

ANNUAL REVIEW 2022



MORE THAN 90 YEARS OF RENEWAL

From fur farming and plastic pipes
to abrasives and logistics

The KWH Group is a third-generation family business with its roots firmly anchored in Ostrobothnia. It all started in the 1920s with the export of timber, and since then the Group has changed direction many times. Over the decades, for example, the KWH Group has been the world's largest fur farmer and one of the leading manufacturers of water and drain pipes.

The guiding principle of KWH has always been renewal. When the prospects for an industry have started to look bleak, KWH has bravely dared to do away with the old and go for something new. Today, the KWH Group's main sectors are abrasives and sanding tools, logistics, cold storage and water traps. All of these businesses were once small and insignificant, but over the years they have grown large under the solid wings of the parent company.

A culture of constant renewal is the secret behind the KWH Group's evolution into the diversified industrial Group it is today. And since it all started with timber exports, it is hardly surprising that exports continue to be an important part of the KWH companies today.

FOCUS ON
SUSTAINABILITY

For 2022, we had planned for continued growth with good profitability. Expectations had been raised after the pandemic when demand recovered strongly. Business was then challenged by global shortages of raw materials, materials, components and containers, as well as increased costs. The Russian invasion of Ukraine significantly worsened the situation, which escalated into an energy crisis and rising inflation.

Despite the global uncertainty, we adapted well to the new reality and continued to deliver good results. Compared to 2021, sales increased by 10 per cent and amounted to EUR 619 million. The operating profit improved by EUR 2.4 million and amounted to EUR 73.7 million. Our operating margin of 11.9 per cent is in line with the previous year. The rate of investment was relatively high, although at EUR 64.2 million investment was significantly lower than in the previous year.

We have continued to strengthen the business areas in which we operate, including the recruitment of key talent and specialist skills. The number of employees at the end of 2022 was

2,554. We have continued to develop remote working concepts, while also working hard to safeguard our corporate culture and strengthen the sense of belonging and security. We are grateful for the commitment and performance of our employees, and we continue to strive to provide a stimulating, challenging working environment in which every employee can develop and thrive.

Mirka strengthened its position in automation and robotics with the acquisition of shares in Flexmill Oy. Forward integration opens up interesting new business opportunities. Robotics will play an increasingly important role in the future, with automation and artificial intelligence driving innovation.

For the KWH Logistics business group, a large part of its operations were disrupted on account of the war in Ukraine. KWH Logistics handled the shipment of Russian transit goods in Finnish ports, but the war and subsequent sanctions meant that this traffic stopped during the year. At the same time, Finnish industry's need for raw materials laid the foundations for new opportunities. KWH Logistics was able to replace much



Despite the global uncertainty, we adapted well and continued to deliver good results.



of its export volumes with new import volumes during the year.

Global initiatives such as the Paris Agreement and the Sustainable Development Goals (SDGs) have set a clear future agenda for the world for almost a decade. At the European level, we are now seeing increasingly stringent initiatives with increased regulatory requirements for companies, which also includes us at the KWH Group, who always try to stay one step ahead. At the same time, sustainability-related events such as the war in Ukraine and the energy crisis in Europe, in particular, have had a major impact on our activities and will continue to shape future priorities.

To manage the long-term competitiveness of the KWH Group, we took some important steps to accelerate our strategic sustainability work in 2022. As a first step, we conducted an analysis to understand the sustainability aspects for which we have the greatest impact and which reflect the expectations and requirements we have from our stakeholders. The analysis resulted in a Group-wide sustainability strategy that encompass-

es our most significant sustainability ambitions. In 2023, we will continue to implement our new strategy through our action plan, so that we can continue to future-proof our business groups and reassure our stakeholders that we are operating in a responsible, long-term, sustainable manner.

Kjell Antus
Group President, CEO



KWH Group

A FAMILY-OWNED GROWTH COMPANY

KWH Group operates as four divisions. Mirka is specialised in abrasives, KWH Logistics offers logistic services, KWH Freeze offers frozen storage and KWH Invest consist of strategic holdings and Prevox that manufactures water traps.

Operating principles

AN INDUSTRIAL GROWTH COMPANY

We are a knowledge company that focuses on expertise, professionalism, and quality.

We are a committed long-term owner aiming for growth in our businesses through our financial strength and industrial know-how.

RENEWAL THROUGH INNOVATION

Our subsidiaries conduct internationally competitive, knowledge-intensive, and service-oriented niche business. We achieve this through digitalization and both technical and commercial innovation.

Our business is built around unique products and processes or a unique industry position. That gives us long-term competitive advantages.

Core values

CUSTOMER FIRST

Our goal is to create value and contribute to solutions for our customers

INNOVATIVE SOLUTIONS

Our subsidiaries are know-how leaders in their lines of business

We have the ambition to become best-in-class in our main processes

We continuously seek and develop new business opportunities

COMMITTED EMPLOYEES

We focus on well-being, motivation, and creativity

We give all employees the opportunity to fulfil their potential

SUSTAINABLE BUSINESS

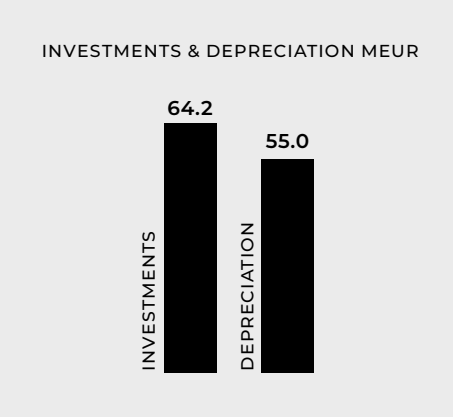
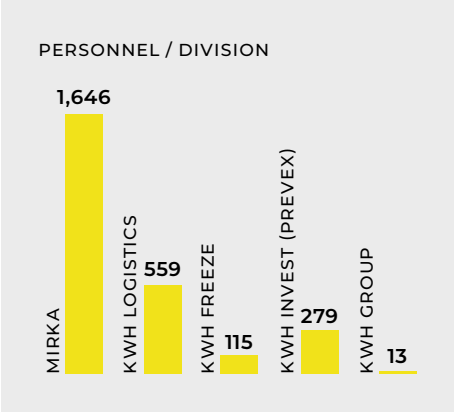
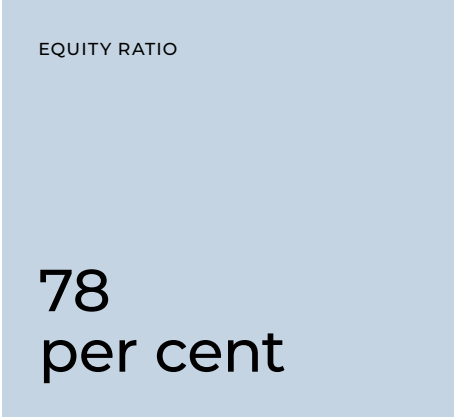
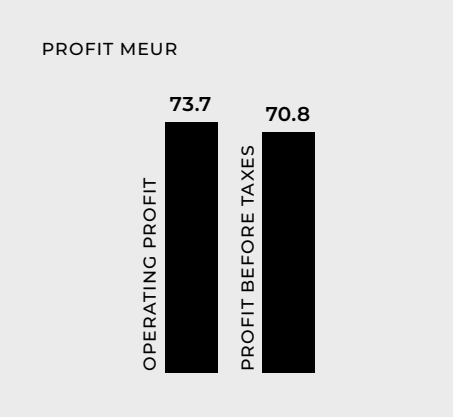
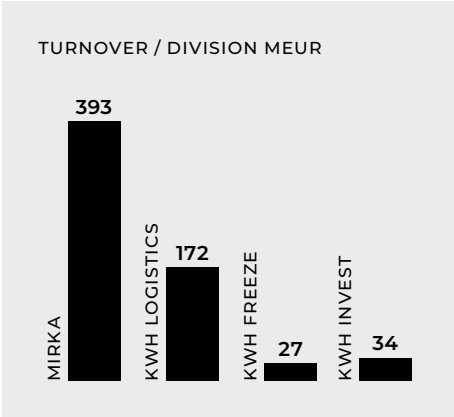
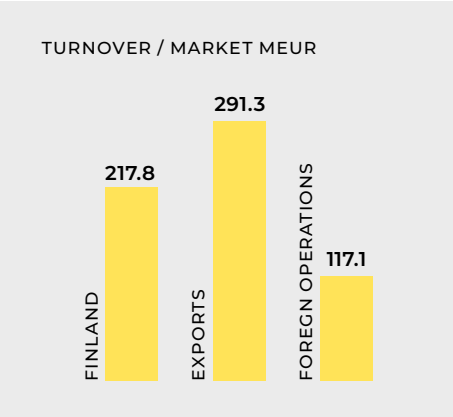
We run our businesses in a responsible, long-term, and sustainable manner

EFFECTIVE RISK MANAGEMENT

Our renewal is based on financial strength and well-balanced risks



KEY FIGURES 2022



| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|-------|-------|-------|-------|-------|
| CONSOLIDATED INCOME STATEMENT, MEUR | | | | | |
| Turnover | | | | | |
| Finland | 217.8 | 222.8 | 204.4 | 200.8 | 199.0 |
| Exports from Finland | 291.3 | 277.3 | 220.6 | 228.1 | 219.9 |
| Foreign Operations | 117.1 | 99.3 | 81.9 | 88.6 | 88.0 |
| Total | 619.0 | 592.8 | 501.3 | 512.1 | 501.9 |
| Salaries, Wages and Social Charges | 169.2 | 157.7 | 137.7 | 141.1 | 129.4 |
| Depreciation and Impairment | 55.0 | 50.8 | 43.8 | 38.0 | 28.3 |
| Operating Profit | 73.7 | 71.3 | 57.1 | 45.4 | 66.9 |
| Financing Items | 2.8 | 1.5 | 5.1 | 1.0 | 1.9 |
| Profit before Taxes | 70.8 | 69.8 | 52.0 | 44.4 | 65.0 |
| Taxes according to the Income Statement | 13.3 | 14.4 | 9.2 | 9.1 | 11.4 |
| Profit for the Financial Year | 57.6 | 55.4 | 42.7 | 35.3 | 53.5 |
| CONSOLIDATED BALANCE SHEET, MEUR | | | | | |
| Non-current Assets | 526.9 | 508.7 | 485.6 | 439.1 | 341.0 |
| Inventories | 112.2 | 90.4 | 65.5 | 59.3 | 56.1 |
| Receivables | 101.2 | 91.8 | 79.9 | 75.4 | 75.4 |
| Cash in Hand and at Bank | 74.1 | 69.3 | 63.4 | 75.7 | 112.8 |
| Shareholders' Equity | 632.8 | 584.4 | 542.2 | 507.1 | 483.5 |
| Liabilities | 181.6 | 175.7 | 152.2 | 143,3 | 101.8 |
| Net interest-bearing Liabilities | -10.5 | -8.0 | -8.7 | -25.8 | -95.0 |
| Balance Sheet Total | 814.4 | 760.1 | 694.4 | 649.4 | 585.3 |

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|----------------------------------|-------|-------|-------|-------|-------|
| RATIOS, % | | | | | |
| Change in Turnover | 4 | 18 | -2 | 2 | 8 |
| Exports and Foreign Operations | 66 | 64 | 60 | 62 | 61 |
| Share of Group Turnover | | | | | |
| Mirka | 63 | 60 | 57 | 58 | 57 |
| KWH Logistics | 28 | 30 | 32 | 32 | 32 |
| KWH Freeze | 4 | 4 | 5 | 4 | 4 |
| KWH Invest | 5 | 6 | 6 | 6 | 6 |
| Return on Capital Employed | 11 | 12 | 9 | 9 | 14 |
| Return on Shareholders' Equity | 9 | 10 | 8 | 7 | 12 |
| Equity Ratio | 78 | 77 | 78 | 78 | 83 |
| Gearing | -2 | -1 | -2 | -5 | -20 |
| OTHER INFORMATION | | | | | |
| Gross Investments, MEUR | 64.2 | 69.9 | 85.8 | 135.1 | 58.4 |
| Net Investments, MEUR | 62.7 | 69.5 | 84.5 | 133.6 | 57.8 |
| Average Number of Personnel | 2,612 | 2,487 | 2,300 | 2,363 | 2,195 |
| of which abroad | 822 | 799 | 746 | 740 | 726 |
| Turnover per Employee, EUR 1.000 | 237 | 238 | 218 | 217 | 229 |

CALCULATION OF FINANCIAL RATIOS

RETURN ON CAPITAL EMPLOYED

$$\frac{\text{profit before taxes + interest and other financial expenses}}{\text{balance sheet total - non-interest-bearing liabilities in average}} \times 100$$

RETURN ON SHAREHOLDERS' EQUITY

$$\frac{\text{net profit} \times 100}{\text{shareholders' equity} + \text{minority interest in average}}$$

EQUITY RATIO

$$\frac{\text{shareholders' equity} \times 100}{\text{balance sheet total - advances received}}$$

GEARING

$$\frac{\text{interest-bearing liabilities - cash in hand and at bank} \times 100}{\text{shareholders' equity}}$$



MIRKA

WE MUST BUILD RESILIENCE FOR THE FUTURE

2022 was a really good year for Mirka and I am happy that we managed to keep our profitability at the same level as before. However, it cannot be said that the year was particularly easy for us, given all the upheaval that took place in the world. In addition to the energy crisis and inflation, we were affected by the aftermath of the pandemic and in particular by the war in Ukraine.

February saw the start of a full-scale war of aggression in Europe, something few of us had thought possible. Although the sanctions against Russia do not apply to sanding products, it soon became clear to us that we had to withdraw from the Russian market, not least for moral reasons. By May, we had already closed down the operations and sold off the stock. Mirka's operations in Russia accounted for only a few per cent of our total sales, but considering that we also lost planned growth in Belarus and Ukraine, the loss was not insignificant.

The other major world event last year, the Covid-19 pandemic, also affected us in many different ways. China's strict Covid policy disrupted supply chains and this meant that we had to hold larger stocks of raw materials, which of course tied up

capital. At the same time, the situation also led to a shortage of components, which delayed some investments.

I believe that in the future we need to stay focused and become even more resilient than before, with more robust processes, longer lead times and larger stocks. If the world around us is chaotic and unpredictable, it is all the more important that we ourselves do what we can to cope with the shocks. It costs, but in the end any disruption costs even more.

Apart from the supply problems, the effects of the pandemic began to subside in the spring of 2022. It was with great pleasure that we were able to return to a more or less normal working situation. Remote working worked well and has many advantages, but for a working community to function optimally, colleagues also need to meet face to face.

One thing we have been working on for a long time that really hit home last year was our investment in digital sales channels. We launched our new website, which is packed with integrations and opportunities for online sales and distribution. This allows us to reach both our existing customers and also potential new customers outside our physical distribution networks.

■ ■
In the future more robust processes, longer lead times and larger stocks are needed.



If the pandemic had any positive consequences, it was that digital solutions got a major boost, and I am proud to say that Mirka is at the forefront of our industry in terms of digitisation.

Another interesting development with the future in mind was Mirka's acquisition of Flexmill, one of the very few companies in the world specialising in automated surface finishing. By far the majority of Mirka's products are currently used in manual working processes, but in the future robots will do more and more of the work. To permit us to develop our tools and materials so that processes can be automated, we need precisely the kind of knowledge that Flexmill possesses.

Sustainability is another important future commitment on our part. Mirka has always maintained a high profile when it comes to environmental issues, but just before Christmas we reached a new level when we were appointed as the lead company for a Business Finland project aimed at finding new, more sustainable production methods for a circular economy. This gives us a unique opportunity to shape the future market by helping define what the green transition means for our industry.

As the icing on the cake of our sustainability efforts, we have been able to fully launch a new manufacturing process for abrasives with over 90 per cent lower energy consumption than the traditional method. The secret is new technology in which hardening takes place in a chemical process instead of by heating. At the same time, we have also launched the new Galaxy family of products, which are made with the new technology. Galaxy is a product that I am convinced will take Mirka far into the future. We already know that many of the chemicals used today will inevitably be phased out in the future, and we are now even better prepared for that development.

Stefan Sjöberg
Head of Division, Mirka

MIRKA

The technology leader in sanding solutions

Mirka offers a wide range of total solutions for surface finishing and precision sanding.

At the turn of the millennium, Mirka launched a revolutionary method for dust-free sanding.

Ever since, the company has been the technology leader in its industry, and Mirka continues to invest heavily in product development.

In addition to abrasives, Mirka also offers sanding machines, which have won awards for their ergonomics and innovative design.

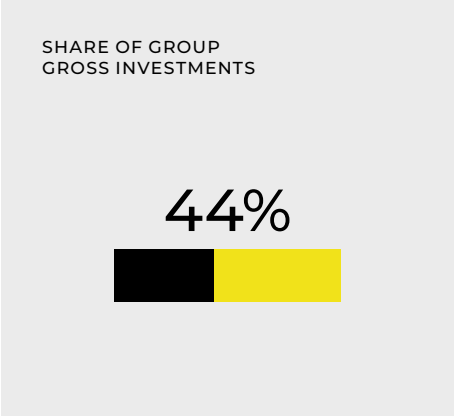
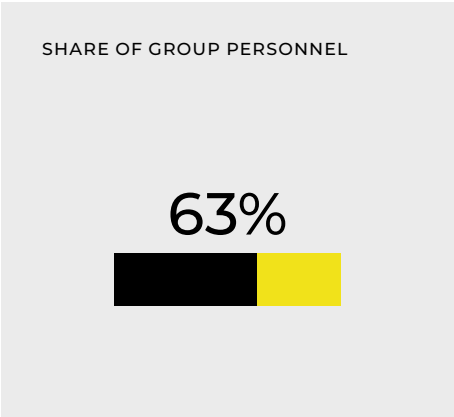
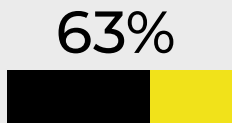
Mirka's headquarters and largest factory are in Jeppo in Ostrobothnia, and production takes place in Finland and Italy.

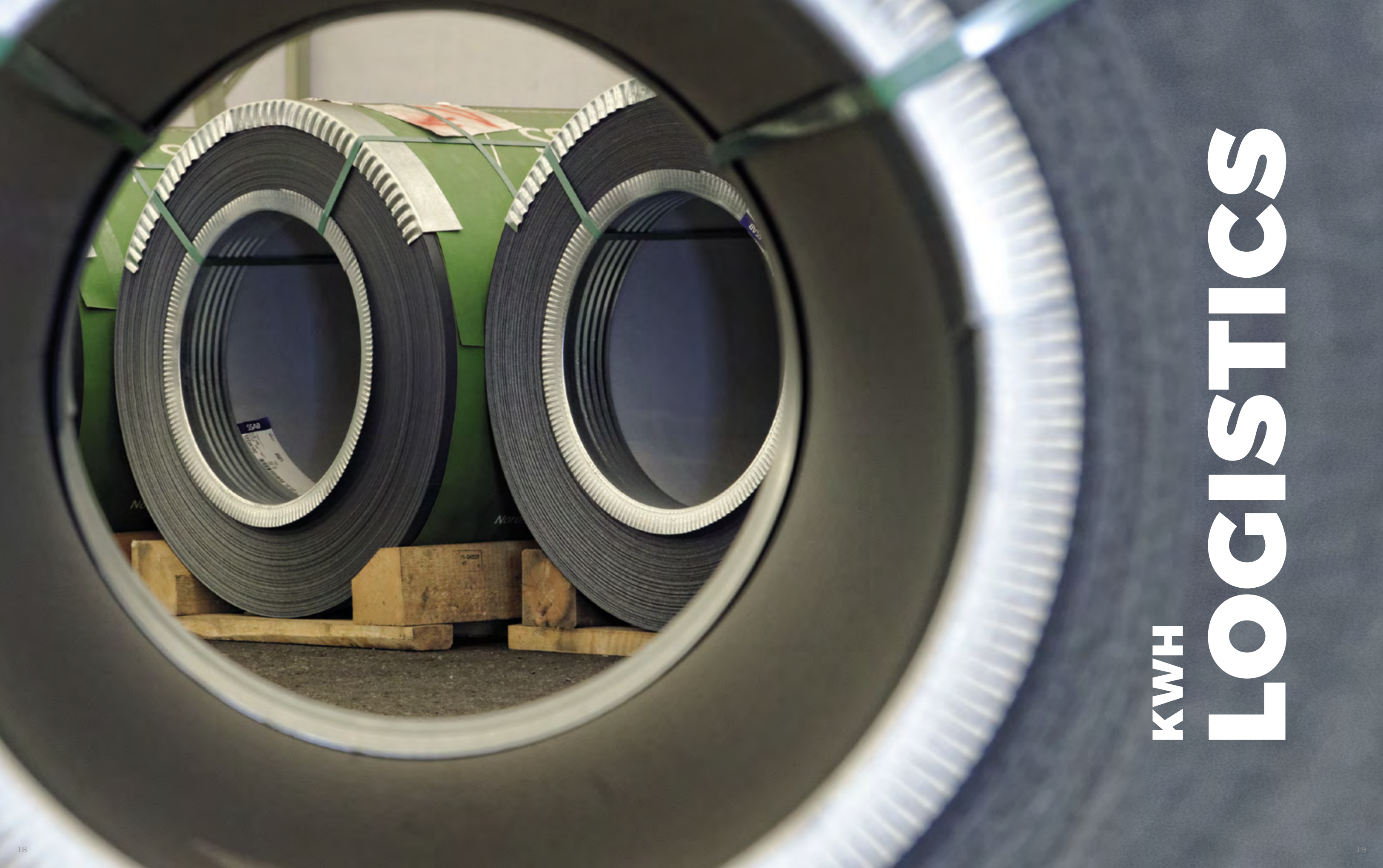
The company has many sales companies in different countries, and almost half of its employees work outside Finland.

COUNTRIES IN WHICH MIRKA HAS SUBSIDIARIES

Baltic States, Belgium, Brazil, Canada, China, Finland, France, Germany, India, Italy, Mexico, Poland, Singapore, Spain, Sweden, Turkey, United Arab Emirates, United Kingdom, USA

SHARE OF GROUP TURNOVER





KWH LOGISTICS

A RECORD YEAR DESPITE GLOBAL UPHEAVAL

For KWH Logistics, last year was in many ways a year of great upheaval. The outbreak of war in Ukraine meant that most of the transit traffic we had specialised in had to stop. In the following months, we stopped the transit traffic of ore and coal, and since this activity had been a significant part of our business, it meant a big change for us.

But thankfully, the new situation also had a positive side. As most trade with Russia ceased, this meant that many Finnish companies had to look for new sources and routes for their imports. For KWH Logistics, this meant that we were able to find substitute activities for a large part of the transit traffic. Among other things, we were involved in helping customers who started importing timber by sea. We also helped customers develop new logistics chains for importing ore and other raw materials by creating hub operations in deep-water ports with intermediate storage and loading from larger vessels to smaller ones.

All in all, 2022 was by no means a bad year for us, even if sales fell slightly. The profit was better than in the previous year, and even the best in the company's history. Of course, the explanation for this is not only that we were able to find substitute activities for the transit traffic, but that many of our activities had a tailwind. It is in turbulent times that the importance of having a diversified business becomes apparent, so that not all eggs are in one basket.

Heavy project traffic was one of the bright spots of the year. In practice, project traffic means, for example, importing wind turbines to the ports of Vaasa, Kokkola and Kalajoki. This business has very good prospects as wind power will be expanded significantly in the coming years, especially in central and northern Finland. Another bright spot is our increased invest-

ment in timber logistics, which led us to establish ourselves in a number of new locations in the country.

The operations in the ports of southern Finland also performed very well in 2022. Bulk volumes in Mussalo and Vuosaari port developed excellently. In Hanko port we took among other things advantage of the high fuel prices and the shortage of drivers, which was reflected in the increased demand for RO-RO services in Hanko. When it is expensive to drive by road, it pays to transport goods by sea instead. The shortage of containers also increased the demand for RO-RO traffic.

As Finland's leading port operator, we at KWH Logistics also want to be an industry leader in sustainability. This is reflected in our investment in electric vehicles and machinery, and in the launch of a major sustainability and quality project. This also means intensified HR work with increased investment in staff training.

The past year has taught us that both we and our customers need to build more agile, resilient supply chains in the future. I believe that large fluctuations in supply, demand and costs are the new normal. Supply chains need to be able to handle these disruptions, whenever and wherever they occur. At KWH Logistics, our goal is to meet our customers' logistics challenges even better than before by taking into account all possible risks and thus preventing disruption.

Joakim Laxåback
Head of Division, KWH Logistics



I believe that large
fluctuations in
supply, demand
and costs are the
new normal.



KWH LOGISTICS

Finland’s leading port operator

KWH Logistics is Finland’s leading port operator with operations in all major ports in Finland. The Group also includes several subsidiaries working in other logistics areas.

Thanks to its many local subsidiaries, KWH Logistics works very closely with its customers. At the same time, the company is able to offer total solutions for its customers’ logistics, with its subsidiaries working together.

Another of KWH Logistics’ strengths is its strong investment capability, which allows the company to quickly start up new operations according to customer needs.

OPERATING LOCATIONS

PORTS

Hamina, Hanko, Kalajoki, Kokkola, Kotka, Koverhar, Kristiinankaupunki, Naantali, Oulu, Pori, Raahе, Tornio, Turku, Uusikaupunki, Vaasa, Vuosaari (Helsinki)

INDUSTRIAL AREAS

Heinola, Jakobstad, Kokkola, Kärkölä, Pello, Rauma, Savonlinna, Sotkamo, Uusikaupunki, Vaasa, Äänekoski

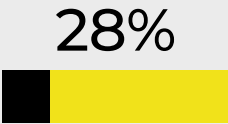
TERMINALS

Akaa, Haapajärvi, Hyrynsalmi, Kontiomäki, Nivala, Seinäjoki, Ylivieska, Ämmänsaari

TURNOVER 2022

172
meur

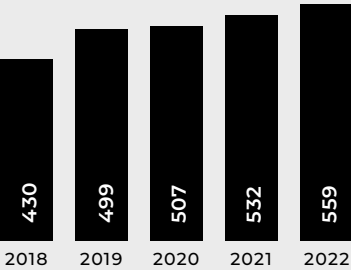
SHARE OF GROUP TURNOVER



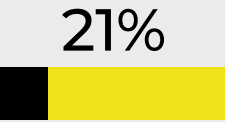
PERSONNEL 2022

559
persons

PERSONNEL 2018–2022



SHARE OF GROUP PERSONNEL



BERNT BJÖRKHOLM
Managing Director,
Blomberg Stevedoring & Blomberg Rent
Director, Freight Forwarding



ANDERS BACK
Financial Director, KWH Logistics



VESA PELTOLA
ICT Director, KWH Logistics



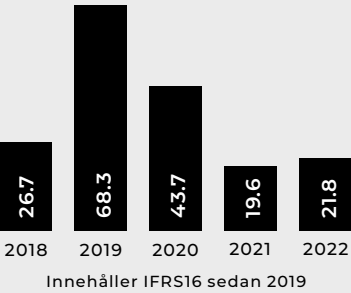
MARKKU MÄKIPERE
Managing Director, Stevena & Moonway
Marketing Director, KWH Logistics



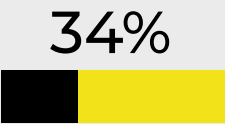
INVESTMENTS 2022

21.8
meur

INVESTMENTS MEUR 2018–2022



SHARE OF GROUP GROSS INVESTMENTS



MONA ANDERSSON-KUORIKOSKI
HR Director, KWH Logistics



PETRI LEHTIPUU
ESQ Director, KWH Logistics



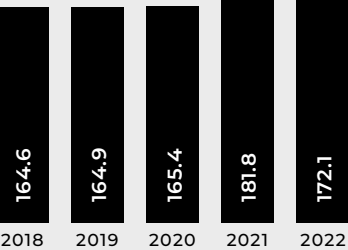
TERO KOSONEN
Managing Director, Rauanheimo

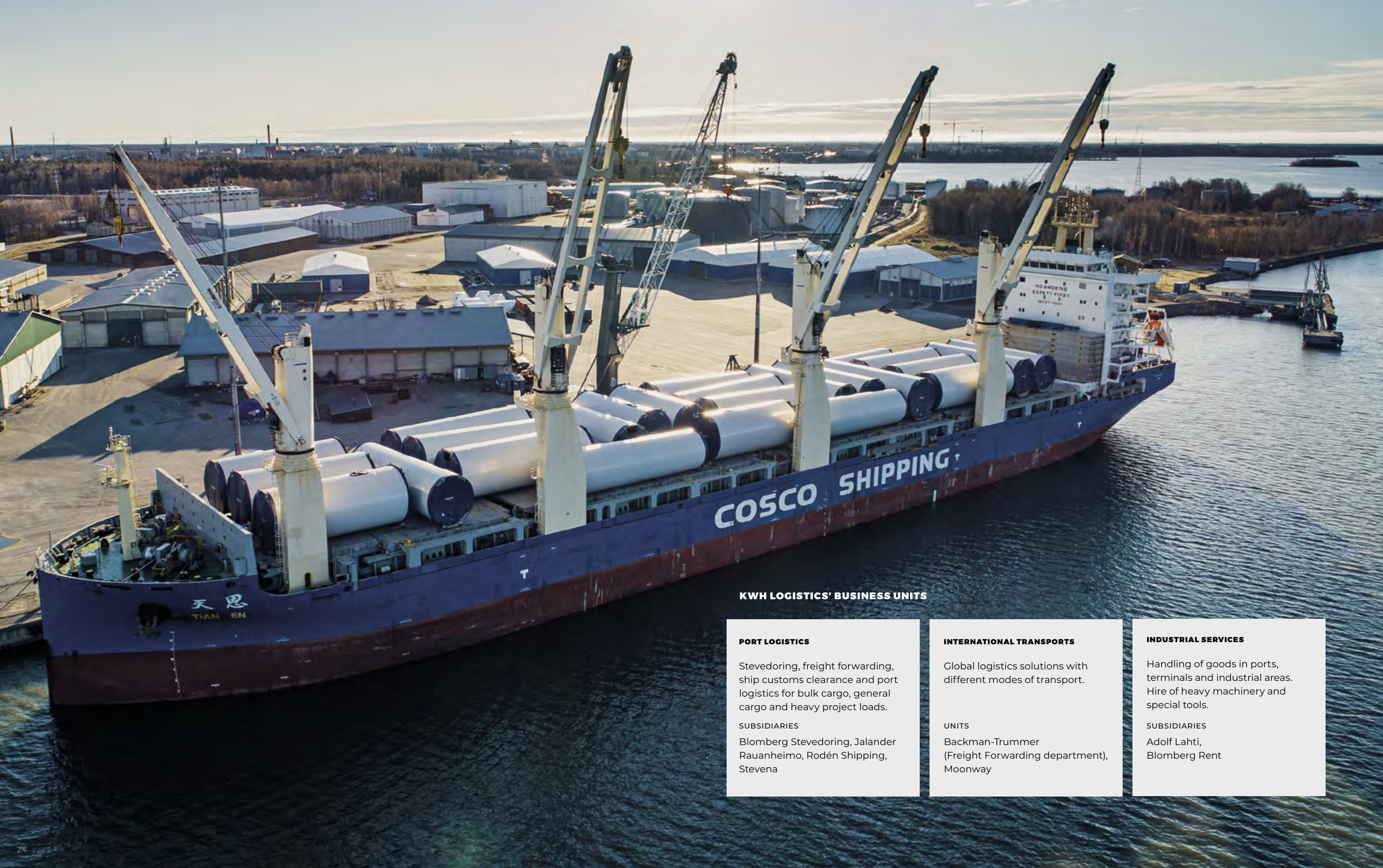


PEKKA PÖLLÄNEN
Managing Director, Adolf Lahti



TURNOVER MEUR 2018–2022





KWH LOGISTICS' BUSINESS UNITS

PORT LOGISTICS

Stevedoring, freight forwarding, ship customs clearance and port logistics for bulk cargo, general cargo and heavy project loads.

SUBSIDIARIES

Blomberg Stevedoring, Jalander Rauanheimo, Rodén Shipping, Stevena

INTERNATIONAL TRANSPORTS

Global logistics solutions with different modes of transport.

UNITS

Backman-Trummer (Freight Forwarding department), Moonway

INDUSTRIAL SERVICES

Handling of goods in ports, terminals and industrial areas. Hire of heavy machinery and special tools.

SUBSIDIARIES

Adolf Lahti, Blomberg Rent



KWHE FRENE

A RETURN TO NORMAL



For KWH Freeze, 2022 was something of a return to normal after the pandemic. We returned to the volumes we were used to before the pandemic, mainly owing to the fact that the operations of restaurant and catering customers finally stabilised after a couple of years of restrictions.

It is also gratifying that we were able to return to normal in terms of our staff. We were able to meet physically at Christmas parties and on TYKY days (short for ‘Työkyvyn ylläpitäminen’ in Finnish, ‘maintaining the ability to work’ in English). In general, human resources issues are something we focused on during the year. We actively sought partnerships with vocational schools and colleges to ensure the future availability of staff. We also carried out a major project on working instructions in video format, which was appreciated by the staff.

Another area we focused on is sustainability. The big sustainability issue for KWH Freeze is how we can make use of the waste heat generated in our cold storage warehouses. We have already been reusing some of the heat for our own use for a long time, but there is enough for others too. In 2022, investigations continued in this area, and we are now one step closer to a solution. Another step we took in the environmental field is to increase the number of solar panels on the roofs of our buildings. In the spring of 2022, additional solar panels went into operation, which means we now produce eight per cent of our own electricity consumption.

Over the past five years, KWH Freeze has made a number of major investments, increasing our capacity by 20 per cent. In February 2022, the last in a series of new investments was put



The big sustainability issue for us is how we can make use of the waste heat.

into operation when we opened a 5,500 m² extension. We are now taking a breather before it is time for new investments in the future.

Personally, I am now looking forward to a calmer time after all the Covid disruption. At this stage, it is still unclear how any recession will affect us, but as we work in a particularly electricity-intensive industry, I am nevertheless pleased that electricity prices now seem to have come down from their peak levels at the end of 2022. I am also convinced that the major trend in the sector will still give us natural organic growth, as frozen food takes market share from fresh food.

Peter Lång
Head of Division, KWH Freeze

KWH FREEZE

The biggest frozen storage company

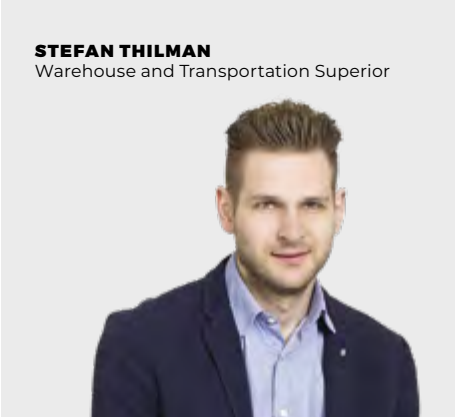
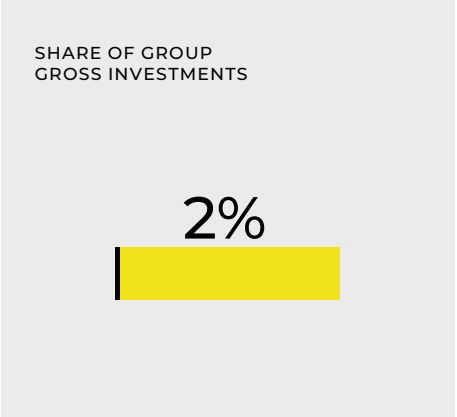
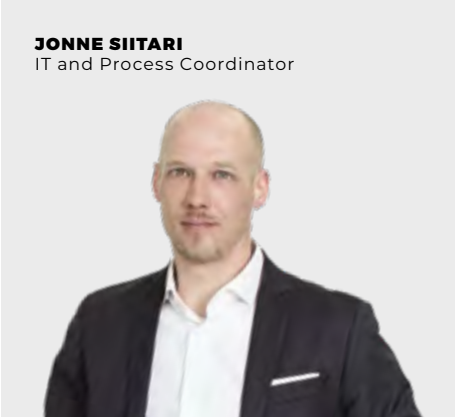
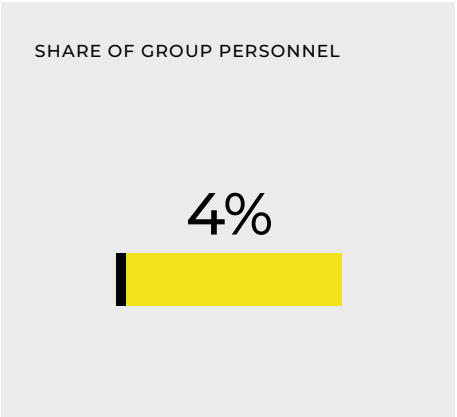
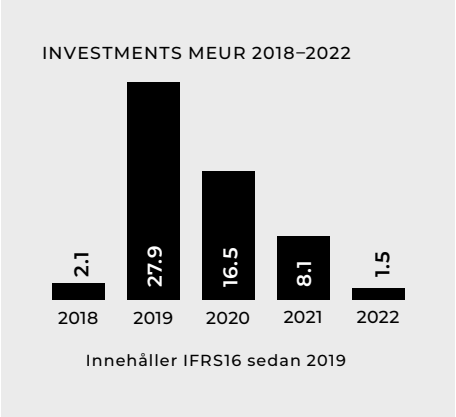
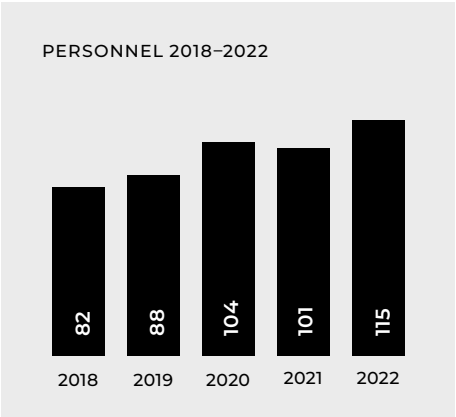
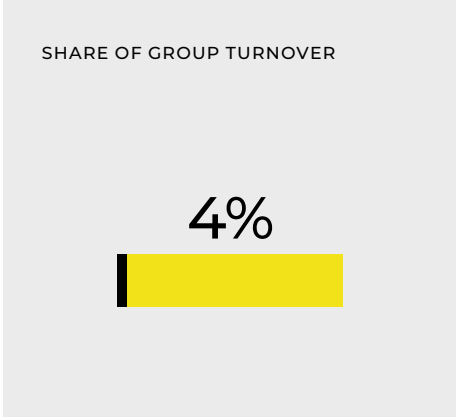
Almost half of all frozen food consumed in Finland passes through the company's warehouse in Vantaa.

Over the past five years, KWH Freeze has grown steadily thanks to major investments in expanded capacity.

The business is highly digitised and customers' IT systems are integrated in KWH Freeze's IT system. This enables fast, automatic deliveries, and also real-time updating of stock balances.

The main customer groups are the wholesale trade, various food industry operators and importers of frozen food.

Many frozen foods are typically seasonal products, which means that KWH Freeze gives its customers the opportunity for great flexibility in terms of volumes.





RECORD INTEREST IN OUR RECYCLED PRODUCTS

2022 was the year in which we at Prevex took a giant leap forwards in our sustainability work. At the beginning of the year, we had not a single product made from recycled plastic, but by the end of the year all our products contained around 45 per cent recycled raw material. Our sustainability work is based on the principle of maximum impact, which is why we have chosen to change the raw materials in all our products instead of just making a green product range. The work will continue in the years to come and, by 2025, 90 per cent of the raw material will be recycled. It is worth noting that product quality remains unchanged.

So how has Prevex’s sustainability work been received? With great interest, we can safely say. We have never had as many customer visits to our factory as in the autumn of 2022, by both

old customers and potential new customers. In addition, Prevex has been honoured to be selected as a member of a group that will develop a sustainability handbook for companies under the leadership of the Confederation of Finnish Industries (EK).

I therefore look to the future with great confidence, even though the war in Ukraine has affected the market for us in the short term. I am convinced that Prevex’s environmentally friendly products will be a competitive factor in the future, because no competitor has come as far on its sustainability journey as Prevex. Our strategy of continued growth remains firm and the current war-induced slowdown is temporary. In addition, at some stage there will be reconstruction, which will boost the construction sector and therefore also our water traps.



By the end of the year all our products contained 45 per cent recycled raw material.



Bringing about such major change as we did at Prevex is easier if it can be limited to one country and two factories. This was one of the reasons why we decided in 2022 to close our factory in Poland. Another reason was a strategic reassessment that means we now want to focus on larger customers and larger series combined with a higher level of automation. The need for the manual labour we had in Poland has decreased. At the same time, we continued to develop our second factory in Finland, the one in Jakobstad, during the year. The aim is to optimise our production processes, and this work will continue in 2023.

We carried out several small initiatives in relation to our employees during the year that have nevertheless had a big impact. I am proud to say that Prevex spent more money on

prevention than on healthcare in 2022. Not many companies in the manufacturing industry have achieved such a result. The investments we made in training and ergonomics, for example, are not special in themselves, but thanks to the large number of them and the determination with which they were carried out, they have nevertheless had a great impact.

Marko Nylund
CEO, Prevex

PREVEX

The world’s most sustainable water trap

Prevex is one of the few companies in the world specialising in water traps for kitchens and bathrooms. All products are manufactured in Finland.

The water traps combine many smart features such as being flexible, space-saving and easy to clean.

Research and development are important to Prevex, and development work is usually carried out in partnership with customers.

In recent years, development work has focused on sustainability issues, and Prevex is the industry leader in sustainability work.

- All the company’s products contain 45 per cent recycled raw materials.
- All the energy the company uses has long been emission-free.
- In 2023, Prevex will achieve operational carbon neutrality.
- Total carbon dioxide emissions (including scope 3) will be reduced by a third by 2025.

SHARE OF GROUP TURNOVER

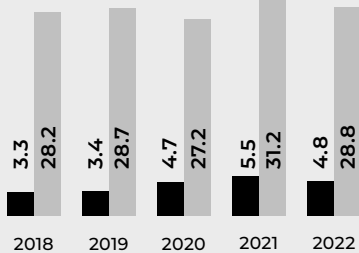


TURNOVER

34
meur

EXPORTS & FOREIGN OPERATIONS 28.8
FINLAND 4.8

TURNOVER MEUR ■ FINLAND ■ EXPORTS & FOREIGN OPERATIONS



PETER ENGSTRAND
Sales Director, Business Development,
Prevex Group



PERSONNEL 2022

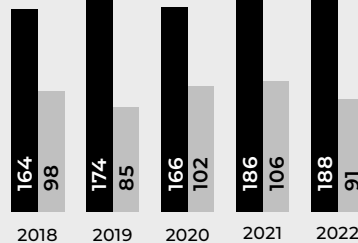
279
persons

ABROAD 91 / FINLAND 188

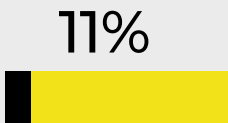
CAMILLA WIKMAN
CMO, Prevex Group



PERSONNEL ■ FINLAND ■ ABROAD



SHARE OF GROUP PERSONNEL



THOMAS NYSTRÖM
CFO, Prevex Group



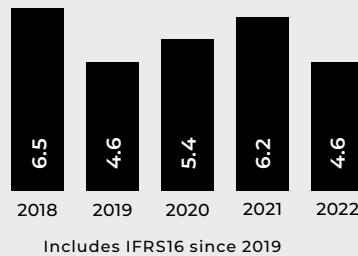
MIKAEL GÄDDNÄS
Chief Operating Officer,
Prevex Group



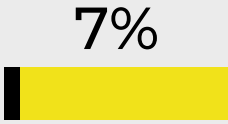
INVESTMENTS 2022

4.6
meur

INVESTMENTS MEUR 2018-2022



SHARE OF GROUP GROSS INVESTMENTS



MARCIN KOWALSKI
CEO, Prevex Poland



FILIP JANKOWSKI
Sales Director, Prevex Group



KRYSZTIAN KRYSKOWIAK
Chief Purchase & Logistics Manager,
Prevex Poland



UPONOR INFRA

On 1 July 2013, Uponor Infra Oy began trading, with the merger of the infrastructure solution business units of the KWH Group and Uponor Oyj. Uponor is Uponor Infra Oy's majority shareholder (55.3%), and Uponor Infra Oy is consolidated in Uponor as the Infrastructure segment. The KWH Group owns 44.7% of the shares.

The company's sales amounted to EUR 312.8 (286.8) million. The company supplies products for heating, ventilation and sanitation in infrastructure. The range includes everything from standard products to tailor-made solutions and turnkey projects including installation.

The general situation is affecting demand in Uponor Infra's most important markets. Overall demand in the main markets is expected to be stable in the years to come.





SUSTAINABILITY

SUSTAINABILITY

During 2022, KWH Group developed an ESG strategy for active ownership and an accompanying ESG handbook for our business divisions. Our ESG strategy describes our sustainability ambitions and serves as a framework and common direction for the group's long-term sustainability ambition. The handbook provides practical guidance to our business groups on how to implement the strategy and proposed actions. Additionally, it provides information on current and upcoming sustainability related regulations, laws, and standards.

KWH Group's corporate strategy is to be a clear and long-term owner, creating value in business divisions and building

successful companies. Integrating sustainability into the group is a prerequisite for long-term value creation within our companies. Sustainable business development is also a prerequisite for reducing the impact on the climate, managing the effects of climate change, and for fair and democratic societies. In the different business divisions, sustainability can also create competitive advantages and ultimately increased profitability. The foundation of our business model is a profound engagement and high presence in the business divisions to develop and build future-proof companies.

The sustainability topics of KWH Group

As part of the ESG strategy, a materiality analysis was conducted to identify prioritised sustainability topics that the group should allocate additional resources to. To ensure that sustainability topics are in line with the expectations and requirements of the

key stakeholders of KWH Group, stakeholder dialogues were held with owners, representatives from all business divisions, employees, and financial advisors.

| STAKEHOLDER GROUP | PRIORITISED TOPICS |
|-------------------------------------|---|
| Owners and board | Safe, secure, and fair workplace Climate impact and energy use Circular economy and green technology |
| Employees within each business unit | Safe, secure, and fair workplace Climate impact and energy use Equality, diversity, and equal treatment |
| Business divisions' management | Circular economy and green technology Active ownership and implementation of ESG Safe, secure, and fair workplace |
| Financial advisors | Active ownership and implementation of ESG Counteract corruption and uphold business ethics Climate impact and energy use |

PRIORITISED SUSTAINABILITY TOPICS FOR THE KWH GROUP

| Priority | Focus | Monitor |
|---|--|--|
| <ul style="list-style-type: none">• Maintain active ownership and implement sustainability within the KWH companies• Promote circular economy with innovation and green tech• Reduce the carbon footprint and decrease energy usage | <ul style="list-style-type: none">• Ensure a safe, secure and fair workplace• Integrate sustainability in acquisitions and projects• Uphold data security and customer integrity | <ul style="list-style-type: none">• Promote equality, diversity and equal treatment• Counteract corruption and uphold business ethics |

The ESG strategy of the KWH Group is based on our values and the results of the materiality analysis. In addition, it sets the future ambition going forward within ESG. As part of the strategy and its three focus areas, a number of sustainability goals will be developed during 2023.

To ensure that the development of the different goals and key figures within our ESG strategy are evaluated and progressing, KWH Group has initiated an extensive collection of sustainability data from all business divisions during 2022. This will be continued in the coming years and the data collection will be further developed to, together with the business divisions, create long-term value through governance, key figures, and monitoring.

| VISION | | |
|---|---|--|
| A family-owned growth company that conducts our operations in a responsible, long-term, and sustainable manner. | | |
| GOALS | | |
| Contribute to sustainable, innovative solutions for a better environment. | Create a safe and pleasant workplace for all our employees. | Integrate ESG throughout our business for long-term and responsible ownership. |

Sustainability governance

KWH Group's philosophy on long-term and sustainable value creation is based on the values of its owners and employees. The CEO of the parent company is ultimately responsible for sustainability within the KWH Group. In turn, the CEOs within the business divisions have the ultimate responsibility for driving sustainability issues in their respective business divisions.

An internal policy framework sets the guidelines for the KWH Group's actions as a responsible company. The framework includes a number of group-specific policies adopted by

the group board. The Code of Conduct, as well as the Code of Conduct for Business Partners, sets the guidelines for how the KWH Group should act as a responsible company. In addition to group-wide policies, the different business divisions also have business-specific policies according to their needs.

CONSOLIDATED INCOME STATEMENT

| EUR 1,000 | 1.1-31.12.2022 | 1.1-31.12.2021 |
|--|----------------|----------------|
| TURNOVER | 618,970 | 592,797 |
| Other operating income | 5,760 | 2,395 |
| Change in inventories of finished goods and work in progress | 10,309 | 12,857 |
| Production for own use | 4,699 | 4,239 |
| Materials and services | 249,748 | -252,157 |
| Personnel expenses | -169,244 | -157,742 |
| Depreciation and impairment | -55,034 | -50,785 |
| Other operating expenses | -101,512 | -86,843 |
| Share of loss/profit in associate | 9,455 | 6,543 |
| Operating profit | 73,655 | 71,304 |
| Financial income | 3,463 | 2,729 |
| Financial expenses | -6,279 | -4,269 |
| Profit before taxes | 70,839 | 69,764 |
| Income tax expense | -13,267 | -14,378 |
| PROFIT FOR THE FINANCIAL YEAR | 57,572 | 55,386 |
| Split: | | |
| Equity holders of the parent company | 57,575 | 55,388 |
| Non-controlling interest | -3 | -3 |
| Profit for the financial year | 57,572 | 55,386 |

STATEMENT OF COMPREHENSIVE INCOME

| | | |
|--|---------------|---------------|
| PROFIT FOR THE FINANCIAL YEAR | 57,572 | 55,386 |
| Items that may be reclassified to income statement: | | |
| Share of other comprehensive income, associated companies | | |
| - net other comprehensive income | -1,574 | -186 |
| Cash flow hedging | | |
| - net profit/loss | -1,205 | -1,422 |
| - in accounting year's result | 6,881 | 1,412 |
| Recalculation differences | | |
| - recalculation differences in current period | -397 | -101 |
| Other comprehensive income after tax in total | 3,705 | -296 |
| TOTAL COMPREHENSIVE INCOME | 61,277 | 55,089 |
| Split: | | |
| Parent company's shareholders | 61,281 | 55,092 |
| Non-controlling interest of the Group consolidation result | -3 | -3 |
| Comprehensive income in total | 61,277 | 55,089 |

CONSOLIDATED BALANCE SHEET

| Assets EUR 1,000 | 31.12.2022 | 31.12.2021 |
|---------------------------------------|----------------|----------------|
| NON-CURRENT ASSETS | | |
| Intangible assets | 31,294 | 26,613 |
| Goodwill | 8,596 | 8,596 |
| Tangible assets | 393,771 | 389,336 |
| Investment property | 1,306 | 1,449 |
| Investments in associates | 83,248 | 78,049 |
| Financial assets available-for-sale | 1,957 | 1,966 |
| Other financial assets | 3,330 | 1,234 |
| Deferred tax assets | 3,424 | 1,437 |
| Non-current assets, total | 526,926 | 508,680 |
| CURRENT ASSETS | | |
| Inventories | 112,158 | 90,412 |
| Trade and other receivables | 99,991 | 91,059 |
| Income tax receivables | 1,221 | 716 |
| Financial assets intended for trading | 4,085 | 4,323 |
| Cash and cash equivalents | 69,990 | 64,941 |
| Current assest, total | 287,445 | 251,451 |
| ASSETS, TOTAL | 814,371 | 760,131 |

| Equity and liabilities EUR 1,000 | 31.12.2022 | 31.12.2021 |
|---------------------------------------|----------------|----------------|
| EQUITY | | |
| Share capital | 3,756 | 3,756 |
| Share premium reserve | 7,931 | 7,931 |
| Reserve fund | 128 | 124 |
| Translation differences | -1,435 | -1,038 |
| Fair value reserve | 6,615 | 939 |
| Retained earnings | 615,634 | 572,523 |
| Non-controlling interest | 171 | 174 |
| Equity, total | 632,800 | 584,409 |
| NON-CURRENT LIABILITIES | | |
| Provisions | 2,338 | 2,628 |
| Deferred tax liabilities | 29,209 | 24,053 |
| Finance lease liabilities | 28,896 | 30,297 |
| Trade and other payables | 0 | 91 |
| Non-current liabilities, total | 60,442 | 57,069 |
| CURRENT LIABILITIES | | |
| Interest-bearing liabilities | 19,802 | 18,927 |
| Finance lease liabilities | 10,852 | 7,769 |
| Trade and other payables | 87,480 | 89,412 |
| Income tax liabilities | 2,995 | 2,544 |
| Current liabilities, total | 121,129 | 118,652 |
| EQUITY AND LIABILITIES, TOTAL | 814,371 | 760,131 |

BOARD OF DIRECTORS

The KWH Group’s Board of Directors has eight members and a secretary. Many of the Board members are shareholders, so the owners have a strong position regardless of whether there are shareholders in the operational management or not.

The Board’s mission is to manage the KWH Group’s affairs on behalf of the owners. The Board is responsible for ensuring that the Group is managed efficiently and in accordance with good business principles. The Board approves, follows and monitors the KWH Group’s business strategy, strategic goals, risk strategy and management.



BJÖRN HÖGLUND
• M Sc (Econ)
• Board Member since 2022



JANNEKE VON WENDT
• MSc (Econ)
• Board Member since 2016



HENRIK HÖGLUND
• B Sc (Econ)
• Chairman since 1998
• Board Member since 1974



OLA TIDSTRÖM
• M Sc (Econ)
• Vice Chairman since 1993
• Board Member since 1975



PETER HÖGLUND
• B A
• Board Member since 1973
• Chairman 1988–1997



JOHAN HEIKFOLK
LL.M.
Secretary of the Board since 2017

CAJ-ANDERS SKOG
M Sc (Econ)
Board Member since 2016

SOFIA KOHTALA
Hotel and Restaurant Manager
Board Member since 2014

STEFAN WIKMAN
LL.M. with court training
Board Member since 2019



GROUP MANAGEMENT

The KWH Group’s Group Management consists of Heads of Division or CEOs and the parent company’s managers. Group management members are responsible for a business division or group function and the Group President leads Group development work and supports the rest of the management.

The Group Management is a diverse team that executes the Board’s decisions and sets the framework and direction for the organization. The management is responsible for ensuring that goals and strategies are fulfilled and for structuring and leading the Group’s operations to achieve set goals.

STATUTORY AUDITORS
KRISTIAN BERG AND ANDERS SVENNAS
M Sc (Econ), APA
Ernst & Young Oy

DEPUTY AUDITORS
MARJA HUHTALA OCH TERHI MÄKINEN
M Sc (Econ), APA
Ernst & Young Oy

SUPERVISORY AUDITOR
ERNST & YOUNG OY

KJELL ANTUS
• M Sc (Econ)
• Group President, Head of Division, KWH Invest
• Employed since 1988



MARKO NYLUND
• M Sc (Eng), MBA
• CEO, Prevox
• Employed since 2019



STEFAN SJÖBERG
• M Sc (Econ)
• Head of Division, Mirka
• Employed since 2011



CARL-MAGNUS TIDSTRÖM
• M Sc (Econ)
• CFO
• Employed since 1997



JOHAN HEIKFOLK
• LL.M.
• General Counsel
• Employed since 2017



JOAKIM LAXÅBACK
• Forestry Engineer, MBA
• Head of Division, KWH Logistics
• Employed since 2002



PETER LÅNG
• Bachelor of Commerce
• Head of Division, KWH Freeze
• Employed since 1987



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THE KWH ANNUAL REPORT CONSISTS OF AN ANNUAL REVIEW AND A FINANCIAL REPORT.

The Annual Review gives a picture of the Group and its Business Operations and contains the Consolidated Income Statement and the Consolidated Balance Sheet. The Annual Review is also available for download under www.kwhgroup.com. The Annual Review is available in English, Finnish and Swedish. The Financial Report contains the financial statements including notes and can be ordered from KWH Group Ltd by e-mail info@kwhgroup.com. The Financial Report is available in Swedish.