

Q1/2023

Sievi Capital Plc Business Review

January–March 2023

4 May 2023



January–March 2023

FOCUS ON OPERATIONAL EFFICIENCY AND PREPARATION FOR STRATEGY CHANGE

January–March 2023

- Operating profit was EUR -2.8 (-2.9) million
- Net profit for the period was EUR -2.4 (-2.4) million
- Earnings per share (undiluted and diluted) were EUR -0.04 (-0.04)
- Net asset value per share at the end of the review period was EUR 1.42 (1.57)
- Return on equity for rolling 12 months was -9.5% (14.6%)
- Gearing at the end of the review period was 16.8% (10.3%)
- Ville Nikulainen became the interim CEO of Sievi Capital in March
- After the end of the review period, Lauri Veijalainen was appointed as the permanent CEO of Sievi Capital and he will start in the position in August
- After the end of the review period, HTJ made a business acquisition

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

CEO Ville Nikulainen:

"I started as the interim CEO of Sievi Capital in March at an extremely interesting phase. We have made preparations and rolled up our sleeves for the journey of transformation with the new strategy published in December. This includes, among other things, changing the company's reporting this year. Once the amendments to the Articles of Association are approved by the Annual General Meeting, we will consolidate the figures of our target companies line by line as a conglomerate in the future.

Many of our target companies will continue measures to improve the efficiency of their operations in 2023. This has also been partly reflected in the companies' development, as four out of five companies managed to improve their profits from the comparison period. KH-Koneet Group's profit development was at a strong level, supported by good demand in the rental market in particular. Logistikas' net sales grew substantially and EBITDA improved by as much as 130% year-on-year. The company's outlook is favorable and the demand for services is at a good level. HTJ's net sales grew substantially, but EBITDA was slightly lower than in the comparison period.

For Indoor Group, the beginning of the year was mixed. Sales did not yet return to the usual level, but the company, nevertheless, managed to improve its profits from the comparison period. Nordic Rescue Group's performance improved after ceasing the loss-making rescue lift business. The company is now focusing on the business operations of Saurus and Sala Brand.

Sievi Capital's result for the first quarter showed a loss due to unrealised changes in values, particularly as a result of the negative change in the value of the Indoor Group investment. Over the past year, there has been no realised income from the target companies, as a result of which the return on equity for the rolling 12 months remained negative and was -9.5% at the end of the review period.

Sievi Capital's organisation will be strengthened in August with Lauri Veijalainen starting as the company's permanent CEO. Lauri is well-placed to support the target companies in their development and lead Sievi Capital in its transformational journey towards being an industrial group."

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Target companies

KH-Koneet Group

In the first quarter, the operating environment of KH-Koneet Group was affected by some uncertainties related to manufacturers' delivery times and machine production. However, thanks to the company's good stock levels, their impact remained limited. There was some caution in customer demand, especially in the machine dealership. Demand in the rental business was strong. Overall, KH-Koneet Group's demand situation was clearly better than expected in the first quarter.

In January–March, the company's net sales grew by 2% from the comparison period. Net sales increased in both of the company's operating countries. Demand in the rental business remained at a strong level during the review period and demand in the machine dealership was mainly stable. KH-Koneet Group's EBITDA improved and was EUR 0.7 million higher than in the comparison period. This was partly due to the sale of a property in the first quarter, which accounted for EUR 0.4 million of EBITDA.

In 2022, KH-Koneet Group improved its profitability by implementing several efficiency measures in Sweden, which have led to a positive development in the profitability of the Swedish operations. In the first quarter of 2023, the profitability of the Swedish operations rose close to the Finnish level. During the current year, the company will also continue its efforts to improve the efficiency of operations in Finland in order to ensure that profitability remains at a good level. In addition to business development measures, KH-Koneet Group also continued the preparatory measures for Sievi Capital's strategy change in January–March, including the development of reporting capabilities.

KH-Koneet Group Oy's key figures

EUR million	1-3/2023	1-3/2022	1-12/2022
Net sales	43.4	42.4	194.5
EBITDA ⁽¹⁾	2.3	1.7	12.6
EBITA ⁽²⁾	1.6	1.4	10.0
Interest-bearing net debt at the end of the period ⁽³⁾	28.8	21.0	27.8
Sievi Capital's holding at the end of the period ⁽⁴⁾	90.7%	90.5%	90.7%

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

(4) Of outstanding shares

January–March 2023

Indoor Group

Indoor Group's operating environment continued to be challenging for the most part in January–March. The several uncertainties in the economic environment continued to have a negative impact on consumer demand. The challenging demand situation had a negative effect on the customer flows and sales volumes of stores. On the other hand, the decline in sea freight prices reduced the pressure related to increases in the prices of the company's purchases and thus supported the development of the gross margin of products sold.

The company's net sales for January–March decreased by 4% year-on-year, while operating profit improved by EUR 0.9 million when compared to the low level of the comparison period. The improvement in profitability was due to a decrease in freight costs, optimisation of product pricing and a decrease in fixed costs, among other things. The commissioning tests of the ongoing ERP system renewal project have continued, and IFRS cost entries related to the project amounted to EUR 0.6 million during the review period, which is EUR 0.3 million less than in the comparison period and partly contributed to the decrease in fixed costs. The company has continued the efficiency measures initiated in January–March of the previous year. The focus has been, for example, on improving the efficiency of working capital, the related measures of which are estimated to have a positive effect on the current year's cash flow.

The company's management will undergo changes during the year, with Lauri Veijalainen starting as CEO of Sievi Capital and Indoor Group in August. Veijalainen has strong and diverse experience in the retail sector, which will create good conditions for the short- and long-term development of Indoor Group.

Indoor Group Holding Oy's key figures

EUR million	1-3/2023	1-3/2022	1-12/2022
Net sales	43.6	45.6	192.2
EBITDA ⁽¹⁾	4.4	3.2	20.3
EBIT ⁽²⁾	-0.6	-1.5	1.0
EBITDA (FAS) ⁽³⁾	0.0	-0.7	4.1
Interest-bearing net debt at the end of the period ⁽⁴⁾	82.3	85.3	76.4
Sievi Capital's holding at the end of the period ⁽⁵⁾	58.3%	58.3%	58.3%

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

(1) EBITDA = operating profit + depreciation and amortisation

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

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

(4) Interest-bearing net debt = interest-bearing debt - cash and cash equivalents and loan receivables. Interest-bearing debt on 31 March 2023 included EUR 54.7 (54.7) million in debt associated with IFRS 16.

(5) of outstanding shares

January–March 2023

HTJ

The uncertainties that continued in the operating environment of the construction sector in January–March were reflected in new construction in particular. The number of building permits granted was on a decline and the number of new projects was, as a whole, lower than one year ago. This was especially reflected in housing construction. However, HTJ primarily operates in other segments of construction and the demand for its services remained at a good level. The company was active in tendering during the review period, and the order book was at a good level at the end of March and higher than one year ago.

HTJ's net sales for January–March increased by 29% in the comparison period and EBITDA decreased by EUR 0.2 million year-on-year. The decrease in EBITDA was partly due to an increase in fixed costs, of which the one-off payment related to the new collective agreement in the consulting sector in March accounted for approximately EUR 0.2 million. In addition, due to the increased seasonality resulting from the acquisition of Infracore in 2022, the first quarter was softer in the infrastructure business and thus the invoicing rate lower.

HTJ's goal is to grow its business both organically and through strategically suitable acquisitions. After the end of the review period, HTJ strengthened its service offering by acquiring the business operations of FinestCon Oy. As a result of the transaction, HTJ's services will expand to the Jyväskylä and Kuopio regions, where the company already operates with infrastructure projects. FinestCon is an expert company specialising in development, supervision and project management tasks, serving customers in the private and public sector. The company also has significant wind power projects. The net sales of the acquired business in the most recently ended financial period were approximately EUR 1 million.

HTJ Holding Oy's key figures

EUR million	1-3/2023	1-3/2022	1-12/2022
Net sales	6.1	4.8	23.1
EBITDA ⁽¹⁾	0.4	0.6	2.9
EBITA ⁽²⁾	0.3	0.6	2.8
Interest-bearing net debt at the end of the period ⁽³⁾	8.3	5.8	8.1
Sievi Capital's holding at the end of the period	91.7%	91.7%	91.7%

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. 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.

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Logistikas

Logistikas' operating environment remained favourable in January–March. Customer demand for logistics outsourcing services was at a good level and Logistikas succeeded in growing both existing and new customer accounts. In February, Finnish Transport Workers' Union AKT's two-week strike in the port and transport sector affected the goods flows of Logistikas' customers and, thereby, temporarily reduced the volume of Logistikas' operations. However, the effects were short-lived and activity returned to normal in March.

Logistikas' net sales for January–March increased by 35% year-on-year. The majority of the growth came from existing customer accounts, in which the development has been supported by, for example, the expansion of Logistikas' service range, good warehouse utilisation levels and an increase in customers' product volumes. EBITDA for the first quarter improved clearly year-on-year, amounting to EUR 0.8 million. Handling income has developed well as a result of volume development and measures to improve the efficiency of own operations.

As part of the development measures in accordance with the strategy, Logistikas has focused on improving operational efficiency and capital utilisation, which is expected to have a positive impact on the company's cash flow during the year. In addition, Logistikas has actively continued to evaluate various initiatives and survey prospective new customers to support growth of the business.

Logistikas Oy's key figures

EUR million	1-3/2023	1-3/2022	1-12/2022
Net sales	9.4	7.0	31.8
EBITDA ⁽¹⁾	0.8	0.3	2.4
EBITA ⁽²⁾	0.6	0.2	1.9
Interest-bearing net debt at the end of the period ⁽³⁾	5.7	7.4	6.6
Sievi Capital's holding at the end of the period	65.9%	65.9%	65.9%

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

(1) EBITDA = operating profit + depreciation and amortisation

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

(3) Interest-bearing net debt = interest-bearing debt + purchase price liabilities - cash and cash equivalents and loan receivables

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Nordic Rescue Group

In the Nordic Rescue Group's core markets of Finland and Sweden, the operating environment for rescue vehicles has remained relatively stable. In Finland, tendering efforts were active in the first quarter following the entry into force of the health and social services reform. The demand situation in Sweden has remained solid. As a whole, the order book was slightly better at the end of March than at the comparable level of the previous year. Component and chassis delivery times have improved somewhat since last year, but supply chains are still subject to uncertainty.

Nordic Rescue Group's reported net sales for January–March decreased slightly when compared to the previous year, but the combined comparable net sales of Saurus and Sala Brand grew clearly. Underlying the growth in comparable net sales is the increase in the number of deliveries when compared to the previous year. EBITDA for January–March was EUR 0.1 million and improved clearly when compared to the previous year's negative result. EBITDA was also higher than the comparable EBITDA of the previous year in operational companies. The discontinuation of the rescue lift business has made it possible to focus on the profitable businesses.

The company ceased the manufacturing of rescue lifts at the end of financial period 2022. The distribution from the bankruptcy estate of Vema Lift is estimated at EUR 1.5 million. After the end of the review period, a sale of the business by the bankruptcy estate reduced uncertainty related to this distribution. Simultaneously during early 2023, Nordic Rescue Group has continued to negotiate amending the financing agreement to better reflect existing financing needs of the company.

Saurus and Sala Brand, the operational companies of Nordic Rescue Group, have continued to improve the efficiency of operations and developed their assembly processes. One specific area of development is maintenance, with investments made both in Finland and in Sweden. The company is a comprehensive rescue equipment partner for its customers, and, in addition to its own products and maintenance operations, the company acts as a local distribution partner for other manufacturers' rescue equipment, which complements the product range and strengthens customer relationships.

Nordic Rescue Group Oy's key figures

EUR million	1-3/2023	1-3/2022	1-12/2022
Net sales	9.9	10.5	41.8
EBITDA ⁽¹⁾	0.1	-0.5	-2.0
EBITA ⁽²⁾	0.1	-0.6	-2.3
Interest-bearing net debt at the end of the period ⁽³⁾	10.7	9.0	12.8
Sievi Capital's holding at the end of the period ⁽⁴⁾	68.1%	67.9%	68.1%

The key figures are consolidated FAS (Finnish Accounting Standards) figures. The interim figures are unaudited. Nordic Rescue Group's key figures for 2022 include the rescue lift business that was discontinued in December 2022.

(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 On 31 March 2023, interest-bearing debt included EUR 2.0 million in loans from owners and related interest liabilities, of which Sievi Capital's share was EUR 1.4 million. on 31 March 2023, the loan receivables included an estimated distribution of EUR 1.5 million connected to the bankruptcy estate of Vema Lift Oy.

(4) Of outstanding shares

January–March 2023

Result, financial position and net asset value

Sievi Capital's operating profit for January–March was EUR -2.8 (-2.9) million and the net profit for the period amounted to EUR -2.4 (-2.4) million. Earnings per share (undiluted and diluted) were EUR -0.04 (-0.04). The result was negative due to a decline in the fair value of investments. The unrealised changes in the value of investments totalled EUR -2.2 million, the most significant of which were the EUR -6.8 million change in the value of the Indoor Group investment and the EUR +3.5 million change in the value of the KH-Koneet Group investment. Sievi Capital's return on equity for rolling 12 months was -9.5% (14.6%), which is below the company's long-term minimum target level of 13%.

Sievi Capital's gearing at the end of the period was 16.8% (10.3%), which is in line with the company's financial targets (gearing of at most 20%). In December 2022, Sievi Capital refinanced its loans of EUR 10.0 million that would have been due in October 2023. The loan taken in December will fall due in one instalment in December 2024. The loan agreement includes a financial covenant based on Sievi Capital's equity. The terms of the covenant were met at the end of the review period.

At the end of the review period, the total value of private equity investments was EUR 100.6 million (3/2022: EUR 106.2 million and 12/2022: EUR 102.4 million). The total value of private equity investments decreased slightly from the end of 2022 due to a decrease in the fair value of investments. Sievi Capital's net asset value per share on 31 March 2023 was EUR 1.42 (3/2022: EUR 1.57 and 12/2022: EUR 1.47).

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Distribution of investments and net asset value

EUR million	31 March 2023	%	31 March 2022	%	31 Dec. 2022	%
Private equity investments						
KH-Koneet Group Oy ⁽¹⁾	46.4	56.0%	37.5	41.2%	42.8	50.3%
Indoor Group Holding Oy	33.0	39.9%	47.4	52.0%	39.8	46.8%
HTJ Holding Oy ⁽¹⁾	11.1	13.4%	9.5	10.5%	10.2	12.0%
Logistikas Oy	7.5	9.0%	6.0	6.6%	6.5	7.6%
Nordic Rescue Group Oy ⁽²⁾	2.6	3.2%	5.7	6.3%	3.0	3.6%
Private equity investments, total	100.6	121.5%	106.2	116.6%	102.4	120.3%
Cash and cash equivalents and other financial assets	1.3	1.6%	5.2	5.7%	2.2	2.6%
Loans from financial institutions	-9.9	-12.0%	-10.0	-11.0%	-9.9	-11.6%
Deferred tax liabilities and assets, total	-3.5	-4.2%	-5.6	-6.1%	-4.1	-4.8%
Other liabilities, receivables and assets, total ⁽¹⁾	-5.7	-6.9%	-4.7	-5.2%	-5.5	-6.4%
Total net asset value	82.7	100.0%	91.1	100.0%	85.1	100.0%
Net asset value per share (EUR)	1.42		1.57		1.47	

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

(1) Sievi Capital and all of the minority shareholders of KH-Koneet Group and HTJ Holding have agreed on a mutual right to complete a transaction concerning all of the shares held by the minority shareholders. Therefore, the investment in said companies is presented as if Sievi Capital had a 100% holding and the non-controlling interests are presented as liabilities at fair value through profit or loss in other liabilities.

(2) Includes Sievi Capital's loan and interest receivables from the company (totalling EUR 1.4 million on 31 March 2023)

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Future outlook

As a result of the change in strategy announced on 15 December 2022, Sievi Capital will transform from a private equity investment company into a conglomerate during 2023. Sievi Capital's strategy will no longer include making private equity investments in new industries. The medium-term objective is to become an industrial group built around the KH-Koneet Group's business and to divest other target companies in line with previous strategy. For Sievi Capital's other investments, the active development of the companies' business operations will continue. Exit planning for the other investments will also continue.

Sievi Capital does not consolidate the figures of its subsidiaries into Group-level calculations line item by line item. Instead, investments in the companies are recognised 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. The coronavirus pandemic and impacts of the war in Ukraine also increase uncertainty in projections of future development.

The financial target for Sievi Capital's private equity investment activities 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 development of its result in 2023. Sievi Capital's new strategy and financial targets will be discussed in more detail at the Capital Markets Day to be held in autumn 2023.

Helsinki, 3 May 2023
Sievi Capital Plc
Board of Directors

Sievi Capital's financial information in 2023

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

Business Review for January–September 2023 on 1 November 2023

Sievi Capital is a partner for Finnish entrepreneurs. We are on a transformation journey from a private equity investment company into a conglomerate. Our medium-term objective is to become an industrial group built around the business of our target company KH-Koneet Group. Sievi Capital's share is listed on Nasdaq Helsinki.