



Q1/2024

**KH Group Plc
Business Review**

January–March 2024

7 May 2024

January–March 2024

KH Group's reporting principles as a conglomerate

KH Group Plc is a conglomerate with four business areas: KH-Koneet, Indoor Group, Nordic Rescue Group and HTJ. All of our business areas are leading players in their sectors in B2B products and services and consumer trade. Our objective is to focus on the business of the earth-moving machinery supplier KH-Koneet. Other business areas will be further developed and then divested in line with the Group's 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 the financial period 2024, the change in consolidation only influences the comparison figures. More information on the change in accounting principles and its significant effects on the figures reported for the comparison period is provided in the tables section.

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 2023, and the companies that were part of the group structure on 31 March 2024 had been consolidated into the income statement line item by line item for the periods 1 January–31 December 2023 and 1 January–31 March 2024.

The pro forma figures are based on the subsidiaries' audited financial statements for the financial period 2023 and on unaudited accounting figures for the period 1 January–31 March 2024.

The segment and consolidated income statement comments have been prepared on the basis of pro forma figures, unless otherwise stated. The section "Pro forma financial information" presents more detailed accounting policies. KH Group has not drawn up pro forma figures for balance sheet and cash flow items.

FOCUS ON BUSINESS PROFITABILITY

KH Group, January–March 2024 pro forma

- Net sales amounted to EUR 84.2 (100.2) million.
- Operating profit was EUR -0.3 (1.0) million.
- KH-Koneet's net sales and operating profit decreased considerably year-on-year.
- Indoor Group's net sales decreased significantly. Operating profit, including the capital gain of EUR 3.7 million from the Estonian real estate sale transaction, was higher than in the comparison period.
- HTJ's net sales were at the same level as in the comparison period but operating profit decreased.
- NRG's net sales and operating profit significantly increased year-on-year.
- The Group's cash and cash equivalents amounted to EUR 8.1 million at the end of the review period.

KH Group, January–March 2024 IFRS

- Net sales amounted to EUR 84.2 (-) million. The figure for the comparison period only includes the parent company's net sales.
- Operating profit was EUR -0.7 (-2.8) million.
- Net profit for the period was EUR -3.2 (-2.4) million.
- Earnings per share (undiluted and diluted) were EUR -0.05 (-0.04).
- Equity per share at the end of the review period was EUR 1.30 (1.42).
- Return on equity for rolling 12 months was -19.2% (-9.5%).
- Gearing at the end of the review period was 225.3% (10.5%).
- Gearing excluding lease liabilities was 141.6% (10.4%).

Q1/2024 Business Review

January–March 2024

Consolidated key figures, IFRS

EUR million	1-3/2024	1-3/2023	1-12/2023
Net sales	84.2	-	270.6
EBITDA	8.6	-2.8	10.2
EBITDA %	10.1%	-	3.8%
Operating profit (EBIT)	-0.7	-2.8	-14.4
Operating profit (EBIT) %	-0.9%	-	-5.3%
Return on equity, %, rolling 12 months	-19.2%	-9.5%	-17.5%
Gearing, %	225.3%	10.5%	195.4%
Gearing, excluding lease liabilities, %	141.6%	10.4%	116.7%
Equity ratio, %	22.3%	77.5%	23.2%
Earnings per share, EUR, undiluted	-0.05	-0.04	-0.18
Personnel, average	1,102	6	1,237

CEO Lauri Veijalainen:

“Our consolidated pro forma net sales and operating profit significantly declined year-on-year. The extremely challenging market situation, uncertainty, the political strikes that disrupted the Finnish labour market and business, and the deployment of Indoor Group’s ERP system had a negative impact on consolidated net sales.

KH-Koneet’s net sales decreased very significantly in both operating countries. As a result, operating profit also turned negative. In terms of net sales and operating profit, operations in Sweden almost reached the level of operations in Finland.

Indoor Group’s first quarter was weak. The Asko and Sotka chains lost net sales and consequently profitability. According to the Federation of Finnish Special Commodity Trade ETU’s statistics, net sales in the furniture market in January 2024 fell by 9% year-on-year, and Indoor’s own development continued in the same direction throughout the quarter. Both chains continue to actively implement measures aimed at enhancing operational efficiency and improving profitability. These measures included increasing visitor volumes and sales, improving conversion rates, strengthening margins and maintaining careful cost control. The new ERP system was deployed on 1 March 2024 and had a negative impact on net sales and operating profit. By the end of March, Indoor Group discontinued its operations in Estonia. As part of this, the company successfully sold its property in Estonia, generating a capital gain of EUR 3.7 million. For a long time, the Estonian operations had operated at loss.

In a declining market, HTJ managed to maintain net sales at the same level as in the comparison period, but operating profit decreased. The business area’s moderate net sales and operating profit are explained by an increased project portfolio and the acquisitions made in recent years.

Nordic Rescue Group’s pro forma net sales and operating profit significantly improved year-on-year. The demand for rescue vehicles in Finland and Sweden has remained at a good level, and production capacity for 2024 has already been sold out.

Q1/2024 Business Review

January–March 2024

During the financial period, we will continue our development efforts in our business areas, many of which are focusing on securing net sales and consequently operating profit as well as ensuring operational efficiency. We will continue to move forward with KH Group's change in strategy as planned.

The company updated on 30 April 2024 its earlier guidance on net sales and operating profit for 2024. This is due to general economic uncertainty, the very challenging market situation and more cautious purchasing behaviour by consumers.

KH Group estimates, with the current Group structure, to reach net sales of EUR 400–420 million and operating profit of EUR 12–16 million in 2024, including the operating profit from Indoor Group's Estonian real estate sale transaction."

January–March 2024

Financial performance

KH Group

Pro forma key figures

The accounting principles applied in preparing the pro forma figures are presented later in the report under “Pro forma financial figures”.

EUR million	Pro forma 1-3/2024	Pro forma 1-3/2023	Pro forma 1-12/2023
Net sales	84.2	100.2	403.3
EBITDA ⁽¹⁾	8.6	9.1	45.3
EBITDA %	10.2%	9.1%	11.2%
Operating profit (EBIT)	-0.3	1.0	11.7
Operating profit (EBIT) %	-0.3%	1.0%	2.9%
Profit before taxes	-3.6	-1.6	-0.8

(1) EBITDA = operating profit + depreciation and amortisation

KH Group, January–March, pro forma

KH Group's pro forma net sales amounted to EUR 84.2 (100.2) million, representing a year-on-year decline of 16%. Net sales increased in Nordic Rescue Group, remained unchanged in HTJ and decreased in KH-Koneet and Indoor Group. Operating profit for the review period came to EUR -0.3 (1.0) million. The operating profit margin decreased by 1.3 percentage points to -0.3%. The parent company's share of the operating profit for the review period was EUR -0.3 (-0.6) million. The factors contributing to the parent company's decreased operating expenses included project expenses associated with the change in strategy and non-recurring items related to organisational restructuring, recorded in the comparison period.

Segments

KH-Koneet

Pro forma key figures

The accounting principles applied in preparing the pro forma figures are presented later in the report under “Pro forma financial figures”.

EUR million	Pro forma 1-3/2024	Pro forma 1-3/2023	Pro forma 1-12/2023
Net sales	29.2	40.5	152.3
EBITDA ⁽¹⁾	2.7	4.5	20.5
EBITDA %	9.2%	11.2%	13.4%
Operating profit (EBIT)	-0.4	1.8	9.0
Operating profit (EBIT) %	-1.3%	4.5%	5.9%

Q1/2024 Business Review

January–March 2024

(1) EBITDA = operating profit + depreciation and amortisation. The most significant difference between the previously reported FAS EBITDA and pro forma EBITDA is the treatment of leases in accordance with IFRS 16.

KH-Koneet 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 include Kobelco, Kramer, Wacker Neuson and Yanmar.

KH-Koneet's net sales decreased by 28% year-on-year. The main reason for the change was the sharp decline in demand in both operating countries. Effective cost control measures and strategic decisions have helped maintain a reasonable level of EBITDA. KH-Koneet's relative EBITDA for the reporting period was 9.2%, representing a decrease of 2.0 percentage points. Operating profit decreased to EUR -0.4 million as a result of declining net sales and EBITDA. In a country-specific review, Sweden was nearly on a par with Finland in terms of both net sales and operating profit.

During the downturn in the market, KH-Koneet has allocated resources to the preparation and implementation of future-oriented measures. The company has recruited new employees and signed dealer agreements that are expected to bring significant benefits in both the short and long term.

Indoor Group

Pro forma key figures

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

EUR million	Pro forma 1-3/2024	Pro forma 1-3/2023	Pro forma 1-12/2023
Net sales	37.8	43.6	186.3
EBITDA ⁽¹⁾	5.0	4.4	21.8
EBITDA %	13.4%	10.1%	11.7%
Operating profit (EBIT)	-0.3	-0.6	1.0
Operating profit (EBIT) %	-0.9%	-1.4%	0.6%

(1) EBITDA = operating profit + depreciation and amortisation

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 approximately 80 physical stores as well as online stores in Finland. Operations in Estonia were discontinued at the beginning of 2024.

Indoor Group's market environment continues to be characterised by the sharp rise in interest rates, inflation and more cautious purchasing behaviour by consumers, which have been negatively reflected in Indoor Group's demand. The declining trend in Asko's sales was stopped during the review period. Sotka's sales development has been negative. Asko's online sales have developed positively. Indoor Group has continued to carry out efficiency improvement measures by seeking cost savings and improving the efficiency of working capital, for example.

The company's pro forma net sales decreased by 13% year-on-year in January–March, while pro forma operating profit improved by EUR 0.3 million due to the capital gain from the Estonian real estate sale transaction. Indoor

Q1/2024 Business Review

January–March 2024

Group's fixed costs increased slightly year-on-year, mainly due to the expenses associated with the ERP renewal project being higher than in the comparison period. IFRS expenses recognised during the review period in connection with the ERP project amounted to EUR 0.7 million, which is EUR 0.1 million more than in the comparison period. The ERP project cost are expected to decrease in the second half of 2024 as the project has progressed into its final stage. The production use of the system began in Finland in the Sotka chain in March 2024 and in the Asko chain in May 2024.

At the end of March, the company's cash and cash equivalents amounted to EUR 5.9 (8.1) million, and a total of EUR 6.0 (5.0) million of its revolving credit facility (RCF) of EUR 9.0 million had been drawn. The use of the RCF is due to normal seasonal fluctuations. Indoor Group met the covenants of its financing agreements on 31 March 2024. KH Group regularly monitors Indoor Group's payment position and solvency.

During the first quarter, the company discontinued its operations in Estonia. As part of this, the company sold its property in Estonia, generating a capital gain of EUR 3.7 million. Excluding the capital gain from the real estate sale transaction, the Estonian operations showed a loss.

This year, the company will continue to implement measures aimed at improving profitability. These measures include, for example, improving the efficiency of marketing to increase customer traffic, optimising the retail network and renegotiating lease agreements. The product range will also be developed to better correspond to demand.

HTJ

Pro forma key figures

The accounting principles applied in preparing the pro forma figures are presented later in the report under "Pro forma financial figures".

EUR million	Pro forma 1-3/2024	Pro forma 1-3/2023	Pro forma 1-12/2023
Net sales	6.1	6.1	26.3
EBITDA ⁽¹⁾	0.2	0.5	3.3
EBITDA %	4.1%	8.5%	12.4%
Operating profit (EBIT)	0.1	0.3	2.6
Operating profit (EBIT) %	1.2%	5.6%	9.8%

(1) EBITDA = operating profit + depreciation and amortisation. The most significant difference between the previously reported FAS EBITDA and pro forma EBITDA is the treatment of leases in accordance with IFRS 16.

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 over 200 experts and serves customers across Finland. The company's main customer segments are in infrastructure and public sector premises, which account for more than 60% of the company's net sales.

The weak market situation in the construction sector in Finland and the challenges in the operating environment were also reflected in HTJ's business. The lower construction volume was reflected in intensified competition for projects. In addition, uncertainty in the market led to the start of some projects being postponed and suspended. However, tendering activity was exceptionally high during the review period and, as a result, the order book at the end of March was higher than in the comparison period.

Q1/2024 Business Review

January–March 2024

During the review period, HTJ's pro forma net sales remained at the same level as in the comparison period. On the other hand, the invoicing rate and profitability in the review period were lower than in the comparison period. The company's invoicing rate and consequently profitability were negatively affected by the weaker market and employment situation in the construction sector, increased personnel expenses and higher than normal sickness-related absences.

HTJ will continue executing its growth strategy through targeted recruitment and by assessing acquisition opportunities. In addition, the development of the energy and environmental segment continued during the review period. Due to the weakened market outlook, the focus of operations still continues to be on public sector projects, the development of long-term customer relationships and the efficient resource utilisation.

Nordic Rescue Group

Pro forma key figures

The accounting principles applied in preparing the pro forma figures are presented later in the report under "Pro forma financial figures".

EUR million	Pro forma 1–3/2024	Pro forma 1–3/2023	Pro forma 1–12/2023
Net sales	11.1	9.9	38.3
EBITDA ⁽¹⁾	0.9	0.3	2.5
EBITDA %	7.8%	2.8%	6.6%
Operating profit (EBIT)	0.7	0.1	1.9
Operating profit (EBIT) %	6.3%	1.2%	5.0%

(1) EBITDA = operating profit + depreciation and amortisation. The most significant difference between the previously reported FAS EBITDA and pro forma EBITDA is the treatment of leases in accordance with IFRS 16.

Nordic Rescue Group is a leading rescue vehicle supplier in the Nordic countries. The company operates in Finland under the name Saurus and in Sweden under the name Sala Brand.

The market environment for rescue vehicles in Finland and Sweden continues to be stable. Demand in the home market is active, and we continue our tendering in selected export markets. Year-on-year, the order book was higher than in Finland and slightly lower in Sweden. In both operating countries, the production capacity for 2024 has been fully sold and there are already orders for 2025.

Net sales has developed favourably, and net sales for the review period exceeded the comparison period's pro forma level by a clear margin. Net sales has grown especially in Sweden and in maintenance and spare parts services in Finland. Operating profit was EUR 0.7 million, representing an improvement of EUR 0.6 million from the comparison period. Profitability improvement has been driven by net sales growth, production efficiency improvement measures and cost savings.

KH Group and the other shareholders have made a commitment to an additional investment totalling EUR 1.0 million in NRG's business operations, which will be made by the end of June 2024. KH Group's share of the additional investment is EUR 0.5 million. The receivables of approximately EUR 1.0 million from the Vema Lift bankruptcy estate are estimated to be received during 2024.

January–March 2024

Financial position and cash flow

KH Group's balance sheet total on 31 March 2024 was EUR 348.6 (106.8) million. The equity ratio was 22.3% (77.5%) and gearing was 225.3% (10.5%). Gearing excluding lease liabilities was 141.6% (10.4%). These balance sheet indicators are not comparable due to the change in reporting.

During the review period, the parent company had a credit facility of EUR 2.45 million available for its use. It was drawn at the end of 2023 and used for additional investments in Indoor Group and Nordic Rescue Group. The Group's cash and cash equivalents totalled EUR 8.1 million at the end of the review period.

In the previous year, Nordic Rescue Group reached an agreement with its financing provider on amendments to the financing agreement. In connection with this, KH Group and the other shareholders made a commitment to an additional investment in the company totalling EUR 1.5 million. KH Group's share of the additional investment is EUR 0.75 million (50%), and the investment will be made in instalments by the end of June 2024. The first part of the additional investment, totalling EUR 0.5 million, was implemented in the final quarter of 2023, and the second part, EUR 1.0 million, is scheduled for the second quarter of 2024. The additional investment and amendments to the financing agreement strengthen Nordic Rescue Group's balance sheet position. The company's receivables from the Vema Lift bankruptcy estate were EUR 1.0 million, with its payment expected gradually during 2024.

All Group companies met the financial covenants of their financing agreements in March 2024.

In the review period, net cash flow from operating activities amounted to EUR -10.7 million, net cash flow from investing activities to EUR 3.8 million and net cash flow from financing activities to EUR 3.9 million. Cash flow from operating activities was particularly affected by the EUR -5.6 million change in Indoor Group's working capital and the Group's decreased operating profit. Cash flow from investing activities mainly consists of the real estate sale transaction in Estonia. During the review period, the net cash flow generated by the conglomerate was EUR -3.0 million.

Personnel

Personnel, average	31 March 2024	31 December 2023
KH-Koneet	202	201
Indoor Group ⁽¹⁾	565	702
HTJ	214	217
Nordic Rescue Group ⁽²⁾	115	111
Parent company	6	6
Group, total	1,102	1,237

⁽¹⁾ For Indoor Group, the FTE figure is used due to the large number of part-time employees.

Events after the review period

After the Annual General Meeting of the company held on 24 April 2024, the parties to the KH-Koneet shareholder agreement have informed the parent company that they are exercising share put options. According to the agreement, minority shareholders have the right to sell 50% of their current holding in KH-Koneet Group Oy during 2024. The redemption of shares held by minority shareholders will be completed by June 2024 and amounts to approximately EUR 2.9 million. The redemption will increase the parent company's holding in KH-

Q1/2024 Business Review

January–March 2024

Koneet Group Oy to 95.1%. The remaining 4.9% minority interest can be redeemed in 2025, as defined in the shareholder agreement, and its fair value based on the figures of the financial statements of 31 December 2023 was EUR 3.4 million.

The parent company's financing agreement was renewed in April. The company has signed a new loan amounting to EUR 5.1 million. EUR 2.9 million of the loan proceeds will be used for a redemption of shares in KH-Koneet Group Oy and EUR 0.5 million for an additional investment in Nordic Rescue Group Oy.

Beginning of May, the new ERP system was successfully implemented at Indoor Group's Asko stores.

Future outlook

KH Group's medium-term 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.

In the 2023 Financial Statements Release published on 21 March 2024, the company estimated net sales of EUR 400–420 million and operating profit of EUR 14–16 million for the financial year 2024. The guidance did not include the operating profit of approximately EUR 3.7 million from Indoor Group's real estate sale in Estonia, which the company announced on 21 March 2024 at 12 noon.

The company updated on 30 April 2024 its earlier guidance on net sales and operating profit for 2024. KH Group estimates, with the current Group structure, to reach net sales of EUR 400–420 million and operating profit of EUR 12–16 million in 2024, including the operating profit from the real estate sale in Estonia.

Helsinki, 6 May 2024
KH Group Plc
Board of Directors

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 2023, and the companies that were part of the group structure on 31 March 2024 had been consolidated into the income statement line item by line item for the periods 1 January–31 March 2023 and 1 January–31 March 2024.

The unaudited pro forma figures are based on the subsidiaries' audited financial statements for the financial year 2023 and on unaudited accounting figures for the periods 1 January–31 March 2023 and 1 January–31 March 2024.

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 2023. Intra-group transactions have been eliminated. The pro forma figures do not include the Logistikas business, which was divested in 2023. 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 or the effect of KH-Koneet's sale and leaseback activities.
- EBITDA has been adjusted to eliminate the aforementioned discontinued operations, changes in the fair value of the parent company's investments in subsidiaries, the effect of KH-Koneet's sale and leaseback activities, 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 1–3/2024	Pro forma 1–3/2023	Pro forma 1–12/2023
Net sales			
KH-Koneet	29.2	40.5	152.3
Indoor Group	37.8	43.6	186.3
Nordic Rescue Group	11.1	9.9	38.3
HTJ	6.1	6.1	26.3
Non-allocated	-	-	-
Group	84.2	100.2	403.3

Q1/2024 Business Review

January–March 2024

EUR million	Pro forma 1–3/2024	Pro forma 1–3/2023	Pro forma 1–12/2023
EBITDA			
KH-Koneet	2.7	4.5	20.5
Indoor Group	5.0	4.4	21.8
Nordic Rescue Group	0.9	0.3	2.5
HTJ	0.2	0.5	3.3
Non-allocated	-0.3	-0.6	-2.7
Group	8.6	9.1	45.3
EBITDA %			
KH-Koneet	9.2%	11.2%	13.4%
Indoor Group	13.4%	10.1%	11.7%
Nordic Rescue Group	7.8%	2.8%	6.6%
HTJ	4.1%	8.5%	12.4%
Non-allocated	-	-	-
Group	10.2%	9.1%	11.2%
Depreciation			
KH-Koneet	-3.3	-2.7	-11.5
Indoor Group	-5.4	-5.0	-20.7
Nordic Rescue Group	-0.3	-0.2	-0.6
HTJ	-0.3	-0.2	-0.7
Non-allocated	-	-	-0.1
Group	-9.2	-8.1	-33.6
Operating profit (EBIT)			
KH-Koneet	-0.4	1.8	9.0
Indoor Group	-0.3	-0.6	1.0
Nordic Rescue Group	0.7	0.1	1.9
HTJ	0.1	0.3	2.6
Non-allocated	-0.3	-0.6	-2.9
Group	-0.3	1.0	11.7
Operating profit (EBIT) %			
KH-Koneet	-1.3%	4.5%	5.9%
Indoor Group	-0.9%	-1.4%	0.6%
Nordic Rescue Group	6.3%	1.2%	5.0%
HTJ	1.2%	5.6%	9.8%
Non-allocated	-	-	-
Group	-0.3%	1.0%	2.9%

Q1/2024 Business Review

January–March 2024

EUR million	Pro forma 1–3/2024	Pro forma 1–3/2023	Pro forma 1–12/2023
Financial items, net			
KH-Koneet	-1.2	-0.9	-3.7
Indoor Group	-1.1	-1.1	-4.4
Nordic Rescue Group	-0.3	-0.3	-1.3
HTJ	-0.2	-0.1	-0.7
Non-allocated	-	-0.2	-2.4
Group	-2.9	-2.6	-12.5
Profit before taxes			
KH-Koneet	-1.6	0.9	5.3
Indoor Group	-1.5	-1.7	-3.4
Nordic Rescue Group	0.4	-0.2	0.6
HTJ	-0.1	0.2	1.9
Non-allocated	-0.3	-0.8	-5.3
Group	-3.2	-1.6	-0.8

Tables

Accounting principles

This is not an interim report prepared in accordance with IAS 34. The company complies with semiannual reporting in accordance with the Securities Markets Act and discloses business reviews for the first three and nine months of the financial period, which present key information regarding the company's financial performance. The financial information presented in this Business Review has not been audited.

The preparation of a Business Review requires the use of management estimates and assumptions, which affects the amounts of assets and liabilities on the balance sheet, as well as income and expenses. Although the estimates are based on the management's best current knowledge, it is possible that the actual outcomes differ from the estimates and assumptions used.

The Business Review is prepared in euros, which is the company's operating currency and the reporting currency of the company and the Group. All figures are presented in millions of euros (EUR million) and rounded to the nearest EUR 0.1 million. Consequently, the sum of individual figures may deviate from the presented amounts.

Change of investment entity status and commencing the consolidation of subsidiaries

KH Group prepared its previous financial statements and interim reports until Q1/2023 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 financial details for the interim period are not comparable with the financial details for the comparison period as the consolidation was started on 1 May 2023. 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 period 1–12/2023 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. The consolidated income statement 1–3/2024 is thus consolidated line item by line item, but in the comparison period 1–3/2023, the income statements of the subsidiaries were not consolidated line item by line item in the consolidated income statement.

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

Q1/2024 Business Review

January–March 2024

company's investments previously recognised at fair value through profit and loss have been eliminated as shares in subsidiaries. A non-controlling interest was also created in consolidated equity in connection with the change of investment entity status. The consolidated balance sheet on 3/2024 is thus consolidated line item by line item, but in the comparison period 3/2023, the balance sheets of the subsidiaries were not consolidated line item by line item in the consolidated balance sheet.

Consolidated cash flow statement

The consolidated cash flow statement for the period 1–12/2023 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 consolidated cash flow statement 1–3/2024 thus includes the subsidiaries' cash flows, but the comparison period 1–3/2023 only includes the parent company's cash flow.

Q1/2024 Business Review

January–March 2024

Consolidated income statement, IFRS

EUR million	1-3/2024	1-3/2023	1-12/2023
Net sales	84.2	-	270.6
Other operating income	4.7	-	2.6
Materials and services	-51.4	-	-185.2
Personnel expenses	-18.7	-0.2	-48.5
Other operating expenses	-10.2	-0.4	-27.0
Unrealised changes in fair values of investment	-	-2.2	-2.2
Depreciation, amortisation and impairment	-9.2	-	-24.6
Operating profit/loss	-0.7	-2.8	-14.4
Financial income	0.1	-	1.2
Financial expenses	-3.0	-0.2	-10.2
Profit before taxes	-3.6	-3.0	-23.4
Income taxes	0.3	0.6	4.3
Profit from continuing operations	-3.2	-2.4	-19.1
Profit from discontinued operations	-	-	4.7
Net profit for the period	-3.2	-2.4	-14.4
Distribution of the net profit for the period:			
Parent company shareholders	-2.8	-2.4	-10.4
Non-controlling interest	-0.5	-	-3.9
Earnings per share			
Continuing operations, €			
Undiluted	-0.05	-0.04	-0.26
Diluted	-0.05	-0.04	-0.26
Discontinued operations, €			
Undiluted	-	-	0.08
Diluted	-	-	0.08
Continuing and discontinued operations, €			
Undiluted	-0.05	-0.04	-0.18
Diluted	-0.05	-0.04	-0.18

Consolidated statement of comprehensive income, IFRS

EUR million	1-3/2024	1-3/2023	1-12/2023
Net profit for the period	-3.2	-2.4	-14.4
Comprehensive income items that may be later recognised through profit and loss			
Translation differences	-0.3	-	-
Items not transferred to profit or loss:			
Defined-benefit pensions	-	-	-0.1
Other comprehensive income after taxes for the financial period	-0.3	-	-0.1
Total comprehensive income for the period	-3.6	-2.4	-14.5
Distribution			
Parent company shareholders	-3.1	-2.4	-10.5
Non-controlling interest	-0.5	-	-4.0

Q1/2024 Business Review

January–March 2024

Consolidated balance sheet, IFRS

EUR million	31 March 2024	31 March 2023	31 December 2023
Assets			
Non-current assets			
Goodwill	39.9	-	39.9
Intangible assets	64.2	-	63.8
Tangible assets	41.9	-	41.4
Right-of-use assets	62.4	0.1	61.8
Investments at fair value through profit and loss	-	100.6	-
Other financial assets	0.7	-	0.7
Deferred tax assets	5.7	4.7	5.3
Non-current assets, total	214.7	105.4	212.9
Current assets			
Inventories	98.2	-	100.0
Trade receivables	22.9	-	19.3
Accrued income and other receivables	4.8	-	4.4
Cash and cash equivalents	8.1	1.3	11.1
Current assets, total	133.9	1.3	134.8
Assets, total	348.6	106.8	347.7
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
Translation differences	-0.4	-	-
Retained earnings	43.8	54.7	46.6
Equity attributable to the owners of the parent company	71.5	82.7	74.6
Non-controlling interest	4.2	-	4.7
Total equity	75.7	82.7	79.3
Non-current liabilities			
Interest-bearing financial liabilities	42.7	9.9	40.5
Financial liabilities for leased equipment	27.0	-	24.4
Lease liabilities	41.3	-	40.7
Other non-current liabilities	3.4	5.2	3.4
Provisions	0.1	-	0.1
Pension obligations	0.2	-	0.2
Deferred tax liabilities	12.6	8.2	12.7
Non-current liabilities, total	127.2	23.3	121.9
Current liabilities			
Interest-bearing financial liabilities	36.2	-	29.6
Financial liabilities for leased equipment	9.3	-	9.1
Lease liabilities	22.1	0.1	21.7
Advances received	8.5	-	5.8
Trade and other liabilities	69.6	0.6	80.4
Current liabilities, total	145.7	0.7	146.6
Liabilities, total	272.9	24.0	268.4
Shareholders' equity and liabilities, total	348.6	106.8	347.7

Q1/2024 Business Review

January–March 2024

Consolidated cash flow statement, summary, IFRS

EUR million	1-3/2024	1-12/2023
Net cash flow from operating activities	-10.7	22.7
Net cash flow from investing activities	3.8	26.9
Net cash flow from financing activities	3.9	-40.7
Change in cash and cash equivalents	-3.0	8.9
Cash and cash equivalents at the beginning of the period	11.1	2.2
Cash and cash equivalents at the end of the period	8.1	11.1

Business combinations

There were no business combinations during the reporting period.

Discontinued operations

There were no events to be presented as discontinued operations during the reporting period. The Logistikas business was classified as a discontinued operation in the financial period 2023.

Segment reporting

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 were redefined effective from 1 May 2023.

The segments KH-Koneet, Indoor Group, Nordic Rescue Group and HTJ were formed on 1 May 2023 when the investment entity status changed. Thus, the income statements of those segments for the review period have no quarter-specific comparison information.

Continuing operations

1-3/2024

EUR million	KH-Koneet	Indoor Group	Nordic Rescue Group	HTJ	Non-allocated	Internal Items	Group
Net sales	29.2	37.8	11.1	6.1	-	-	84.2
Net sales share, %	34.7%	44.8%	13.2%	7.2%	-	-	100.0%
EBITDA	2.7	5.0	0.9	0.2	-0.3	-	8.6
Depreciation	-3.3	-5.4	-0.3	-0.3	-	-	-9.2
Operating profit (EBIT)	-0.6	-0.3	0.5	0.0	-0.3	-	-0.7
Financial items, net	-1.2	-1.1	-0.3	-0.2	0.0	-	-2.9
Profit before taxes	-1.8	-1.5	0.2	-0.2	-0.3	-	-3.6
Assets, 31 March 2024	137.2	154.2	22.0	28.0	7.2	-3.9	348.6
Interest-bearing net debt, 31 March 2024	72.7	78.7	12.9	7.8	-1.6	-	170.5

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. EBITDA and 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.

Q1/2024 Business Review

January–March 2024

The Group's key indicators

EUR million	1-3/2024	1-3/2023	1-12/2023
Net sales	84.2	-	270.6
EBITDA	8.6	-2.8	10.2
EBITDA %	10.1%	-	3.8%
Operating profit (EBIT)	-0.7	-2.8	-14.4
Operating profit (EBIT) %	-0.9%	-	-5.3%
Return on equity, %, rolling 12 months	-19.2%	-9.5%	-17.5%
Return on capital employed, %, rolling 12 months	-7.1%	-10.3%	-7.8%
Gearing, %	225.3%	10.5%	195.4%
Gearing, excluding lease liabilities, %	141.6%	10.4%	116.7%
Equity ratio, %	22.3%	77.5%	23.2%
Personnel, average	1102	6	1237
Earnings per share, EUR, undiluted	-0.05	-0.04	-0.18
Earnings per share, EUR, diluted	-0.05	-0.04	-0.18
Shareholders' equity per share, EUR	1.30	1.42	1.36
Lowest share price, EUR	0.66	0.95	0.73
Highest share price, EUR	0.89	1.21	1.21
Share price at the end of the period, EUR	0.84	1.02	0.81
Market capitalisation at the end of the period, EUR million	48.5	59.2	47.3
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	58,079	58,079
Average number of shares, diluted, 1,000	58,079	58,079	58,079

Q1/2024 Business Review

January–March 2024

Reconciliation of key indicators

EUR million	1-3/2024	1-3/2023	1-12/2023
Operating profit (EBIT)	-0.7	-2.8	-14.4
Depreciation, amortisation and impairment	-9.2	-	-24.6
EBITDA	8.6	-2.8	10.2
Profit before taxes, rolling 12 months	-23.9	-10.3	-23.4
Financial expenses, rolling 12 months	-13.0	-0.3	-10.2
Equity at the beginning of the period	82.7	91.1	85.1
Interest-bearing liabilities, including lease liabilities, at the beginning of the period	10.0	10.2	10.0
Equity at the end of the period	75.7	82.7	79.3
Interest-bearing liabilities, including lease liabilities, at the end of the period	142.3	10.0	166.0
Return on capital employed (ROCE), %	-7.1%	-10.3%	-7.8%
Net profit for the period, rolling 12 months	-15.2	-8.2	-14.4
Equity at the beginning of the period	82.7	91.1	85.1
Equity at the end of the period	75.7	82.7	79.3
Return on equity (ROE), %	-19.2%	-9.5%	-17.5%
Total equity	75.7	82.7	79.3
Balance sheet total	348.6	106.8	347.7
Advances received	-8.5	-	-5.8
Equity ratio, %	22.3%	77.5%	23.2%
Interest-bearing liabilities, including lease liabilities	178.6	10.0	166.0
Cash and cash equivalents	-8.1	-1.3	-11.1
Interest-bearing net liabilities	170.5	8.7	154.9
Lease liabilities	-63.4	-0.1	-62.4
Interest-bearing net liabilities, excluding lease liabilities	107.1	8.6	92.5
Total equity	75.7	82.7	79.3
Gearing, %	225.3%	10.5%	195.4%
Gearing, excluding lease liabilities, %	141.6%	10.4%	116.7%

Alternative Performance Measure	Calculation formula	Purpose
EBITDA	EBIT + Depreciation, amortisation and impairment	EBITDA is considered to provide an operative view of the business results.
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 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.

KH Group's financial disclosures in 2024

Half-Year Report January–June 2024: Friday, 16 August 2024

Business Review January–September 2024: Friday, 1 November 2024

KH Group Plc is a conglomerate with four business areas: KH-Koneet, Indoor Group, Nordic Rescue Group and HTJ. All of our business areas are leading players in their sectors in B2B products and services and consumer trade. Our objective is to focus on the business of the earth-moving machinery supplier KH-Koneet. Other business areas will be further developed and then divested in line with the Group's investment strategy. KH Group's share is listed on Nasdaq Helsinki.