



H1/2024

KH Group Plc **Half-Year Report**

January–June 2024

16 August 2024

January–June 2024

KH Group's structure and reporting practices

KH Group Plc is a Nordic conglomerate, and its business areas are KH-Koneet, Indoor Group and Nordic Rescue Group. We are a leading supplier of construction and earthmoving equipment, a home furniture and interior decoration retailer and a manufacturer of rescue vehicles. The aim of our strategy is to create an industrial group focused on the KH-Koneet business. 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 30 June 2024 had been consolidated into the income statement line item by line item for the periods 1 January–31 December 2023 and 1 January–30 June 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–30 June 2023 and 1 January–30 June 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 principles and reconciliation calculations between reported and pro forma figures. KH Group has not drawn up pro forma figures for balance sheet and cash flow items.

PROGRESS IN LINE WITH STRATEGY; BUSINESS PERFORMED MAINLY POSITIVELY

KH Group, April–June 2024, pro forma

- Net sales amounted to EUR 89.3 (93.2) million.
- Operating profit was EUR -0.3 (0.2) million.
- The net sales of KH-Koneet were slightly better than in the comparison period and operating profit remained unchanged compared to the comparison period.
- Indoor Group's net sales declined significantly and operating profit was below the level of the comparison period.
- NRG's net sales and operating profit increased significantly year-on-year.
- KH Group divested its holdings in HTJ.
- Ville Nikulainen started as the Group CEO and Tommi Rötkin as CFO on 1 June 2024.

KH Group January–June 2024 reported IFRS

- Net sales amounted to EUR 167.4 (67.2) million. The figure for the comparison period includes net sales accumulated in May–June 2023 and HTJ is classified as a discontinued operation retroactively.
- Operating profit was EUR -1.8 (-9.9) million.
- Net profit for the period was EUR -6.2 (-5.4) million.

H1/2024 Half-Year Report

January–June 2024

- Earnings per share (undiluted and diluted) were EUR -0.07 (-0.06).
- Equity per share at the end of the review period was EUR 1.25 (1.51).
- Return on equity for rolling 12 months was -18.9% (-10.5%).
- The Group's cash and cash equivalents amounted to EUR 4.1 million at the end of the review period.
- Gearing at the end of the review period was 239.6% (180.3%).
- Gearing excluding lease liabilities was 153.8% (109.7%).

Consolidated key figures, IFRS

EUR million	4–6/2024	4–6/2023	1–6/2024	1–6/2023	1–12/2023
Net sales	89.3	67.2	167.4	67.2	252.5
EBITDA	7.6	-0.4	15.9	-4.0	7.6
EBITDA %	8.6%	-1.7%	9.5%	-5.9%	3.0%
Operating profit (EBIT)	-1.1	-7.0	-1.8	-9.9	-16.3
Operating profit (EBIT) %	-1.2%	-10.5%	-1.1%	-14.7%	-6.5%
Return on equity, %, rolling 12 months	-18.9%	-18.8%	-18.9%	-18.8%	-3.9%
Gearing, %	239.6%	180.3%	239.6%	180.3%	195.4%
Gearing, excluding lease liabilities, %	153.8%	109.7%	153.8%	109.7%	116.7%
Equity ratio, %	21.6%	23.8%	21.6%	23.8%	23.2%
Earnings per share, EUR, undiluted	-0.02	-0.02	-0.07	-0.06	-0.18
Personnel, average	891	1,326	891	1,326	1,237

CEO Ville Nikulainen:

"I started as CEO of KH Group and Tommi Rötkin as CFO on 1 June 2024. The implementation of KH Group's strategy change has progressed as planned and we divested HTJ in June–July 2024. HTJ and the entries related to its divestment are reported as a discontinued operation. The debt-free selling price was EUR 23.0 million, with KH Group's share after the net debt and expenses arising from the sale amounting to EUR 13.1 million. The cash proceeds from the sale were used to pay back the parent company's bank loan in full after the end of the review period, and the proceeds will also be used for measures required by the change in strategy.

Our consolidated pro forma net sales and operating profit declined significantly year-on-year. KH-Koneet's net sales increased moderately and operating profit was at the same level as in the comparison period. The Finnish and Swedish businesses were close to each other in terms of net sales and operating profit.

H1/2024 Half-Year Report

January–June 2024

General market uncertainty, industrial action in Finland and the deployment of Indoor Group's new ERP system have a negative impact on Indoor's net sales and operating profit. The Asko and Sotka chains both lost net sales and consequently profitability. According to the Federation of Finnish Special Commodity Trade ETU's statistics, net sales in the furniture market has declined by approximately 8% 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 in Sotka on 1 March 2024 and in Asko on 1 May 2024.

Nordic Rescue Group's pro forma net sales and operating profit improved significantly 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.

During the financial period, we will continue our development efforts across 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.

On 9 August 2024, the company updated its earlier guidance on net sales and operating profit for 2024. The downward revision of the guidance is based on Indoor Group's lower than expected net sales and operating profit in both the first and second half of 2024. According to the updated guidance, the company estimates, with the current Group structure, to reach pro forma net sales of EUR 340–360 million and operating profit of EUR 4–7 million in 2024.

Financial performance

KH Group

Pro forma key figures

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

EUR million	4-6/2024	4-6/2023	1-6/2024	1-6/2023	1-12/2023
Net sales	89.3	93.2	167.4	187.3	376.9
Pro forma EBITDA ⁽¹⁾	7.6	8.3	15.8	16.9	42.0
EBITDA %	8.5%	8.9%	9.4%	9.0%	11.2%
Pro forma operating profit (EBIT)	-0.3	0.2	-0.8	1.0	9.1
Operating profit (EBIT) %	-0.3%	0.3%	-0.4%	0.5%	2.4%
Pro forma profit before taxes	-2.9	-3.1	-5.8	-4.9	-2.7

(1) EBITDA = operating profit + depreciation and amortisation

KH Group, April–June, pro forma

KH Group's pro forma net sales amounted to EUR 89.3 (93.2) million, representing a year-on-year decline of 4.2%. Net sales increased in KH-Koneet and Nordic Rescue Group and decreased in Indoor Group. Operating profit for the review period came to EUR -0.3 (0.2) million. KH-Koneet and Nordic Rescue Group had positive operating profit, while Indoor Group recorded a loss. The parent company's share of the operating profit for the review period was EUR -0.6 (-0.8) million. The factors contributing to the parent company's decreased operating expenses included the strategy change project under way in the comparison period and savings in fixed expenses.

KH Group, January–June, pro forma

KH Group's net sales decreased by -10.6% to EUR 167.4 (187.3) million. Net sales increased in Nordic Rescue Group and decreased in KH-Koneet and Indoor Group. Operating profit was positive in KH-Koneet and Nordic Rescue Group, but negative in Indoor Group. Of the segments, Nordic Rescue Group managed to improve its operating profit year-on-year. The parent company's share of the operating profit for the review period was EUR -1.0 (-1.4) million. The factors contributing to the parent company's decreased operating expenses included the strategy change project under way in the comparison period and savings in fixed costs.

Segments

KH-Koneet

Pro forma key figures

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

EUR million	4-6/2024	4-6/2023	1-6/2024	1-6/2023	1-12/2023
Net sales	41.1	40.4	70.3	81.0	152.3
Pro forma EBITDA ⁽¹⁾	5.1	4.8	7.7	9.4	20.5
EBITDA %	12.3%	12.0%	11.0%	11.6%	13.4%
Pro forma operating profit (EBIT)	2.0	2.0	1.6	3.8	9.0
Operating profit (EBIT) %	4.8%	5.0%	2.3%	5%	5.9%

(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.

Despite glimmers of light, the market environment for KH-Koneet remained weak in Finland and Sweden in the second quarter, but improved slightly compared to the first quarter. The sales market for earthmoving machinery has declined significantly as demand weakened in the construction industry. The demand for leased machinery has remained at a moderate level, and the outlook for that business is stable in the current uncertain economic conditions. The availability of machines is good and changes in purchase prices have been moderate in 2024. Despite the continued difficult market conditions, KH-Koneet has been able to defend its market positions, and for the majority of its main brands, delivery volumes in early 2024 were in line with the comparison period.

KH-Koneet's pro forma net sales increased by 1.7% from the comparison period in April–June after a moderate increase in machinery sales. Pro forma operating profit for the second quarter remained at the same level as the previous year at EUR 2.0 million. Inventories totalled EUR 66.1 million at the end of June, which is EUR 6.5 million less than in the comparison period. Sales margins increased moderately in both operating countries.

The company has continued to invest in the future. In accordance with the strategy, the Group increased the number of equipment for lease during the first half of the year, in addition to which the Group will open new customer service centres in Luleå, Sweden and Jyväskylä, Finland in the second half of the year. The opening of the Luleå service center in particular represents a significant step in the Group's expansion into Northern Sweden.

H1/2024 Half-Year Report

January–June 2024

Indoor Group

Pro forma key figures

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

EUR million	4-6/2024	4-6/2023	1-6/2024	1-6/2023	1-12/2023
Net sales	37.1	44.0	74.9	87.6	186.3
Pro forma EBITDA ⁽¹⁾	2.1	3.5	7.1	7.9	21.8
EBITDA %	5.6%	8.0%	9.5%	9.0%	11.7%
Pro forma operating profit (EBIT)	-2.6	-1.5	-3.0	-2.1	1.0
Operating profit (EBIT) %	-7.1%	-3.0%	-4.0%	-2.0%	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 impacted by the rise in interest rates, inflation and more cautious consumer behaviour, 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, among other things.

The company's pro forma net sales declined by 15.7% in April–June, while pro forma operating profit decreased by EUR 1.1 million year-on-year. Indoor Group's fixed expenses decreased slightly year-on-year, mainly due to the expenses associated with the ERP renewal project being lower than in the comparison period. The production use of the ERP system began in Finland in the Sotka chain in March 2024 and in the Asko chain in May 2024.

At the end of June, the company's cash and cash equivalents amounted to EUR 2.2 million, and a total of EUR 9.0 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 30 June 2024.

During the first quarter, the company closed down its Estonian operations and sold its property in Tallinn, generating a capital gain of EUR 3.7 million. Excluding the capital gain from the real estate sale, the Estonian operations showed a loss.

During the current year, the company will continue to implement measures aimed at improving profitability. KH Group announced this with a separate release on 15 August 2024.

Nordic Rescue Group

Pro forma key figures

H1/2024 Half-Year Report

January–June 2024

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

EUR million	4-6/2024	4-6/2023	1-6/2024	1-6/2023	1-12/2023
Net sales	11.1	8.8	22.2	18.7	38.3
Pro forma EBITDA ⁽¹⁾	1.1	0.7	1.9	1.0	2.5
EBITDA %	9.5%	8.0%	8.6%	5.0%	6.6%
Pro forma operating profit (EBIT)	0.9	0.6	1.6	0.7	1.9
Operating profit (EBIT) %	8.1%	6.5%	7.2%	3.7%	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.

Demand for rescue vehicles remained stable in both Finland and Sweden. The availability of chassis and components has been good, which has enabled efficient production. The order book has remained at a good level and was at the same level at the end of June as at the end of 2023. In both Finland and Sweden, the production capacity for 2024 has been fully sold and the order book for 2025 has developed positively.

Net sales growth continued in the second quarter and supported the improvement in profitability. Net sales for April–June were EUR 11.1 million, with growth in both Finland and Sweden. The maintenance business accounted for a higher share of net sales than in the comparison period. Operating profit was EUR 0.9 million, which clearly exceeded the pro forma level of the comparison period due to growth in net sales, production efficiency and previously implemented cost savings.

After the review period, KH Group and other NRG shareholders made an additional investment of EUR 1.0 million in total in accordance with the financing agreement agreed upon in spring 2023. KH Group's share of the additional investment is EUR 0.5 million. The estimated remaining share of Vema Lift's estate to be distributed to NRG has remained unchanged at approximately EUR 1.0 million, and it is expected to be transferred to NRG by the end of 2024.

HTJ

In June 2024, KH Group Plc, together with the other shareholders of the construction management company HTJ Holding Oy (HTJ), agreed on the sale of the company's shares to XPartners Finland Holding Oy, which is part of the XPartners Group. The transaction was completed in July 2024. The debt-free value of the transaction was EUR 23.0 million, with KH Group's final share amounting to approximately EUR 13.1 million. The capital gain recognised on the transaction for Q3 is approximately EUR 2.5 million. The divestment of HTJ is an important step towards KH Group's objective to become an industrial group built around the business of the earth-moving machinery supplier KH-Koneet. HTJ has been presented as a discontinued operation during the review period and the 2023 comparison periods have been adjusted accordingly with regard to the income statement. For more information, see the notes on discontinued operations in the table section.

Financial position and cash flow

KH Group's balance sheet total on 30 June 2024 was EUR 346.3 (377.0) million. The equity ratio was 21.6% (23.8%) and gearing was 239.6% (180.3%). Excluding lease liabilities, gearing was 153.8% (109.7%).

During the review period, the parent company had a credit facility of EUR 2.45 million available for use and a bank loan of EUR 4.4 million. The credit facility was drawn at the end of 2023 for additional investments in Indoor Group and Nordic Rescue Group. The bank loan, on the other hand, was drawn and used mainly for the additional investment of EUR 2.9 million in KH-Koneet, which was made in June 2024. The loan agreement included a financial covenant that was met at the end of the review period. The bank loan was repaid in full after the review period, at the beginning of July, using the cash obtained from the divestment of HTJ. Following the repayment of the loan, the Group's parent company has no loans from financial institutions. The Group's cash and cash equivalents totalled EUR 4.1 million at the end of the review period including EUR 1.0 million in HTJ's discontinued operations.

After the review period, cash and cash equivalents strengthened significantly when the parent company received a cash payment of EUR 13.1 million from the sale of HTJ. Of it, EUR 4.4 million was used to repay bank loans and credit facility was repaid in full. Had the proceeds from the sale of HTJ been booked already on 30 June 2024 balance sheet, the gearing would have been over 20 percentage points lower.

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 was EUR 0.75 million (50%), and the investment was made in instalments by August 2024. The Nordic Rescue Group's balance sheet position was strengthened by the additional investments and changes to the financing agreement. The company's receivables from the bankruptcy estate are estimated at EUR 1.0 million, with payment expected during 2024.

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

In the review period, net cash flow from operating activities amounted to EUR -13.6 (8.7) million, net cash flow from investing activities to EUR 3.4 (28.1) million and net cash flow from financing activities to EUR 3.3 (-12.6) million. Cash flow from operating activities was particularly affected by changes in the working capital of KH-Koneet and Indoor, as well as by 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 Group was EUR -7.0 million.

Personnel

Personnel, average	30 June 2024	30 June 2023	31 December 2023
KH-Koneet	203	202	201
Indoor Group ⁽¹⁾	565	798	702
Nordic Rescue Group	119	106	111
Parent company	4	4	6
Group, total	891	1,110	1,020

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

Shares, shareholders and share price development

KH Group'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 2024, KH Group had a total of 10,808 (12,597) shareholders. During the review period, the company did not receive any flagging notifications regarding changes in shareholdings in KH Group.

The closing price of KH Group's share at the end of 2023 was EUR 0.81. During the review period, the highest share price was EUR 0.89, the lowest was EUR 0.52 and the average price was EUR 0.69. At the end of the review period, the closing price was EUR 0.63 and the market capitalisation was EUR 36.3 (61.6) million. The number of shares traded on Nasdaq Helsinki during the review period was 9.1 (6.3) million, which corresponds to 15.8% (10.8%) of all outstanding shares on average.

The General Meetings and the Board of Directors' authorisations

The Annual General Meeting of KH Group Plc was held on 7 May 2024 at KH Group's head office at Kuninkaalantie 19, 01300 Vantaa, Finland. The Annual General Meeting supported all the proposals contained in the Notice of the Annual General Meeting. The General Meeting adopted the financial statements for the financial period 2023, discharged the members of the Board of Directors and the persons who had served as CEO from liability for the financial period 2023, and adopted, through an advisory resolution, the company's Governing Bodies' Remuneration Report for the year 2023. The Annual General Meeting resolved, in accordance with the proposal of the Board of Directors, that no dividend be distributed for the financial year that ended on 31 December 2023.

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

The General Meeting confirmed the number of members of the Board of Directors at five (5). Juha Karttunen, Kati Kivimäki, Timo Mänty, Taru Narvanmaa and Jon Unnéus were elected to the Board of Directors until the end of the Annual General Meeting of 2025. In its constitutive meeting held after the Annual General Meeting, the Board

of Directors elected Juha Karttunen as its Chairman. According to the assessment of the Board of Directors, all Board members are independent of the company and its significant shareholders.

The General Meeting elected Ernst & Young Oy, Authorised Public Accountant firm, as the company's auditor. Ernst & Young Oy has notified that Timo Eerola, APA, will act as the principal auditor for the company. The Annual General Meeting resolved that the company's auditor will also be confirmed as the company's sustainability reporting verifier to validate the sustainability report for the 2024 financial period. The Annual General Meeting decided that the auditor's fee be paid in accordance with the auditor's reasonable invoice approved by the company and that the same apply to the auditor's fee related to the validation of the company's sustainability report.

The General Meeting authorised the Board of Directors to decide on a share issue, in one or more tranches, and/or on issuing special rights to shares. The total number of shares to be issued under the authorisation may be at the most 11,400,000 shares. In addition, the General Meeting authorised the Board of Directors to decide to repurchase a maximum of 5,700,000 shares in the company in one or several instalments. The authorisations are effective until 30 June 2025, and they cancel the corresponding authorisations given to the Board of Directors by the Annual General Meeting of 4 May 2023. The contents of the new authorisations are described in more detail in a stock exchange release published on 7 May 2024 regarding the resolutions of the Annual General Meeting. The minutes of the Annual General Meeting are available on the company's website.

Performance-based matching share scheme for key employees

On 31 May 2024, the Board of Directors of KH Group Plc decided to establish a performance-based matching share scheme for key employees of KH Group Plc and KH-Koneet Group. The purpose of the new system is to align the goals of shareholders and key personnel in order to increase the company's value in the long term. The purpose of the scheme is to encourage key persons to invest personally in the company's shares, guide them in achieving the company's strategic objectives, engage them in the company and offer them a competitive incentive scheme based on the acquisition, earning and accrual of KH Group shares.

The 2024–2028 performance-based matching share scheme has three (3) performance periods covering the financial periods 2024–2026, 2025–2027 and 2026–2028. The Board of Directors decides annually on the start and details of the performance period.

It is possible to earn a matching share bonus and a performance-based matching share bonus under the scheme. The matching share bonus is determined on the basis of the fulfilment of the shareholding obligation and a valid employment or director's contract. The performance-based matching share bonus is also determined on the basis of the achievement of the targets set for the performance period. Any scheme bonuses will be paid after the end of each performance period.

The earning criteria for KH-Koneet Oy's key personnel for the performance period 2024–2026 are KH-Koneet Group's EBIT (weighting 70%) in 2026 and KH-Koneet Group's return on invested capital (ROIC) (weighting 30%) in 2026. The earning criterion for KH Group Plc's key personnel is based on KH Group's shareholder value development (TSR) until the end of 2026. The achievement of the targets set for the performance criteria determines the final share-based bonus of the maximum bonus to be paid to the participants. Participation in the scheme and receipt of the bonus are conditional upon the participant having acquired the number of shares in KH Group as announced by the Board of Directors. In addition, the payment of the bonus is based on the participant's current employment or service relationship at the time of payment of the bonus.

The target group of the scheme consists of approximately 20 people, including the CEO and other members of the management teams of KH Group and KH-Koneet Group. The bonuses paid on the basis of the scheme are

H1/2024 Half-Year Report

January–June 2024

estimated to correspond to a maximum of 2,046,000 KH Group shares in total, including the share paid in cash. The final number of shares depends on the number of shares acquired by the participants and the achievement of the targets set for the performance criteria.

The bonus will be paid partly in shares and partly in cash by the end of May 2027. The purpose of the cash part is to cover taxes and social security contributions incurred by the participant from the bonus. If the participant's employment or service relationship ends before the bonus is paid, the bonus is generally not paid.

Members of the KH Group and KH-Koneet Group management teams must own 50 per cent of the shares received in the performance-based matching share plan as net remuneration until the value of the shareholding of the member of the management team in KH Group corresponds to a total of 50 per cent of their annual base salary for the previous year. Correspondingly, the CEO must own 50 per cent of the shares received as net remuneration in the performance-based matching share plan until the CEO's shareholding in KH Group corresponds to 100 per cent of his annual base salary for the previous year. This number of KH Group shares must be held for as long as the membership of the Management Team or the position as CEO continues.

The most significant near-term business risks and risk management

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

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

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

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

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

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

January–June 2024

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

Events after the review period

At the end of the review period, the parent company had a bank loan of EUR 4.4 million. The bank loan was repaid in full after the review period, at the beginning of July, using the cash obtained from the divestment of HTJ. Following the payment of the loan, the Group's parent company does not have any debt-related loans from financial institutions, but it has a EUR 2.45 million credit facility at its disposal.

During the current year, the company will continue to implement measures aimed at improving profitability. KH Group announced this with a separate release on 15 August 2024.

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 2024. The guidance did not include the operating profit of approximately EUR 3.7 million from Indoor Group's real estate sale transaction in Estonia, which the company announced on 21 March 2024 at 12 noon.

The company updated its earlier guidance on net sales and operating profit for 2024 on 30 April 2024. KH Group estimated, with the then Group structure, to reach net sales of EUR 400–420 million and operating profit of EUR 12–16 million in 2024, including the capital gain from Indoor Group's Estonian real estate sale transaction.

On 7 June 2024, the company updated its previously issued guidance in connection with the divestment of HTJ. Following the effects of the divestment, KH Group's pro forma guidance for 2024 is as follows: net sales of EUR 370–390 million and operating profit of EUR 9–13 million including the capital gain from Indoor's property sale in Estonia. The guidance has thus been updated only by removing HTJ's pro forma figures' share of the net sales and operating profit for the financial period. Going forward, HTJ's result for the financial period 2024 and the Group's capital gain will be reported as discontinued operations.

On 9 August 2024, the company updated its earlier guidance on net sales and operating profit for 2024. According to the updated guidance, with the current Group structure, the company estimates pro forma net sales for 2024 to be EUR 340–360 million and operating profit to be EUR 4–7 million.

Helsinki, 16 August 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 30 June 2024 had been consolidated into the income statement line item by line item for the periods 1 January–31 December 2023 and 1 January–30 June 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–30 June 2023 and 1 January–30 June 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 information does not show HTJ's business sold in 2024 or the Logistikas business sold 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 HTJ business sold in 2024 and the Logistikas business sold in 2023 have been eliminated from net sales.
- EBITDA has been adjusted to eliminate the discontinued operations, fair value changes of the parent company's investments in subsidiaries, and lease expenses recognised in FAS accounting, which are not recognised in EBITDA in accordance with IFRS 16.
- Operating profit has been adjusted to eliminate discontinued operations, the parent company's fair value entries, and FAS lease expenses. Depreciation of leases in accordance with IFRS 16 has been added to operating profit.
- Profit before taxes has been adjusted to eliminate discontinued operations, the parent company's fair value entries, and FAS lease expenses. IFRS 16 depreciation and interest expenses according to IFRS 16 have been added to profit before taxes.

Pro forma income statements

EUR million	Pro forma 4–6/2024	Pro forma 4–6/2023	Pro forma 1–6/2024	Pro forma 1–6/2023	Pro forma 1–12/2023
Net sales					
KH-Koneet	41.1	40.4	70.3	81.0	152.3
Indoor Group	37.1	44.0	74.9	87.6	186.3
Nordic Rescue Group	11.1	8.8	22.2	18.7	38.3
Non-allocated	0.0	0.0	0.0	0.0	0.0
Group	89.3	93.2	167.4	187.3	376.9

H1/2024 Half-Year Report

January–June 2024

EUR million	Pro forma 4–6/2024	Pro forma 4–6/2023	Pro forma 1–6/2024	Pro forma 1–6/2023	Pro forma 1–12/2023
EBITDA					
KH-Koneet	5.1	4.8	7.7	9.4	20.5
Indoor Group	2.1	3.5	7.1	7.9	21.8
Nordic Rescue Group	1.1	0.7	1.9	1.0	2.5
Non-allocated	-0.6	-0.8	-1.0	-1.4	-2.7
Group	7.6	8.2	15.8	16.9	42.0
EBITDA %					
KH-Koneet	12.3%	12.0%	11.0%	11.6%	13.4%
Indoor Group	5.6%	8.0%	9.5%	9.0%	11.7%
Nordic Rescue Group	9.5%	8.0%	8.6%	5.0%	6.6%
Non-allocated	0.0%	0.0%	0.0%	0.0%	0.0%
Group	8.5%	9.1%	9.4%	9.1%	11.2%
Depreciation					
KH-Koneet	-3.1	-2.8	-6.2	-5.7	-11.5
Indoor Group	-4.7	-5.0	-10.1	-10.1	-20.7
Nordic Rescue Group	-0.2	-0.2	-0.3	-0.3	-0.6
Non-allocated	0.0	-0.0	0.0	-0.1	-0.1
Group	-7.9	-8.0	-16.6	-16.2	-32.9
Operating profit (EBIT)					
KH-Koneet	2.0	2.0	1.6	3.8	9.0
Indoor Group	-2.6	-1.5	-3.0	-2.1	1.0
Nordic Rescue Group	0.9	0.6	1.6	0.7	1.9
Non-allocated	-0.6	-0.8	-1.0	-1.4	-2.9
Group	-0.3	0.2	-0.8	1.0	9.1
Operating profit (EBIT) %					
KH-Koneet	4.8%	5.0%	2.3%	5.0%	5.9%
Indoor Group	-7.1%	-3.0%	-4.0%	-2.0%	0.6%
Nordic Rescue Group	8.1%	6.5%	7.2%	3.7%	5.0%
Non-allocated	0.0%	0.0%	0.0%	0.0%	0.0%
Group	-0.3%	0.9%	-0.4%	1.0%	2.9%

H1/2024 Half-Year Report

January–June 2024

EUR million	Pro forma 4–6/2024	Pro forma 4–6/2023	Pro forma 1–6/2024	Pro forma 1–6/2023	Pro forma 1–12/2023
Financial items, net					
KH-Koneet	-0.9	-1.7	-2.1	-2.6	-3.2
Indoor Group	-1.4	-1.1	-2.3	-2.2	-4.4
Nordic Rescue Group	-0.2	-0.4	-0.5	-0.7	-1.3
Non-allocated	-0.1	-0.1	-0.1	-0.3	-2.4
Group	-2.6	-3.3	-5.1	-5.8	-11.3
Profit before taxes					
KH-Koneet	1.1	0.3	-0.5	1.2	5.3
Indoor Group	-4.0	-2.6	-5.2	-4.4	-3.4
Nordic Rescue Group	0.7	0.2	1.1	0.0	0.6
Non-allocated	-0.6	-0.9	-1.1	-1.7	-5.3
Group	-2.6	-2.9	-5.8	-4.4	-2.7

Tables

Accounting principles

This unaudited interim report has been prepared in compliance with the IAS 34 Interim Financial Reporting standard.

The preparation of consolidated financial statements in accordance with the IFRS 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 consolidated financial statements are drawn up 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

Until the financial statements for 2022 and the business review for the first quarter of 2023, KH Group prepared its consolidated reports as an IFRS 10 investment entity whose investments in subsidiaries were treated as financial instruments and measured at fair value through profit and loss. On 4 May 2023, in accordance with the proposal of the Board of Directors, the Annual General Meeting resolved to change the company name and line of business and amend the Articles of Association to be in line with the change in strategy from private equity investment company into a conglomerate announced on 15 December 2022.

KH Group deems that it ceased to be an investment entity on 1 May 2023 and, from that date onwards, has consolidated its subsidiaries into the consolidated financial statements by applying the IFRS 3 acquisition method of accounting. The date on which the investment entity status changed, 1 May 2023, is considered to be the

January–June 2024

acquisition date of the subsidiaries in accordance with IFRS 3. The fair value of the subsidiary on the acquisition date is deemed to represent the assumed consideration paid when determining the goodwill arising from the acquisition. The accounting principles are described in more detail in the note “Business combinations”.

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 comparison 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.

Consolidated balance sheet

After the date on which the investment entity status changed, subsidiaries have been consolidated into the consolidated balance sheet line item by line item in accordance with the acquisition cost method, and the parent company’s investments previously recognised at fair value through profit and loss have been eliminated as shares in subsidiaries. A non-controlling interest was also created in consolidated equity in connection with the change of investment entity status.

Consolidated cash flow statement

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

H1/2024 Half-Year Report

January–June 2024

Consolidated income statement, IFRS

The comparison data in the 2023 income statements has been updated due to HTJ's reclassification as a discontinued operation.

EUR million	4-6/2024	4-6/2023	1-6/2024	1-6/2023	1-12/2023
Net sales	89.3	67.2	167.4	67.2	252.5
Other operating income	0.6	0.6	5.3	0.6	2.6
Materials and services	-60.1	-53.7	-111.2	-53.7	-183.8
Personnel expenses	-13.9	-9.2	28.0	-9.4	-36.8
Other operating expenses	-8.2	-6.1	-17.6	-6.5	-24.7
Unrealised changes in fair values of investment	-	-	-	-2.2	-2.2
Depreciation, amortisation and impairment	-8.7	-5.9	-17.7	-5.9	-23.9
Operating profit/loss	-1.1	-7.0	-1.8	-9.9	-16.3
Financial income	0.3	0.3	0.4	0.3	1.2
Financial expenses	-2.6	-2.8	-5.4	-3.0	-9.7
Profit before taxes	-3.4	-9.5	-6.8	-12.5	-24.8
Income taxes	-	1.4	0.4	2.0	4.5
Profit from continuing operations	-3.4	-8.1	-6.4	-10.5	-20.3
Profit from discontinued operations	0.4	5.1	0.2	5.1	5.9
Net profit for the period	-2.9	-3.0	-6.2	-5.4	-14.4
Distribution of the net profit for the period:					
Parent company shareholders	-1.4	-1.2	-4.2	-3.6	-10.4
Non-controlling interest	-1.5	-1.7	-2.0	-1.7	-3.9
Earnings per share					
Continuing operations, €					
Undiluted and diluted	-0.03	-0.10	-0.08	-0.14	-0.28
Discontinued operations, €					
Undiluted and diluted	0.01	0.08	0.00	0.08	0.10
Continuing and discontinued operations, €					
Diluted and undiluted	-0.02	-0.02	-0.07	-0.06	-0.18

Consolidated statement of comprehensive income, IFRS

EUR million	4-6/2024	4-6/2023	1-6/2024	1-6/2023	1-12/2023
Net profit for the period	-2.9	-3.0	-6.2	-5.4	-14.4
Comprehensive income items that may be later recognised through profit and loss					
Translation differences	0.1	0.1	-0.2	0.1	-0.0
Items not transferred to profit or loss:					
Defined-benefit pensions	-	-	-	-	-0.1
Other comprehensive income after taxes for the financial period	0.1	0.1	-0.2	0.1	-0.2

H1/2024 Half-Year Report

January–June 2024

Consolidated statement of comprehensive income, total	-2.8	-2.9	-6.4	-5.3	-14.5
Distribution					
Parent company shareholders	-1.3	-1.1	-4.4	-3.5	-10.5
Non-controlling interest	-1.5	-1.7	-2.0	-1.7	-4.0

Consolidated balance sheet, IFRS

EUR million	30 June 2024	30 June 2023	31 December 2023
Assets			
Non-current assets			
Goodwill	25.1	37.7	39.9
Intangible assets	57.8	65.3	63.8
Tangible assets	43.4	10.4	41.4
Right-of-use assets	59.7	93.3	61.8
Investments at fair value through profit and loss	-	-	-
Other financial assets	0.2	0.8	0.7
Deferred tax assets	5.9	5.2	5.3
Non-current assets, total	192.1	212.7	212.9
Current assets			
Inventories	97.9	111.8	100.0
Trade receivables	20.9	18.8	19.3
Accrued income and other receivables	4.8	7.3	4.4
Cash and cash equivalents	3.1	26.4	11.1
Current assets, total	126.7	164.3	134.8
Non-current assets held for sale	27.4	-	-
Assets, total	346.3	377.0	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	-0.2	0.1	-
Retained earnings	42.4	53.4	46.6
Equity attributable to the owners of the parent company	70.2	81.6	74.6
Non-controlling interest	2.7	6.2	4.7
Total equity	72.9	87.8	79.3
Non-current liabilities			
Interest-bearing financial liabilities	40.9	45.5	40.5
Financial liabilities for rental equipment	28.9	23.6	24.4
Lease liabilities	39.9	41.1	40.7
Other non-current financial liabilities	0.0	2.1	3.4
Provisions	0.1	0.1	0.1

H1/2024 Half-Year Report

January–June 2024

Pension obligations	0.2	0.2	0.2
Deferred tax liabilities	11.3	15.7	12.7
Non-current liabilities, total	121.3	128.4	121.9
Current liabilities			
Interest-bearing financial liabilities	29.1	45.7	29.6
Financial liabilities for rental equipment	9.9	7.9	9.1
Lease liabilities	21.3	20.9	21.7
Advances received	9.4	8.5	5.8
Trade and other liabilities	65.4	77.8	80.4
Current liabilities, total	135.1	160.8	146.6
Liabilities relating to non-current assets held for sale	17.0	-	-
Liabilities, total	273.4	289.2	268.4
Shareholders' equity and liabilities, total	346.3	377.0	347.7

Consolidated cash flow statement, IFRS

EUR million	1-6/2024	1-6/2023	1-12/2023
Cash flow from operating activities			
Net profit for the period	-6.2	-5.4	-14.4
Adjustments to the net profit for the period			
Depreciation, amortisation and impairment	18.2	6.1	24.6
Financial income and expenses	5.3	2.7	9.0
Income taxes	-1.0	-1.9	-4.3
Other adjustments	-4.0	5.1	8.1
Changes in working capital	-19.7	4.6	7.7
Interest received	0.0	-	0.1
Financial expenses paid	-6.4	-2.2	-7.1
Income taxes paid	-0.7	-0.4	-1.0
Net cash flow from operating activities	-13.6	8.7	22.7
Cash flow from investing activities			
Cash and cash equivalents of subsidiaries, 1 May 2023	-	16.3	16.3
Consideration received in cash from discontinued operations	-	11.9	11.8
Investments in tangible and intangible assets	-1.1	-0.2	-2.0
Sale of tangible and intangible assets	4.5	0.2	0.7
Net cash flow from investing activities	3.4	28.1	26.9
Cash flow from financing activities			
Proceeds from loans	11.9	1.9	1.0
Repayment of loans	-3.5	-9.9	-29.8
Withdrawals of financial loans for leased equipment	11.7	-	11.1

H1/2024 Half-Year Report

January–June 2024

Repayments of financial loans for leased equipment	-6.3	-	7.8
Repayments of lease liabilities	-10.6	-4.7	-15.2
Dividends paid	-	-	-
Net cash flow from financing activities	3.3	-12.6	-40.7
Change in cash and cash equivalents	-7.0	24.2	8.9
Cash and cash equivalents at the beginning of the period	11.1	2.2	2.2
Cash and cash equivalents at the end of the period*	4.1	26.4	11.1

* Includes HTJ's cash and cash equivalents presented as items held for sale on the consolidated balance sheet

Consolidated statement of changes in equity, IFRS

1–6/2024

EUR million	Equity attributable to equity holders of the parent company				Total	Non-controlling interest	Total equity
	Share capital	Reserve for unrestricted equity	Translation differences	Retained earnings			
Equity 1 Jan. 2024	15.2	12.9	0.0	46.6	74.6	4.7	79.3
Net profit for the period	-	-	-	-4.1	-4.1	-2.0	-6.2
Other comprehensive income items	-	-	-0.2	-	-0.2	-0.0	-0.2
Comprehensive income for the period	-	-	-0.2	-4.2	-4.4	-2.0	-6.4
Other changes	-	-	-	-	-	-	-
Equity 30 June 2024	15.2	12.9	-0.3	42.4	70.2	2.7	72.9

1–6/2023

EUR million	Equity attributable to equity holders of the parent company				Total	Non-controlling interest	Total equity
	Share capital	Reserve for unrestricted equity	Translation differences	Retained earnings			
Equity 1 Jan. 2023	15.2	12.9	-	57.1	85.2	-	85.2
Net profit for the period	-	-	-	-3.6	-3.6	-1.7	-5.4
Other comprehensive income items	-	-	0.1	-	0.1	-	0.1
Comprehensive income for the period	-	-	0.1	-3.6	-3.5	-1.7	-5.3
Change in consolidation principles	-	-	-	-	-	7.9	7.9
Equity 30 June 2023	15.2	12.9	0.1	53.4	81.6	6.2	87.8

H1/2024 Half-Year Report

January–June 2024

1–12/2023

Equity attributable to equity holders of the parent company							
EUR million	Share capital	Reserve for invested unrestricted equity	Translation differences	Retained earnings	Total	Non-controlling interest	Total equity
Equity 1 Jan. 2023	15.2	12.9	-	57.1	85.1	-	85.1
Net profit for the period	-	-	-	-10.4	-10.4	-3.9	-14.4
Other comprehensive income items							
Translation differences			0.0	-	0.0	0.0	0.0
Defined-benefit pensions	-	-	-	-0.1	-0.1	-	-0.1
Comprehensive income for the period			0.0	-10.5	-10.5	-4.0	-14.5
Change in consolidation principles	-	-	-	-	-	7.9	7.9
Capital loan and interest	-	-	-	-	-	0.7	0.7
Equity 31 Dec. 2023	15.2	12.9	0.0	46.6	74.6	4.7	79.3

January–June 2024

Discontinued operations

In June 2024, KH Group Plc, together with the other shareholders of the construction management company HTJ Holding Oy (HTJ), agreed on the sale of the company's shares to XPartners Finland Holding Oy, which is part of the XPartners Group. The transaction was completed in July 2024. The debt-free value of the transaction was EUR 23.0 million, with KH Group's final share amounting to approximately EUR 13.1 million. The capital gain recognised on the transaction was approximately EUR 2.5 million. The divestment of HTJ is an important step towards KH Group's objective to become an industrial group built around the business of the earth-moving machinery supplier KH-Koneet.

Continuing and discontinued operations are presented separately in the consolidated income statement. Comparative information has been adjusted accordingly in the income statement. On the consolidated balance sheet, HTJ's balance sheet items are presented separately as assets held for sale and related liabilities.

EUR million	1-6/2024
Income items of discontinued operations	
Net sales	12.8
EBIT	0.7
Financial items	-0.4
Taxes	-0.2
Net profit/loss	0.2

EUR million	6/2024
Balance sheet items of discontinued operations	
Non-current assets	22.7
Current assets	3.8
Cash and cash equivalents	1.0
Total assets held for sale	27.4
Non-current liabilities	8.4
Current liabilities	8.6
Liabilities relating to assets held for sale, total	17.0

EUR million	1-6/2024
Effect on consolidated cash flow	
Cash flow from operating activities	0.1
Cash flow from investing activities	0.0
Cash flow from financing activities	-1.0
Cash flows, total	-0.8

Segment reporting and revenue

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.

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

- KH-Koneet sells and rents out machinery, equipment and services for needs related to earthworks, property maintenance and material handling. The segment's revenue consists of the sale of machinery and spare parts, the sale of maintenance and repair services, and the rental of machinery. Revenue from the sale of goods is recognised at a point in time at the time of delivery, when control over the product is transferred to the customer. Revenue from the sale of services is recognised at a point in time when the service has been performed and control has been transferred to the customer. The machinery rental business is considered operational leasing subject to IFRS 16, with the revenue recognised over time so that the consideration stipulated by the lease being linked to the lease term and recognised for each period relative to the duration of the customer's lease.
- Indoor Group consists of the Asko and Sotka chains' retail operations for furniture and interior decoration products, and the furniture factory Insofa. The segment's revenue consists of the sale of goods and services through physical retail locations and online stores. Revenue from the sale of goods is recognised at a point in time at the time of delivery, when control over the product is transferred to the customer. Service sales consist of product delivery, assembly, installation and the removal of old products. Revenue from the sale of services is recognised at a point in time when the service has been performed and control has been transferred to the customer.
- Nordic Rescue Group manufactures and distributes rescue vehicles in the Nordic countries. The segment's revenue consists of the sale of rescue vehicle and related maintenance and repair services. Revenue from the sale of vehicles is recognised at a point in time at the time of delivery, when control over the product is transferred to the customer. Revenue from the sale of services is recognised at a point in time when the service has been performed and control has been transferred to the customer.

At the Group level, the assessment of the segments' performance is based on the segment's net sales from customers outside the Group, as well as their comparable EBITDA and comparable EBIT. A segment's assets and net interest-bearing liabilities are items that the segment uses in its business operations or that can be justifiably allocated to the segment.

The segments are reported in a manner that is consistent with the internal reporting delivered to the senior operative decision-maker, and the same recognition and measurement principles are used in reporting and the consolidated financial statements. Non-allocated items consist of the result of the parent company KH Group Plc's

H1/2024 Half-Year Report

January–June 2024

operations, which primarily involves administrative expenses. Transactions between segments are carried out at fair market price. There were no significant transactions between the segments during the review period.

The segments KH-Koneet, Indoor Group and Nordic Rescue Group were formed on 1 May 2023 when the investment entity status changed. The parent company's share is included in the Unallocated column.

Continuing operations 1–6/2024	KH-Koneet	Indoor Group	Nordic Rescue Group	Non-allocated	Internal items	Group
EUR million						
Net sales	70.3	74.9	22.2	-	-	167.4
Net sales share, %	42.0%	44.7%	13.3%	-	-	100.0%
EBITDA	7.8	7.1	2.0	-1.0		15.9
Depreciation	-6.6	-10.5	-0.6	0.0	-	-17.7
Operating profit (EBIT)	1.2	-3.4	1.4	-1.0	-	-1.8
Financial items, net	-2.1	-2.3	-0.6	-0.0	-	-5.0
Profit before taxes	-0.9	-5.7	0.8	-1.0	-	-6.8
Comparable EBITDA ⁽¹⁾	7.8	7.1	1.9	-1.0	-	15.9
Comparable EBIT ⁽¹⁾	1.6	-3.0	1.6	-1.0	-	-0.8
Assets, 30 June 2024	140.0	149.1	22.2	11.4	-3.9	318.9
Interest-bearing net debt, 30 June 2024	71.9	83.7	11.8	1.8	-	169.2

¹⁾ More information on the comparable key figures is presented later in the sections "Alternative performance measures" and "Reconciliation of key figures".

Financial assets and liabilities

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

Financial assets and liabilities classified at fair value hierarchy level 3 consist of unquoted equity investments and liabilities related to the redemption of minority interests recognised in connection with acquisitions.

The measurement of equity investments is based on the management's estimate of future cash flows arising from the equities, and the measurement of liabilities related to the redemption of minority interests is based on the amounts specified in purchase agreements and the management's case-by-case assessment of whether the redemption will take place.

EUR million	Fair value hierarchy	30 June 2024	31 December 2023
Non-current financial assets			
Financial assets recognised at fair value through profit or loss			
Unlisted shares (shares in subsidiaries)	3	-	-

H1/2024 Half-Year Report

January–June 2024

Financial assets recognised at amortised cost			
Other non-current financial assets	2	0.2	0.7
Non-current financial assets, total		0.2	0.7
Current financial assets			
Financial assets recognised at amortised cost			
Trade receivables	2	20.9	19.3
Cash and cash equivalents	2	3.1	11.1
Current financial assets, total		24.0	30.4
Financial assets, total		24.2	31.1
Non-current financial liabilities			
Financial liabilities recognised at fair value through profit or loss			
Liabilities to non-controlling interests	3	0.0	3.4
Financial liabilities recognised at amortised cost			
Loans from financial institutions	2	38.5	39.6
Lease liabilities	2	39.9	40.7
Financial liabilities for rental equipment	2	28.9	24.4
Other non-current financial liabilities	2	2.4	0.8
Non-current financial liabilities, total		109.8	109.0
Current financial liabilities			
Financial liabilities recognised at fair value through profit or loss			
Liabilities to non-controlling interests	3	3.4	3.8
Financial liabilities recognised at amortised cost			
Loans from financial institutions	2	29.1	29.6
Lease liabilities	2	21.3	21.7
Financial liabilities for rental equipment	2	9.9	9.1
Trade payables	2	40.1	41.2
Current financial liabilities, total		103.7	105.5
Financial liabilities, total		213.4	214.4

Level 1: The fair value is determined on the basis of quoted market prices.

Level 2: The fair value is determined by using measurement methods. The fair value refers to the value that is observable from the market value of components of the financial instrument or corresponding financial instruments; or the value that is observable by using measurement models and techniques that are commonly accepted in the financial markets, if the market value can be measured reliably by using them.

Level 3: The fair value is determined by using measurement methods in which the inputs used have a significant effect on the recognised fair value, and these inputs are not based on observable market data.

Transactions with related parties

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

The Group's related parties include its subsidiaries and key management personnel. Key management personnel include the members of the Board of Directors, the CEO, the other members of the Group Management Team,

H1/2024 Half-Year Report

January–June 2024

and their close family members. In addition, the related parties include owners that exercise control or significant influence in KH Group, and companies in which they have control.

Items and transactions between the parent company and subsidiaries have been eliminated in the consolidated financial statements, and they are not presented as transactions with related parties. The Group did not have any transactions with related parties to report during the review period. Previously, under its status as an investment entity, KH Group reported loans to subsidiaries as transactions with related parties.

Off-balance sheet liabilities and loan covenants

Business mortgages, EUR million	30 June 2024	31 December 2023
KH-Koneet	47.3	47.3
Indoor Group	65.5	65.5
HTJ	10.0	10.0
Nordic Rescue Group	19.1	19.1
Parent company	-	-
Group, total	141.9	141.9

At the end of the review period, the parent company had a bank loan of EUR 4.4 million. The loan agreement included a financial covenant that was met at the end of the review period. The bank loan was repaid in full after the review period in July using the cash proceeds obtained from the divestment of HTJ. Following the repayment of the loan, the Group's parent company has no loans from financial institutions.

During the comparison period in June 2023, Indoor Group did not meet the financial indicator covenants of its financing agreement as of June 2023. Therefore, loans for the comparison period are presented as current liabilities.

Alternative Performance Measures

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

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

Items affecting comparability

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

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

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

H1/2024 Half-Year Report

January–June 2024

The Group's key indicators

EUR million	1-6/2024	1-6/2023	1-12/2023
Net sales	167.4	67.2	252.5
EBITDA	15.9	-4.0	7.6
EBITDA %	9.5%	-5.9%	3.0%
Comparable EBITDA	15.9	3.5	28.1
Comparable EBITDA %	9.5%	5.2%	11.1%
Operating profit (EBIT)	-1.8	-9.9	-16.3
Operating profit (EBIT) %	-1.1%	-14.7%	-6.5%
Comparable operating profit (EBIT)	-0.8	-2.0	6.0
Comparable EBIT %	-0.5%	-3.0%	2.4%
Return on equity, %, rolling 12 months	-18.9%	-18.8%	-17.5%
Return on capital employed, %, rolling 12 months	1.5%	-10.0%	-3.9%
Gearing, %	239.6%	180.3%	195.4%
Gearing, excluding lease liabilities, %	153.8%	109.7%	116.7%
Equity ratio, %	21.6%	23.8%	23.2%
Personnel, average	891	1,326	1,237
Earnings per share, EUR, undiluted	-0.07	-0.06	-0.18
Earnings per share, EUR, diluted	-0.07	-0.06	-0.18
Shareholders' equity per share, EUR	1.25	1.51	1.36
Lowest share price, EUR	0.52	0.95	0.73
Highest share price, EUR	0.89	1.21	1.21
Share price at the end of the period, EUR	0.63	1.06	0.81
Market capitalisation at the end of the period, EUR million	36.6	61.6	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

H1/2024 Half-Year Report

January–June 2024

Reconciliation of key indicators

EUR million	1-6/2024	1-6/2023	1-12/2023
Operating profit	-1.8	-9.9	-16.3
Depreciation, amortisation and impairment	-17.7	-5.9	-23.9
EBITDA	15.9	-4.0	7.6
Items affecting comparability (EBITDA)			
Adjustment of the fair value of inventories	0.0	7.5	20.6
Comparable EBITDA	15.9	3.5	28.1
Depreciation, amortisation and impairment	-17.7	-5.9	-23.9
Items affecting comparability (EBIT)			
Depreciation of intangible assets arising from acquisitions	1.1	0.4	1.7
Comparable operating profit (EBIT)	-0.8	-2.0	6.0
Profit before taxes, rolling 12 months	-8.2	-21.9	-16.3
Financial expenses, rolling 12 months	-12.1	-3.0	-9.7
Equity at the beginning of the period	87.8	89.1	85.1
Interest-bearing liabilities, including lease liabilities, at the beginning of the period	184.7	14.8	10.0
Equity at the end of the period	72.9	87.8	79.3
Interest-bearing liabilities, including lease liabilities, at the end of the period	178.7	184.7	166.0
Return on capital employed (ROCE), %	1.5%	-9.8%	-3.9%
Net profit for the period, rolling 12 months	-15.2	-16.7	-14.4
Equity at the beginning of the period	87.8	89.1	85.1
Equity at the end of the period	72.9	87.8	79.3
Return on equity (ROE), %	-18.9%	-10.5%	-17.5%
Total equity	72.9	87.8	79.3
Balance sheet total	346.3	377.0	347.7
Advances received	-9.4	-8.5	-5.8
Equity ratio, %	21.6%	23.8%	23.2%
Interest-bearing liabilities, including lease liabilities	178.7	184.7	166.0
Cash and cash equivalents	-4.1	-26.4	-11.1
Interest-bearing net liabilities	174.6	158.3	154.9
Lease liabilities	-62.5	-62.0	-62.4
Interest-bearing net liabilities, excluding lease liabilities	112.1	96.3	92.5
Total equity	72.9	87.8	79.3
Gearing, %	239.6%	180.3%	195.4%
Gearing, excluding lease liabilities, %	153.8%	109.7%	116.7%

Alternative Performance Measure	Calculation formula	Purpose
Comparable EBITDA	Comparable operating profit (EBIT) + Depreciation, amortisation and impairment	Adjusted EBITDA is considered to provide a comparable view of the operating result as compared to previous periods.
EBITDA	EBIT + Depreciation, amortisation and impairment	EBITDA is considered to provide an operative view of the business results.
Comparable operating profit (EBIT)	Operating profit - Items affecting comparability	Comparable operating profit EBIT is considered to provide a comparable view of the operating result as compared to previous periods.
Equity ratio, %	Total equity / (Balance sheet total - advances received) x 100	The equity ratio provides information on the debt financing used by the Group to finance its assets.
Interest-bearing liabilities	Loans from financial institutions + Lease liabilities + Other 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 Business Review for January–September 2024 will be published on 1 November 2024

KH Group Plc is a Nordic conglomerate, and its business areas are KH-Koneet, Indoor Group and Nordic Rescue Group. We are a leading supplier of construction and earthmoving equipment, a home furniture and interior decoration retailer and a manufacturer of rescue vehicles. The aim of our strategy is to create an industrial group focused on the KH-Koneet business. KH Group's share is listed on Nasdaq Helsinki.