned for the investment object in advance to have been implemented and the market situation is favourable for the exit. As the operating environments of the target companies 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 aims to manage this risk with long-term exit planning.

Sievi Capital's operational risks include, for instance, dependence on the key personnel's competence and input due to the company's low number of personnel. 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.

The most essential of the financial risks that Sievi Capital Plc is exposed to is the liquidity risk. The management of the liquidity risk ensures that the company has sufficient funds to make any payments falling due and to make additional investments in target companies 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 Sievi Capital under the current circumstances. However, the prolongation or expansion of the war may have potentially significant indirect negative impacts on Sievi Capital through unfavourable developments in financial and capital markets, a decline in the overall economic outlook or a deterioration in the operating conditions of Sievi Capital's target companies, for instance. Sievi Capital's target companies do not have business operations in Ukraine or Russia.

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, 16 August 2022
Sievi Capital Plc
Board of Directors

Tables

Accounting principles

Sievi Capital's Half-Year Report has been prepared in compliance with the IAS 34 standard. The Half-Year Report has been prepared in accordance with the same accounting principles as the financial statements 2021.

Alternative Performance Measures

Sievi Capital presents Alternative Performance Measures to describe the financial development of its business operations and to improve comparability between different reporting periods. The Alternative Performance Measures do not replace IFRS key indicators but are reported in addition to them. The Alternative Performance Measures provide the company's management, investors and other parties with significant additional information. The Alternative Performance Measures used by the company include return on equity (%), return on capital employed (%), gearing (%), equity ratio (%) as well as shareholders' equity per share (net asset value per share).

Consolidated statement of comprehensive income, IFRS

EUR million	**1–6/2022**	**1–6/2021**	**1–12/2021**
Interest and dividend income, total	0.0	2.8	11.5
Realised profits/losses & expenses of investments	0.0	0.0	0.0
Unrealised changes in fair values of investments	-4.2	11.6	12.9
Changes in value of investments, total	-4.2	11.6	12.9
Operating expenses	-1.1	-1.2	-4.2
Operating profit	**-5.3**	**13.1**	**20.2**
Financial income	0.0	0.0	0.0
Financial expenses	-0.1	0.0	0.0
Profit before taxes	**-5.4**	**13.1**	**20.2**
Income taxes	1.1	-2.1	-1.8
Net profit for the period	**-4.3**	**11.0**	**18.4**
Distribution of the net profit for the period			
To equity holders of the parent company	-4.3	11.0	18.4
Earnings per share, undiluted	-0.07	0.19	0.32
Earnings per share, diluted	-0.07	0.19	0.32

Consolidated balance sheet, IFRS

EUR million	30 June 2022	30 June 2021	31 Dec. 2021
Assets			
Non-current assets			
Property, plant and equipment	0.0	0.0	0.0
Right-of-use assets	0.2	0.3	0.2
Investments at fair value through profit or loss	105.8	86.5	108.3
Non-current receivables	0.0	0.0	0.0
Deferred tax assets	3.5	1.9	3.0
Non-current assets, total	**109.6**	**88.7**	**111.6**
Current assets			
Accrued income and other receivables	0.0	1.1	0.0
Cash and cash equivalents	3.2	5.2	1.8
Current assets, total	**3.3**	**6.3**	**1.9**
Assets, total	**112.9**	**95.0**	**113.5**
Shareholders' equity and liabilities			
Equity attributable to equity holders of the parent company			
Share capital	15.2	15.2	15.2
Reserve for invested unrestricted equity	12.9	12.9	12.9
Retained earnings	61.1	57.9	65.4
Total equity	**89.1**	**86.0**	**93.5**
Non-current liabilities			
Loans from financial institutions	10.0	0.0	5.5
Lease liabilities	0.1	0.2	0.1
Deferred tax liabilities	8.6	8.3	9.1
Other liabilities	4.6	0.0	4.2
Non-current liabilities, total	**23.3**	**8.5**	**19.0**
Current liabilities			
Lease liabilities	0.1	0.1	0.1
Trade and other liabilities	0.3	0.4	0.9
Current liabilities, total	**0.4**	**0.5**	**1.0**
Shareholders' equity and liabilities, total	**112.9**	**95.0**	**113.5**

Consolidated cash flow statement, IFRS

EUR million	1–6/2022	1–6/2021	1–12/2021
Cash flow from operating activities			
Net profit for the period	-4.3	11.0	18.4
Adjustments to the net profit for the period			
Taxes	-1.1	2.1	1.8
Other adjustments	4.4	-14.3	-24.3
Changes in working capital			
Changes in liabilities	-0.6	0.0	0.5
Changes in receivables	0.0	0.0	0.0
Purchase of investments	-1.3	-2.5	-18.8
Proceeds from and expenses related to sale of investments	0.0	0.0	0.0
Repayment of loan receivables	0.0	0.0	1.0
Interest received	0.0	0.0	0.0
Financial expenses paid	-0.1	0.0	0.0
Dividends received	0.0	2.7	11.5
Taxes paid	0.0	0.0	0.0
Net cash flow from operating activities	**-3.0**	**-1.0**	**-9.8**
Cash flow from investing activities			
Investments in tangible and intangible assets	0.0	0.0	0.0
Net cash flow from investing activities	**0.0**	**0.0**	**0.0**
Cash flow from financing activities			
Proceeds from long-term loans	4.5	0.0	5.5
Repayment of lease liabilities	-0.1	0.0	-0.1
Dividends paid	0.0	-2.3	-2.3
Net cash flow from financing activities	**4.4**	**-2.4**	**3.1**
Change in cash and cash equivalents	**1.4**	**-3.4**	**-6.8**
Cash and cash equivalents at the beginning of the period	1.8	8.6	8.6
Cash and cash equivalents at the end of the period	**3.2**	**5.2**	**1.8**

Consolidated statement of changes in equity, IFRS

EUR million

Equity attributable to equity holders of the parent company	1–6/2022	1–6/2021	1–12/2021
Equity at the beginning of the period	**93.5**	**77.3**	**77.3**
Share capital	15.2	15.2	15.2
Reserve for invested unrestricted equity	12.9	12.9	12.9
Retained earnings	65.4	49.2	49.2
Changes during the period			
Total comprehensive income	-4.3	11.0	18.4
Dividends paid	0.0	-2.3	-2.3
Share-based incentive schemes	0.0	0.0	0.0
Equity at the end of the period	**89.1**	**86.0**	**93.5**

Fair value hierarchies

Hierarchy levels, EUR million	Level 1	Level 2	Level 3	Total
30 June 2022				
Private equity investments			105.8	105.8
Investment assets, total			**105.8**	**105.8**
Liabilities related to the redemption of minority interests			4.6	4.6
Liabilities at fair value through profit or loss, total			**4.6**	**4.6**
31 Dec. 2021				
Private equity investments			108.3	108.3
Investment assets, total			**108.3**	**108.3**
Liabilities related to the redemption of minority interests			4.2	4.2
Liabilities at fair value through profit or loss, total			**4.2**	**4.2**

The fair values of the hierarchy level 3 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 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 headings "Target companies" and "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 target companies have been entered in hierarchy level 3, as they do not have quoted market prices and the inputs used in the valuation models cannot be verified on the basis of market data.

There were no transfers between the hierarchy levels during the review period.

Level 3 specification

EUR million	1–6/2022	1–6/2021	1–12/2021
Private equity investments			
Balance at the beginning of the period	**108.3**	**72.4**	**72.4**
Increases	1.3	2.5	22.8
Changes in value	-3.8	11.6	13.1
Balance at the end of the period	**105.8**	**86.5**	**108.3**
Fair values at the end of the period	**105.8**	**86.5**	**108.3**
Liabilities related to the redemption of minority interests			
Balance at the beginning of the period	**4.2**	**0.0**	**0.0**
Increases			4.0
Changes in value	0.4		0.2
Balance at the end of the period	**4.6**	**0.0**	**4.2**
Fair values at the end of the period	**4.6**	**0.0**	**4.2**

If the fair value of liabilities related to the redemption of minority interests were to increase (decrease) by 10%, this would have an impact of EUR -0.5 million (+0.5 million) on profit before taxes.

Sensitivity analysis of level 3 investments 30 June 2022

Investment category	Fair value 30 June 2022, EUR million	Valuation model	Unobservable inputs	Used inputs (weighted average)	Change in valuation if the input changes by +/- 1 percentage points, EUR million
Capital investments	105.8	Discounted cash flows	Discount rate (WACC)	13.0%	-13.3 / +12.7
			Terminal growth	0.0%	+6.2 / -7.7
			Forecast period's (5 y.) net sales growth p.a.	3.8%	+4.9 / -7.3
			Forecast period's (5 y.) EBITDA % (1)	7.3%	+10.5 / -13.1

(1) EBITDA = operating profit + depreciation and amortisation. For Indoor Group Holding, the calculation uses EBITDA calculated according to the Finnish Accounting Standards (FAS).

Sensitivity analysis of level 3 investments 31 December 2021

Investment category	Fair value 31.12.2021, EUR million	Valuation model	Unobservable inputs	Used inputs (weighted average)	Change in valuation if the input changes by +/- 1 percentage points, EUR million
Capital investments	108.3	Discounted cash flows	Discount rate (WACC)	11.1%	-13.2 / +15.9
			Terminal growth	0.0%	+7.9 / -6.6
			Forecast period's (5 y.) net sales growth p.a.	1.7%	+5.9 / -5.7
			Forecast period's (5 y.) EBITDA % (1)	7.5%	+10.7 / -10.7

(1) EBITDA = operating profit + depreciation and amortisation. For Indoor Group Holding, the calculation uses EBITDA calculated according to the Finnish Accounting Standards (FAS).

Transactions with related parties

EUR million	1–6/2022	1–6/2021	1–12/2021
Related party transactions			
Loan to Nordic Rescue Group Oy (1)	1.3		
Fee for consultancy services to a related party company of a member of the Board of Directors (2)			0.1
Common expenses associated with the combination project of Sievi Capital Plc and Boreo Plc (3)			0.3
Transactions with related parties, total	**1.3**	**0.0**	**0.3**
Receivables from related parties			
Loan and interest receivables from Nordic Rescue Group Oy (1)	1.3		
Receivables from related parties, total	**1.3**	**0.0**	**0.0**

(1) The owners of Nordic Rescue Group Oy granted a junior loan to the company on 22 April 2022, of which Sievi Capital's share was EUR 1.3 million.

(2) Sievi Capital purchased consultancy services from a company that is a related party of a member of the Board of Directors of Sievi Capital. The value of the purchased services was EUR 50 thousand excluding VAT (EUR 62 thousand including VAT) in the financial year ended 31 December 2021, and the purchases were made on normal market terms.

(3) Sievi Capital paid its share of the joint advisor's fee to Boreo Plc that is a related party of a member of the Board of Directors of Sievi Capital. Sievi Capital's share of the costs was EUR 298 thousand excluding VAT (EUR 370 thousand including VAT).

Contingent liabilities

On 25 March 2022, Sievi Capital took out a loan of EUR 4.5 million 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, Sievi Capital had no material off-balance sheet contingent liabilities.

Key indicators

EUR million	1–6/2022	1–6/2021	1–12/2021
Return on equity, %, rolling 12 months	3.5%	30.4%	21.6%
Return on capital employed, %, rolling 12 months	1.9%	36.0%	22.4%
Gearing, %	13.0%	-5.7%	8.6%
Equity ratio, %	79.0%	90.5%	82.4%
Personnel, average	6	6	7
Earnings per share, EUR, undiluted	-0.07	0.19	0.32
Earnings per share, EUR, diluted	-0.07	0.19	0.32
Shareholders’ equity per share, EUR	1.53	1.48	1.61
Lowest share price, EUR	1.23	1.06	1.06
Highest share price, EUR	1.99	1.58	2.65
Share price at the end of the period, EUR	1.26	1.53	1.92
Market capitalisation at the end of the period, EUR million	73.2	88.7	111.3
Number of shares at the end of the period, 1,000	58,079	58,079	58,079
Average number of shares, undiluted, 1,000	58,079	58,022	58,051
Average number of shares, diluted, 1,000	58,146	58,112	58,145

Calculation of key indicators

EUR million

Return on equity, %

$$\frac{\text{Net profit for the period (rolling 12 months) x 100}}{\text{Shareholders’ equity (average)}}$$

The return on equity (ROE) percentage indicates how much return the company is able to generate on the assets invested in it by its owners. It is one of the company’s financial targets and an important indicator of the company’s success.

Return on capital employed, %

$$\frac{\text{(Profit before taxes + financial expenses) (rolling 12 months) x 100}}{\text{Balance sheet total - non-interest-bearing liabilities (average)}}$$

The return on capital employed (ROCE) percentage indicates how much return the company is able to generate before taxes with the sum of equity and financial liabilities. It complements return on equity as an indicator of the company’s success.

Gearing, %	(Financial liabilities [1] - cash and cash equivalents and other financial assets) x 100 / Equity

Gearing indicates the ratio of interest-bearing net debt to equity. It gives an idea of the company's capital structure and financial leeway and is one of the company's financial targets.

Equity ratio, %	Shareholders' equity x 100 / Balance sheet total - advance payments received

The equity ratio indicates the share of own assets (equity) in the total assets of the company. It gives an idea of the company's financial leeway, among other things.

Earnings per share	Net profit for the period / Average number of shares during the period
Shareholders' equity per share [2]	Equity / Number of shares at the end of the period

Shareholders' equity per share or net asset value per share indicates the amount of equity per share.

Market capitalisation	Number of shares at the end of the period x share price at the end of the period

(1) Includes loans from financial institutions, lease liabilities and liabilities related to the redemption of minority interests

(2) Corresponds with net asset value per share

Sievi Capital's Business Review for January–September 2022 will be published on 3 November 2022

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.