Report by the Board of Directors and Financial Statements 2023

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Financial Review 2023

Board of Directors' Report

PHM Group in brief

PHM Group is a property services provider that operates in the Nordic countries and Germany. We care for people by caring for their surroundings.

PHM Group consists of the best local enterprises which share the same values: entrepreneurship, fairness and responsibility. We believe that the only thing better than local service is local service with big resources. With PHM, the customer does not need to choose between a familiar local entrepreneur or a large group of companies as its service partner. We offer the best of both worlds.

PHM currently operates in Finland, Sweden, Norway, Denmark and Germany. The company had nearly 10,000 employees on average during 2023 and its LFL revenue was EUR 759 million. PHM Group is a growth company and is constantly expanding into new areas.

PHM Group is owned by funds managed by Norvestor and an Intera fund, together with the company's senior management and key personnel.

Operating environment

PHM Group's business is to provide must have monthly and seasonally recurring services, complemented with a broad offering of additional services to serve the needs of our customers. In general, the demand for recurring services is unaffected by external market factors, whereas the additional services range from mandatory to discretionary services of which some are more prone to be impacted by external market factors. The Group's pricing power is good and thus, the main impacts on PHM's business from changes in the operating environment are related to timing of cost and revenue increases of recurring services, which can temporarily impact the Group's margins, and fluctuations in customer demand for non-essential additional services.

The operating environment during the year continued to be affected by general economic uncertainty in all PHM's operating countries. The higher interest rates decreased consumer confidence and weakened the property market. Private customers showed increased selectivity in, and to some extent postponed, purchase of non-essential additional services. Professional property owners have also decreased investments, and project demand among commercial and public customers has decreased. Towards the end of the year, however, interest rate expectations indicated an end of rate hikes and start of rate decreases which contributed to stabilising the operating environment. Further reduced inflation has eased margin pressure and will also contribute to increased consumer confidence and stabilising demand going forward.

Despite being a locally operating service company, PHM is not unaffected by the broader macroeconomic development. Geopolitical tensions, including Russia's ongoing war in Ukraine, emerging conflicts in the Middle East, and tensions between major economies, like China and the US, continue to cause uncertainty in the operating environment, which may impact economic growth, inflation, and consumer confidence. Changes in the monetary policies of major central banks may impact customer demand, financing conditions and various currencies that directly or indirectly affect PHM.

Strategy

PHM Group's job is to take care of people by taking care of their living environment. PHM serves its customers by providing a broad range of property maintenance services, management services and technical services locally in Finland, Sweden, Norway, Denmark and Germany.

PHM's vision is to grow into a leading local property services partner in all of its operating countries. The large but fragmented Northern and Central European property services market provides a good starting point for the company's expansion both organically and through acquisitions. The company's objective of growth is also supported by megatrends, including urbanisation, the ageing of the building stock and the increasing use of service outsourcing.

To achieve its objective, PHM has defined five key cornerstones for its strategy. They represent the areas in which the company aims to succeed. The cornerstones of the strategy are organic growth, mergers and acquisitions, employee experience, operational efficiency, and responsibility and good governance. The execution of the strategy is driven by development projects that are based on these strategic cornerstones.

The company pursues organic growth by increasing the number of contract customers and by enhancing additional sales. The latter is driven by offering an increasingly wide range of additional services and increasing the share of wallet of contract customers, which the company believes to benefit both the customer and PHM. Combining the Group's sales resources and the expertise of the local units enables PHM to deliver the best possible service experience to housing companies, residents and commercial properties alike. Growth is also supported by cross-selling opportunities between the Group companies.

PHM is the leading driver of consolidation in the fragmented property services market. The low level of consolidation in the market gives PHM the opportunity to be selective in its acquisitions, and also supports the healthy pricing of acquisitions. The focus of acquisitions is on the growth of the Group's operations in Norway, Denmark and Germany, and expanding the Group's service range and presence in selected regions of Finland and Sweden. The Group has extensive experience of acquisitions, and it uses external consultants in addition to its in-house resources in the preparation of acquisitions. The Group's local operating model enables the quick and low-risk integration of acquired units and the rapid realisation of synergies.

As PHM's industry is highly labour-intensive, personnel play a key role in the execution of the company's strategy. PHM wants to be the best employer in the industry and thereby strengthen its position and enable growth. The company provides a safe and equal work environment and support diversity and inclusion among personnel. As a Group, PHM can provide its employees with not only diverse development opportunities but also a local and close-knit workplace community and operating culture.

PHM Group continuously develops its operations with the aim of improving efficiency. This enables the Group to ensure profitable growth, the reliable delivery of services to customers, and strong cash flow for investors. The company improves the efficiency of its operations by sharing best practices between the Group's units, by optimising its personnel and fleet resources, and by developing the efficiency of its units in accordance with the Group's common practices and operating models, for example. The operations of the local units are also supported by the Group's centralised support functions, as well as advanced digital solutions that support the local business operations.

Corporate responsibility is at the core of PHM's business. PHM offers a wide range of property services that enable safe and smooth daily life for its customers and employees. The company's rigorous corporate governance rules and ethical principles protect both its customers and its employees. PHM also requires the same from its suppliers and subcontractors. As a large group of companies, PHM can make environmentally sustainable choices and decisions that reduce the environmental impacts of its operations.

Mergers and Acquisitions

In 2023, PHM successfully continued executing its acquisition strategy. M&A activity was all-time high as PHM completed both strategic acquisitions as well as continued its expansion outside the Nordics. The most significant transactions were the acquisitions of PHM's main competitors Sefbo Group in Norway and Bredablick Group in Sweden. The acquisitions strengthen PHM's position as the market leader in both countries and secure the position as the leading consolidator in the Nordic market.

In Finland, PHM strengthened its market position and service offering in several cities. Additionally, PHM expanded to Laitila by acquiring Vakka-Suomen Talohuolto Oy, to Pietarsaari by acquiring JS Fastighetsservice Ab Oy and to Mäntyharju by acquiring property services and maintenance company Punavaara Oy.

In Sweden, PHM completed several acquisitions in the fields of property maintenance, property management and outdoor area maintenance. The strategically most significant transaction was the acquisition of Bredablick Group, which increased the size of PHM's Swedish business by approximately one third in terms of like-for-like revenue and added one of the best known Swedish residential property service brands into PHM's portfolio. Bredablick's services include various services related to residential property management and maintenance as well as facility services. Bredablick is a nationwide service provider that complements PHM's range of services and geographical presence particularly in the southern and western regions of Sweden. The acquisition of full-service property maintenance company MBA Fastighetsservice AB strengthened PHM's presence in the southern parts of Sweden and especially the west coast. Further, the acquisition of Västerås-based full-service real estate service provider MARK Fastighet Mälardalen AB strengthened PHM's presence and service offering in the Mälardalen area.

In Norway, PHM grew its business significantly in 2023 by acquiring Sefbo Group. Sefbo is the leading service provider of contract and subscription-based property services to housing associations in Norway. Sefbo's service offering includes property management, maintenance and cleaning services, as well as a wide range of other supplementary services. The acquisition strengthens PHM's range of services and geographical presence in Norway and provides PHM with excellent opportunities to expand and develop its activities both locally and as a group. The acquisition more than doubled the size of PHM's Norwegian business in terms of like-for-like revenue. Additionally, PHM strengthened its service offering in the Oslo region by three acquisitions, expanding both its property maintenance and cleaning business.

In Denmark, PHM acquired two sizeable companies; Taurus Ejendomsadministration ApS, a significant player in property management specialised in serving institutional property investors, and Vækst & Miljø A/S, offering a wide range of services in landscaping, gardening, property maintenance and snow clearance. Taurus Ejendomsadministration and PHM's first acquisition in Denmark, Ejendomsvirke, joined forces and established a new operating organisation to capitalise on each other's strengths and better serve their current customer base within property management and maintenance. Additionally, PHM strengthened its service offerings in the Copenhagen area by two acquisitions, expanding both its property maintenance and cleaning business.

In Germany, PHM entered the residential property service market in Berlin by acquiring Marnach Hauswartung GmbH, a facility maintenance and cleaning service provider serving mainly residential housing. Further, by acquiring MÜTRA Objektmanagement GmbH, a high-quality provider of facility maintenance, cleaning and outdoor maintenance, PHM strengthened its presence in Berlin and eastern parts of Germany.

During 2023, PHM completed 29 acquisitions. Together, the closed acquisitions had a EUR 207.0 million positive impact on LTM like-for-like revenue and EUR 29.9 million positive impact on LTM like-for like adjusted EBITDA, respectively.

Completed acquisitions and disposals 1-12/2023

Target company	Country	Region	Closing	Currency	Revenue*	EBITDA*
Acquisitions						
Saniservice ApS	Denmark	Copenhagen	January	DKKm	19.3	2.6
Pirkanmaan Viemäritekniikka Oy	Finland	Tampere	January	EURm	1.0	0.1
MBA Fastighetsservice AB and MBA Bygg AB	Sweden	Gothenburg	February	SEKm	132.6	13.2
Väner Förvaltning AB	Sweden	Karlstad	February	SEKm	9.9	1.9
B.O Drift AS	Norway	Oslo	March	NOKm	16.7	2.2
Cubile Utemiljö AB	Sweden	Stockholm	April	SEKm	36.9	5.9
JS-Ilmastointipuhdistus Oy	Finland	Turku	May	EURm	0.5	0.1
Oslo Renhold AS	Norway	Oslo	May	NOKm	7.1	2.0
Alliansen Renhold AS	Norway	Oslo	May	NOKm	14.3	1.8
Norrland Park & Mark AB	Sweden	Härnösand	June	SEKm	20.7	5.9
Turun Talopalvelu Oy	Finland	Turku	June	EURm	0.3	0.1
MARK Fastighet Mälardalen AB**	Sweden	Västerås	July	SEKm	98.1	3.3
Lilla Kloster Gruppen**	Sweden	Skåne	July	SEKm	29.7	1.8
Meincke's Total-Service A/S	Denmark	Copenhagen	July	DKKm	8.0	1.9
Bredablick Gruppen***	Sweden	Nationwide	August	SEKm	430.3	14.4
Green Carpet Turku Oy	Finland	Turku	August	EURm	0.7	0.2
Vakka-Suomen Talohuolto Oy	Finland	Laitila	September	EURm	0.3	0.0
Taurus Ejendomsadministration ApS	Denmark	Aarhus	September	DKKm	73.3	4.2
Vækst & Miljø A/S	Denmark	Slagelse	September	DKKm	105.4	13.3
Sefbo Group****	Norway	Nationwide	October	NOKm	730.4	90.9
We Go Fastighet AB	Sweden	Stockholm	October	SEKm	29.5	3.5
Marnach Hauswartung GmbH	Germany	Berlin	October	EURm	3.6	0.7
Kiinteistötyöt Neitola Oy	Finland	Rovaniemi	November	EURm	0.6	0.1
JS Fastighetsservice Ab Oy	Finland	Pietarsaari	November	EURm	1.9	0.2
TR-Kiinteistöhuolto Oy	Finland	Mäntsälä	November	EURm	0.8	0.0
Hagtorn Fastighetsservice AB and Hagtorn VVS AB**	Sweden	Malmö	December	SEKm	31.6	-0.4
MÜTRA Objektmanagement GmbH	Germany	Berlin	December	EURm	6.2	0.6
Punavaara Oy	Finland	Mäntyharju	December	EURm	2.0	0.4
Golden Shine Oy	Finland	Turku	December	EURm	1.3	0.2

* Presented financials are based on latest available audited financial statements (local GAAP)
** Unofficial consolidation of group entities
*** No statutory consolidated financials available, presented financials are based on management reporting FY22
**** Like-for-like revenue and adjusted EBITDA

Financial review

The Group's reported revenue was EUR 624.9 million (483.3) and adjusted EBITDA was EUR 93.7 million (77.2) for 2023. In addition to the operational development discussed below in the like-for-like section of the financial review, the business scale has continued to increase compared to the comparison period as PHM has completed several sizeable add on acquisitions during 2022 and 2023 explaining a large part of the growth year on year. The profitability of some of these acquisitions has been lower than the previously existing PHM Group's business, which has diluted the reported EBITDA margin in the short-term. The profitability is expected to improve going forward when integration and operational improvements take effect in accordance with PHM's strategy.

The Group's result for 2023 amounted to EUR -2.3 million (14.2). In addition to operating costs the result is impacted by amortisation of customer and brand related intangible assets from acquisitions made and amortisation of other long-term expenditure totalling EUR -16.7 million (-13.6) as well as financing costs amounting to EUR -41.3 million (-22.3). In addition to interests paid, net financial expenses include, among others, financing related advisory costs and realised translation differences. During the review period, PHM converted intra-group loans into unrestricted equity in its Norwegian subsidiary, which resulted in a EUR 3.3 million loss in realised translation differences. Further, the realized translation differences include a one-time FX loss of EUR 2.7 million due to hedging of the purchase price of Sefbo between the signing and the closing of the acquisition. The increase in financing costs is due to increase in debt financing for execution of PHM's growth strategy.

The Group's LFL revenue increased by 2% to EUR 758.9 million (747.0). LFL revenue is calculated by adjusting for the revenue of acquired entities for the time when they have not been a part of the group. At comparable exchange rates, LFL revenue increased by 6%. LFL revenue development was supported by increased contract sales in all countries, attributable to both price increases and increase in the contract base, but was burdened by lower additional sales volume. Additional sales decrease was driven by clients postponing non-essential improvement and maintenance works due to the current uncertainty in the economic climate and high interest rates. Price increases of additional sales in all countries and good development in Denmark and Germany did not compensate for the decrease in additional sales volume in Finland, Sweden and Norway. LFL revenue increased in Finland, Denmark and Germany but decreased in Sweden and Norway. The impact of exchange rate fluctuations of EUR -32.8 million was attributable almost exclusively to the weaking of the Swedish and Norwegian Krones. At comparable exchange rates the LFL revenue increased also in Sweden and Norway.

The Group's LFL adjusted EBITDA grew by 3% and was EUR 115.8 million (112.2). At comparable FX rates LFL adjusted EBITDA increased by 7%. Adjusted EBITDA was supported by the increased contract revenue and improved sales mix of additional maintenance services, as well as lower machinery costs and operating expenses. The result was burdened by lower additional sales volume in Finland, Sweden and Norway as well as increased personnel costs. The increase was largely attributable to in-housing of services provided as well as higher overtime pay and general salary increases. The result impact was compensated by lower costs for external services and materials. Consequently, adjusted EBITDA margin improved 0.3 pp. from the comparison period.

The Group's operating cash flow before acquisitions and financial items was strong, amounting to EUR 68.9 million (52.7). Operating cash flow was supported by strong EBITDA and release of working capital but offset by slightly higher capital expenditure. The operating cash flow excludes the intra group cash pool debt to the Group's ultimate parent PHM Group TopCo Oy. Investments into tangible and intangible assets amounted to EUR -22.5 million (-17.7) comprising mainly of investments in machinery and equipment. Investments were higher due to the larger size of the business operations, postponed vehicle deliveries from 2022 as well as growth investments made due to new contracts won.

At the end of the period, interest-bearing net debt was EUR 647.8 million and leverage was at 5.36x. The increase in interest-bearing net debt from the end of December 2022 is explained mainly by the several large acquisitions made. The synergy adjusted LFL EBITDA for the previous twelve months increased. However, the leverage ratio increased from the level of 4.81x at the end of December 2022 due to strategic acquisitions made during the period. The liquidity of the Group remained strong as cash and cash equivalents at the end of the review period were EUR 35.0 million and EUR 56.0 million of the Super Senior RCF was undrawn.

To ensure its ability to continue to execute its growth strategy, the Group considerably strengthened its financial position by substantially increasing the amount of financing available to the Group in 2023. During the review period PHM issued two tap issues of its senior secured callable floating rate notes due in June 2026, increased the framework relating to the notes from EUR 200 million to EUR 450 million, and increased its Super Senior RCF to EUR 77.5 million. New notes were issued in the nominal amount of EUR 195 million, of which EUR 140 million during the last quarter to finance the acquisition of Sefbo. Demand for the issues was good and the notes were issued at a price above par, demonstrating the markets' confidence in PHM's strategy and strong resilience of its operations.

At the end of the review period, the total amount of outstanding senior secured notes totalled EUR 605 million consisting of the EUR 265 million senior secured floating rate notes and EUR 340 million senior secured fixed rate notes. The notes are listed on the Nasdaq Helsinki Stock Exchange and the Frankfurt Open Market. In total EUR 21.5 million of the Super Senior RCF was utilised.

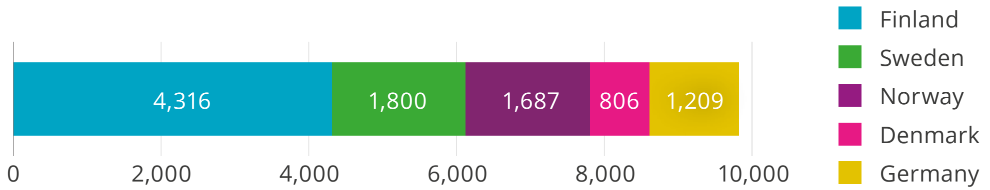
Personnel and Governance

During 2023, the PHM Group companies employed 9,817 people (LFL) on average across the five countries where the Group operates. Adjusted for the time the companies have been part of PHM the average number of employees was 8,389. Like-for-like personnel expenses adjusted for non-recurring items in January-December totalled EUR 369.4 million (359.5). Reported personnel expenses totalled EUR 307.5 million (225.5).

In 2023, the development of personnel management was particularly focused on strengthening the capabilities of supervisors, improving reporting and systems, and building HR functions in different operating countries. In various countries, supervisor training that had already begun continued. To deepen supervisor skills, supervisors participated in information sessions based on the employment lifecycle, covering topics such as work capacity management, employment matters, employer branding, recruitment practices, onboarding, HR system usage, and development discussions.

PHM Group's Board of Directors in 2023:
- Karl Svozilik (Chair)
- Marika af Enehjelm
- Tuomas Sarkola
- Ståle Angel
- Svein Olav Stølen

Number of employees 2023



PHM Group's Management Team in 2023:
- Ville Rantala, Group CEO
- Toni Mannila, Country Director, Finland
- Andreas Westin, Country Director, Sweden
- Jon Eldon, Country Director, Norway (until 11/2023)
- Kasper Bygholm, Country Director, Denmark (from 6/2023)
- Tommy Fredriksen, Country Director, Norway (from 11/2023)
- Petri Pellonmaa, Group CFO
- Eeva Tielinen, HR Director
- Juha Allonen, CIO
- Joni Paananen, Group General Counsel
- Hanna Haapakoski, Director, Corporate Responsibility and Communications

A more detailed description of PHM Group's governance can be found in the Corporate Governance Statement in the Annual Report.

Shares and shareholders

The parent company PHM Group Holding Oyj has one issued share and one class of shares. The only issued share is held by PHM Group TopCo Oy. PHM Group TopCo Oy is majority owned by funds managed by Norvestor Equity AS. Other major owners include funds managed by Intera Partners together with the Group's senior management and key employees.

Board of Directors' proposal concerning the distribution of profits

The parent company PHM Group Holding Oyj had EUR 208.4 million in distributable funds on 31 Dec 2023, of which the profit for the period was EUR 593.9 thousand. The Board of Directors proposes that EUR 1,468,116.80 shall be distributed from the fund for unrestricted equity as permitted by the terms and conditions of the company's financing arrangements.

Loans, liabilities and contingent liabilities to related parties

Transactions with related parties are presented in Note 6.1.

Corporate responsibility, statement of non-financial information and taxonomy disclosures

This section includes a description of corporate responsibility management at PHM Group, the statement of non-financial information, and disclosures in accordance with the EU Taxonomy Regulation.

Developing good governance and corporate responsibility is one of PHM Group's strategic development projects. The progress of corporate responsibility is monitored by the Group Management Team on a monthly basis. In the Group Management Team, the Director of Corporate Responsibility and Communications is in charge of corporate responsibility. Corporate responsibility issues are also discussed by the country-level management teams as necessary. PHM Group's Board of Directors monitors the development of corporate responsibility at least once every six months.

Statement of non-financial information

Description of the business model
PHM Group produces local property services in Finland, Sweden, Norway, Denmark and Germany. The company's

unique operating model is based on having boots on the ground close to customers, supported by a strong organisation and partner network. PHM Group is made up of local companies that take care of their customers' properties and outdoor areas with a proactive approach.

PHM Group's reporting of non-financial information includes social responsibility and employee-related issues, respecting human rights, the prevention of corruption and bribery, environmental issues, and the diversity of the management. PHM's corporate responsibility strategy has three cornerstones, which the company promotes through its business operations: good governance, a safe and diverse workplace, and the climate and the environment. "Good governance" includes the prevention of corruption and bribery, as well as the diversity of the management. The theme "a safe and diverse workplace" covers social responsibility, employee-related issues, and respecting human rights. The theme "climate and the environment" covers environmental issues.

Social responsibility and employee-related issues
PHM Group complies with labour law, collective agreements, occupational health and safety regulations, and other obligations. All PHM employees have a written contract of employment and the right to unionise. The company observes consistent HR practices, operating principles and policies. Professional payroll calculation ensures consistent wage payment practices. The company's operations are guided by PHM Group's Code of Conduct and the operating policies that specify how the company observes ethical business practices in employee-related matters.

During 2023, PHM introduced a Group-wide whistleblowing channel for reporting potential misconduct, as defined in the applicable legislation. The whistleblowing channel is available to both internal and external stakeholders on the Group's website.

PHM Group companies had, on average, a total of 9,817 employees (LFL) in five different operating countries in 2023. Adjusted for the periods of time the various companies were part of the Group, the average number of personnel was 8,389.

PHM measures employee satisfaction annually. According to the personnel survey conducted in Finland, Sweden, Norway, and Denmark in late 2023, the company's strengths include the supervisors' actions and the respondents' own work. Based on the survey, PHM's supervisors are approachable and fair, and they trust in the employees. According to the survey responses, the employees also feel that their work goes well: they are able to respond to the demands of their job and are able to put their skills to good use. The effectiveness of the workplace community was identified as a development area on the basis of the survey results. Development is needed, for example, with regard to the collaborative development of working methods, taking responsibility together, and ensuring that every member of the workplace community gets their voice heard.

Supervisors review the results of the personnel survey together with their teams. Units and teams use the results to prepare their respective development plans and actions, which will be monitored during the new year. The results are also utilised in planning Group-level development measures and the themes of supervisor training, as well as in actions related to the management of work ability.

PHM Group continued the development of occupational safety in 2023. The company's target is to reduce the number of occupational accidents by 50% each year compared to the previous year. PHM conducted an internal safety audit at 19 of the units in Finland (55 in 2022). Based on the audits, a total of 301 safety deviations, development areas and other observations were recorded. Corrective actions were taken in response to the observations in 2023 and will be continued in 2024. In 2023, a new safety reporting tool was deployed in Finland. It enables the reporting and centralised processing of safety observations, near misses, threatening and violent incidents, and occupational accidents.

PHM Group's lost time injury frequency (LTIF) in Finland was 19.2 in 2023 (26.5 in 2022). As the integration of accident reporting had not yet been completed in 2023, the indicator is not available for the other countries. PHM continuously develops the Group's occupational safety indicators and reporting capabilities. The reporting capabilities vary between operating countries due to the different countries being in different stages of development and integration, and due to strong growth.

PHM developed its safety management capabilities in its other operating countries by, for example, specifying safety requirements at the country and unit levels and by identifying resource needs. The development of centralised safety management and reporting is part of PHM Group's integration plan and also depends on the development stage of each operating country.

PHM Group has recognised that the availability of skilled professionals is a key risk related to its operations. The company seeks to mitigate this risk by supporting the units in recruitment and induction training, developing supervisory skills and the workplace culture, cooperating with educational institutions and participating in various employment promotion projects, and investing in the development of occupational safety and well-being at work. Diversity management is one example of the areas the company seeks to develop. In 2023, PHM Group continued its diversity, equity and inclusion (DEI) training activities in Finland and also expanded them to Sweden, Norway and Denmark.

Respecting human rights
PHM Group respects human rights and workers' rights. This is stated in PHM Group's Code of Conduct and included as a topic in related training activities. The company's aim is for all PHM employees to have completed training on the Code of Conduct.

At PHM, colleagues and job applicants are treated with respect and equality and without discrimination. The company does not condone any form of bullying, harassment or inappropriate conduct. PHM does not discriminate against anyone based on age, origin, nationality, language, religion, belief, opinion, political activity, trade union activity, family relations, health, disability, sexual orientation or other personal reasons.

PHM Group operates in Finland, Sweden, Norway, Denmark and Germany. The company also has supply chains that extend to various countries, including countries that have been identified as risk countries from a human rights perspective. PHM has determined that human rights issues in the supply chain are the most relevant risks in the company's business operations. For example, the use of temporary labour through subcontractors may involve risks related to working conditions, occupational safety and appropriate HR practices. With this in mind, the company seeks to promote responsibility throughout the supply chain and the realisation of human rights.

Development effort related to supply chain sustainability continued in 2023, particularly in Finland. PHM Group deployed a supplier portal in 2023 that enables the company to more effectively manage the fulfilment of sustainability requirements and other contractual obligations, for example. PHM Group also identified blacklisted suppliers with whom the company will no longer cooperate due to various sustainability-related reasons. The development of sustainable procurement will continue in 2024, particularly in PHM Group's operating countries outside Finland, by strengthening procurement competencies.

Potential risks related to the supply chain and human rights violations are addressed as part of the Group's risk management process. PHM Group was not informed of any human rights violations in its own operations or supply chains in 2023.

Anti-corruption and bribery

PHM Group does not condone bribery of any form in its business operations. All PHM Group employees are required to act with integrity and transparency. The company has a policy and training concerning the identification and prevention of corruption and bribery.

PHM Group's assessment is that the risk of corruption and bribery in the company's operating countries is present, but the company does not see this risk as being significant. The company focuses on guidelines for the prevention of corruption and bribery, as well as the continuous training of the personnel, and key employees in particular. The company's aim is for all PHM employees to have completed training on the Code of Conduct, and for all of PHM's key employees (senior management, middle management, the persons in charge of the support functions) to have completed training on the prevention of corruption and bribery. Anti-corruption and bribery training continued in 2023, with a total of 175 representatives of senior management, middle management and support functions participating in Finland, Sweden, Norway and Denmark. The training was completed by approximately 66% of the target group in 2023.

PHM Group was not informed of any incidents of corruption or bribery in its own operations or its supply chains in 2023.

Environmental issues

PHM Group has identified the environmental impacts of its business and is steering its operations towards a less environmentally damaging direction. PHM's day-to-day business operations involve a large number of kilometres driven using various vehicles, the use of machines and equipment, waste processing, the use of various chemicals, as well as landscaping and earthworks. Taking environmental safety into consideration is part of the safety requirements established for PHM Group's units. Compliance with the requirements is monitored in various ways, including internal audits. The aim of these measures is to ensure compliance with environmental regulations and the orders issued by the authorities.

PHM Group is committed to achieving climate neutrality in its own operations by 2035. The company has determined that reducing the greenhouse gas emissions arising from fuel consumption is one of the company's most significant environmental challenges. To enable a controlled and economical transition, the company launched development projects related to procurement, fleet management and reporting in various countries in the latter part of the year in accordance with its emission reduction plan.

PHM Group's car benefit policy was updated in 2023. According to the updated policy, the company will prioritise electric and hybrid vehicles as company cars in the future. In Finland, the company decided to switch to electrically powered light machinery, including leaf blowers, mowers, trimmers, saws and similar tools. The transition to electrically powered light machinery will continue in early 2024 in the other operating countries. PHM began to assess alternatives to production vehicles powered by internal combustion engines in 2023.

PHM Group has identified physical risks and transition risks related to climate change. The physical risks are mainly related to projections of decreasing snowfall, increasing rainfall and increased extreme weather phenomena, which is why the company aims to assess the long-term development of its service offering. The transition risks are primarily related to the development of fuel and energy prices in the medium and long term, which is why the company is continuously investigating alternatives to the use of fossil fuels in particular.

In 2023, PHM developed its emission reporting particularly with regard to indirect (Scope 3) emissions, and the company is reporting its Scope 3 emissions for the first time. The largest sources of emissions in this category were identified as purchased products and services, and commuting. The data PHM uses for reporting Scope 3 emissions is still limited and, with the exception of the Finnish operations, based on estimates. As a result, the reporting of Scope 3 emissions involves uncertainty, but it nevertheless helps the company establish a better overall picture of its climate impacts. PHM intends to develop the quality of climate reporting, also with regard to Scope 3 emissions, in the future.

PHM Group's total emissions (Scope 1, 2 and 3) in 2023 amounted to 100,300 tCO2e (76,400 tCO2e in 2022). The company's strong growth creates a particular challenge with regard to the reporting of emissions. In 2023, PHM made 29 acquisitions (34 in 2022), which is why the reported absolute greenhouse gas emissions increase sharply from one year to the next. Scope 1 and 2 emissions relative to revenue, which illustrates the emission intensity, amounted to 74 (66 in 2022).

Diversity of the management

Two of the ten members of PHM Group's Management Team are female. Of the members of the Management Team, nine are aged 30-50 and one is over 50 years of age. Various professional and academic backgrounds as well as four different nationalities are represented in the Management Team.

The principles concerning the diversity of the Board of Directors are taken into account in the election of the members of the Board of Directors. There are three different nationalities represented on the Board of Directors. Of the members of the Board of Directors, three are aged 30-50 and two are over 50 years of age. Various professional and academic backgrounds are represented in the Board of Directors. The Board of Directors has one female member and four male members.

Further information

More information on PHM Group's corporate responsibility, reporting boundaries and the GRI index is provided in the company's corporate responsibility report, which is published annually as part of the Annual Report.

PHM Group and the EU taxonomy

In this section, PHM Group discloses information in accordance with the following regulation: Regulation (EU) 2020/852 of the European Parliament and of the Council, issued on 18 June 2020, on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (Taxonomy Regulation).

Pursuant to the Taxonomy Regulation, companies that are subject to an obligation to report in accordance with the Directive on non-financial reporting (2014/95/EU) are required to observe the reporting requirements set out in the Taxonomy Regulation. PHM Group is subject to this obligation.

The EU's sustainable finance classification system, known as the EU taxonomy, aims to establish criteria for what kind of economic activities are environmentally sustainable, and thereby direct money to sustainable activities. Sustainable finance and sustainable capital markets are necessary for the achievement of the EU's climate and environmental objectives.

The taxonomy eligibility of companies is examined by determining whether their business operations fall within the scope of the economic activities described in the taxonomy. Taxonomy alignment is examined by comparing a company's economic activities with the technical screening criteria of the EU taxonomy. In addition, companies must show that the minimum social safeguards are met in its operations. Legally valid screening criteria have been published for economic activities that promote climate change mitigation and adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems.

In this taxonomy report, PHM reports on activities related to the two climate objectives, climate change mitigation and climate change adaptation, For the four other activities related to the environmental objectives of the EU taxonomy, PHM Group will assess their eligibility and alignment during 2024.

PHM Group's business operations were identified to contribute to the climate change mitigation objective. Therefore, PHM Group's taxonomy eligibility and taxonomy alignment have been evaluated against the criteria concerning climate change mitigation. PHM carried out its second assessment of taxonomy eligibility and taxonomy alignment for its activities in 2023.

In 2023, there have been no significant changes in the assessment of the taxonomy eligibility or alignment of PHM or in the content of the taxonomy report compared to the previous year. PHM strives to develop its taxonomy reporting capabilities in the coming years.

Taxonomy eligibility

PHM Group reports taxonomy at Group level. The assessment has been carried out with the company's finance and sustainability departments and taxonomy experts based on an analysis of the company's business. In examining taxonomy eligibility, three economic activities were identified that are relevant to PHM Group's business operations: 7.3. Installation, maintenance and repair of energy efficiency equipment, 7.5. Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings, and 9.3. Professional services related to energy performance of buildings.

Activity 7.3. was interpreted as particularly including the installation and replacement of energy-efficient lighting sources carried out by PHM's units, the installation and maintenance of heating, water and ventilation systems, and the installation of low-energy water supply solutions.

Activity 7.5. includes the installation and maintenance of thermostats, smart thermostat systems and sensor devices by PHM's units, as well as the maintenance of energy management systems at properties, lighting control systems, and smart electricity meters, among other things.

Activity 9.3. includes, in particular, energy surveys and energy efficiency assessments carried out by PHM's units as part of technical property services.

Taxonomy alignment
To assess taxonomy alignment, PHM Group has evaluated whether the criteria for making a substantial contribution to climate change mitigation are met. Most of PHM's business operations are related to contract-based services comprising various essential property maintenance and cleaning services. These services include activities that fall within the scope of the aforementioned taxonomy-eligible activities.

However, determining the share of individual taxonomy-eligible and taxonomy-aligned activities within the broader services is challenging at present due to reporting technicalities. Consequently, PHM's share of taxonomy-eligible and taxonomy-aligned activities indicated in this report is low. The market has also not yet established clear interpretations for the application of the criteria in the property services business.

Part of the assessment of taxonomy alignment is that companies must do no significant harm to the achievement of the EU's other environmental objectives. In accordance with the "do no significant harm" criteria, the company is required to carry out a comprehensive assessment of climate risks and vulnerabilities. While PHM Group takes climate risks into account in its operations, the company has not carried out climate risk assessments based on science and climate scenarios to the extent required by the taxonomy. With regard to pollution prevention and control, activity 7.3. is also subject to the requirement that the company must not manufacture, use or bring to the market any hazardous substances or compounds listed in certain EU Regulations and Directives. PHM complies with the relevant legislation in its procurement and operations, but unit-specific information on compliance with the boundary values for hazardous substances has not been reported. PHM's taxonomy-eligible activities are not subject to other "do no significant harm" criteria aside from climate change adaptation and pollution prevention.

The EU taxonomy requires companies to observe minimum social safeguards with regard to human rights, fair competition, the prevention of corruption and bribery, and taxation. PHM takes these themes into consideration in its business operations in accordance with its corporate responsibility strategy. More information on PHM's social responsibility practices is provided on the corporate responsibility report, which is published as part of the Annual Report.

Taxonomy indicators
Taxonomy eligibility and alignment was assessed in terms of three financial indicators: revenue, capital expenditure and operating expenditure. As not all of the alignment criteria for taxonomy alignment are met in the company's business operations due to the reasons mentioned above, PHM reports only the taxonomy-eligible share of the aforementioned indicators. PHM has determined that 1.5 per cent of its revenue (LFL, in accordance with International Accounting Standards) and 1.2 per cent of its operating expenditure (LFL, in accordance with International Accounting Standards) is taxonomy-eligible. No taxonomy-eligible capital expenditure was identified for PHM.

Revenue

PHM Group's taxonomy-eligible revenue (LFL, in accordance with International Accounting Standards) has been compared to PHM Group's total revenue. Taxonomy-eligible but not taxonomy-aligned revenue of EUR 11.3 million (1.5% of the Group's LFL revenue) was identified. The taxonomy-eligible revenue for activities 7.3. and 7.5. is related to the sales of additional services related to electricity, heating, water and ventilation systems by PHM's maintenance units, and the revenue of separate units that provide technical electricity, heating, water and ventilation system services. The activity-specific allocation of revenue is based on an estimate, as the additional service sales of PHM's units have not been categorised in the company's own accounting in a manner that corresponds to the economic activities specified in the taxonomy. PHM aims to increase the accuracy of its assessment methodology within the next few years. Revenue corresponding to activity 9.3. is generated from the energy consulting services provided by PHM's units in Sweden.

Capital expenditure

PHM Group's taxonomy-eligible capital expenditure has been compared to PHM Group's total capital expenditure. In the Delegated Regulation supplementing the Taxonomy Regulation, capital expenditure is defined as covering additions to property, plant and equipment and intangible assets during the financial period. No taxonomy-eligible capital expenditure was identified for PHM.

Operating expenditure

PHM Group's taxonomy-eligible operating expenditure (LFL, in accordance with International Accounting Standards) has been compared to PHM Group's total operating expenditure, excluding labour costs (employees and subcontracting). Taxonomy-eligible but not taxonomy-aligned operating expenditure of EUR 2.0 million (1.2% of the Group's LFL operating expenditure) was identified. In the Delegated Regulation supplementing the Taxonomy Regulation, operating expenditure is defined as covering direct non-capitalised costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets. PHM's taxonomy-eligible operating expenditure was identified as the material expenses associated with sales of additional services related to electricity, heating, water and ventilation systems by PHM's maintenance units. The calculation is based on the assumption that the material expense is distributed between the different types of services in the same ratio as taxonomy-eligible revenue.

Economic activities	Revenue (LFL, in accordance with International Accounting Standards) M€	%	Capital expenditure M€	%	Operating expenditure (LFL, in accordance with International Accounting Standards) M€	%
Taxonomy-eligible but not taxonomy-aligned activities	**11.3**	**1.5**	**0.0**	**0.0**	**2.0**	**1.2**
7.3 Installation, maintenance and repair of energy efficiency equipment	1.5	0.2	0.0	0.0	0.3	0.2
7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	4.2	0.6	0.0	0.0	0.7	0.5
9.3 Professional services related to energy performance of buildings	5.6	0.7	0.0	0.0	1.0	0.6
Non-taxonomy-eligible activities	**747.6**	**98.5**	**23.5**	**100.0**	**157.2**	**98.8**
Taxonomy-eligible and taxonomy-aligned activities	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
7.3 Installation, maintenance and repair of energy efficiency equipment	0.0	0.0	0.0	0.0	0.0	0.0
7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	0.0	0.0	0.0	0.0	0.0	0.0
9.3 Professional services related to energy performance of buildings	0.0	0.0	0.0	0.0	0.0	0.0
Group, total	**758.9**	**100.0**	**23.5**	**100.0**	**159.2**	**100.0**

PHM has no activities related to nuclear energy or fossil natural gas.

Events after the review period

The Group has continued its strategy of growing through acquisitions even after the year end and continues to have a strong pipeline of active dialogues. None of the closed transactions are such that it would have a material impact on the Group's business or financial position.

In March 2024, PHM Group Holding Oyj issued a tap issue of senior secured callable floating rate notes in a nominal amount of EUR 35 million under a framework of EUR 450 million. The net proceeds from the tap issue will be used for general corporate purposes and working capital purposes of the Group.

Key Figures

EUR million, unless otherwise specified	2023	2022
Reported		
Revenue (net sales)	624.9	483.3
EBITDA	86.2	71.9
Adjusted EBITDA	93.7	77.2
Adjusted EBITDA margin -%	15.0%	16.0%
Adjusted EBITA	65.0	56.0
Adjusted EBITA margin -%	10.4%	11.6%
Profit for the period	-2.3	14.2
Like-for-like (LFL)		
LFL Revenue	758.9	747.0
LFL EBITDA	108.4	106.4
LFL adjusted EBITDA	115.8	112.2
LFL adjusted EBITDA margin -%	15.3%	15.0%
LFL adjusted EBITA	80.8	78.8
LFL adjusted EBITA margin -%	10.6%	10.5%
Financial position		
Equity ratio, %	19.0%	20.6%
Net interest-bearing debt (NIBD)	647.8	421.2
Leverage, x	5.36	4.81
Interest coverage ratio, x	1.77	2.66
Operating cash flow before acquisitions	68.9	52.7
Cash conversion, %	79.9%	73.4%
Other		
Average number of employees, LFL	9,817	-
Average number of employees, Reported	8,389	5,615

Alternative performance measures (APM)

The company applies the ESMA (European Securities and Markets Authority) guidelines concerning the presentation of alternative performance measures.

The company uses and presents the following alternative performance measures to better illustrate the operational development of its business: operating profit before the amortisation of intangible assets (EBITA), EBITDA, adjusted EBITA, adjusted EBITDA, and like-for-like figures.

The items included in the aforementioned APMs consist of the following:

Adjusted EBITA and EBITDA	2023	2022
EBIT	**40.8**	**37.0**
Amortisation	16.7	13.6
EBITA	**57.5**	**50.6**
M&A related consultancy costs	2.9	2.8
Business related non-recurring items	4.1	1.7
Other non-recurring items	0.5	0.9
Adjusted EBITA	**65.0**	**56.0**
LFL impact of acquisitions made	15.7	22.8
LFL adjusted EBITA	**80.8**	**78.8**
EBIT	**40.8**	**37.0**
Depreciations	28.7	21.3
Amortisation	16.7	13.6
EBITDA	**86.2**	**71.9**
M&A related consultancy costs	2.9	2.8
Business related non-recurring items	4.1	1.7
Other non-recurring items	0.5	0.9
Adjusted EBITDA	**93.7**	**77.2**
LFL impact of acquisitions made	22.1	34.9
LFL adjusted EBITDA	**115.8**	**112.2**

Formulas of Key Figures

EBITDA = Operating profit + depreciations and amortisation

$$\text{EBITDA margin -\%} = \frac{\text{Operating profit + depreciations and amortisation}}{\text{Net sales}} \times 100$$

EBITA = Operating profit + amortisation

$$\text{EBITA margin -\%} = \frac{\text{Operating profit + amortisation}}{\text{Net sales}} \times 100$$

Adjusted EBITDA = EBITDA + non-recurring items

$$\text{Adjusted EBITDA margin -\%} = \frac{\text{Adjusted EBITDA}}{\text{Net sales}} \times 100$$

Adjusted EBITA = EBITA + non-recurring items

$$\text{Adjusted EBITA margin -\%} = \frac{\text{Adjusted EBITA}}{\text{Net sales}} \times 100$$

LFL Revenue (net sales) = Net sales + like-for-like adjustments

LFL EBITDA = EBITDA + like-for-like adjustments

LFL adjusted EBITDA = Adjusted EBITDA + like-for-like adjustments

$$\text{LFL adjusted EBITDA margin -\%} = \frac{\text{LFL adjusted EBITDA}}{\text{Net sales}} \times 100$$

LFL adjusted EBITA = Adjusted EBITA + like-for-like adjustments

Formulas of Key Figures

$$\text{LFL adjusted EBITA margin -\%} = \frac{\text{LFL adjusted EBITA}}{\text{Net sales}} \times 100$$

LFL synergy adjusted EBITDA = LFL adjusted EBITDA + run rate synergies

$$\text{Equity ratio, \%} = \frac{\text{Shareholders' equity}}{\text{Balance sheet total - advances received}} \times 100$$

Net interest bearing debt (NIBD) = Interest bearing liabilities - cash and cash equivalents

$$\text{Leverage, x} = \frac{\text{Net interest bearing debt (NIBD)}}{\text{LFL synergy adjusted EBITDA}}$$

$$\text{Interest coverage ratio, x} = \frac{\text{Interest costs, excluding interests on lease liabilities}}{\text{EBITA}}$$

Operating cash flow before acquisitions = EBITDA + change in working capital (excluding intra group liability to ultimate parent) + Proceeds from sale of tangible and intangible assets + Purchase of tangible and intangible assets

$$\text{Cash conversion, \%} = \frac{\text{EBITDA}}{\text{Operating cash flow before acquisitions}} \times 100$$

Average number of employees, LFL = The average number of employees at the end of previous financial year and of each calendar month during the accounting period including the number of employees of entities acquired during the previous financial year for the time which they have not been part of the Group

Average number of employees, Reported = The average number of employees at the end of previous financial year and of each calendar month during the accounting period

Consolidated Financial Statements (IFRS)

Consolidated Statement of Financial Position

EUR thousand	Note	31 Dec 2023	31 Dec 2022
Assets			
Non-current assets			
Goodwill	3.2	624,621	416,764
Intangible assets	3.3	183,198	124,978
Tangible assets	3.4	78,335	59,034
Right-of-use assets	3.5	47,701	26,536
Other shares and investments	4.8	3,011	3,223
Other receivables	3.6	842	332
Deferred tax assets	2.5	3,295	3,150
Total non-current assets		**941,004**	**634,018**
Current assets			
Trade receivables	3.6	87,121	56,204
Inventories		3,243	3,007
Loan receivables	4.3	138	291
Other current assets	3.6	29,171	15,049
Cash and cash equivalents	4.2; 4.4	35,026	31,632
Total current assets		**154,699**	**106,183**
Total assets		**1,095,703**	**740,201**

EUR thousand	Note	31 Dec 2023	31 Dec 2022
Equity and liabilities			
Equity			
Share capital	4.7	80	80
Fund for unrestricted equity	4.7	208,239	160,238
Retained earnings		-4,087	-393
Translation differences		3,296	-7,709
Equity attributable to equity holders of the parent		**207,527**	**152,216**
Total equity		**207,527**	**152,216**
Non-current liabilities			
Interest-bearing loans and borrowings	4.1-4.3; 4.5	603,940	418,297
Other non-current liabilities	3.7	3,375	7,923
Lease liabilities	3.5; 4.5	29,476	15,020
Deferred tax liabilities	2.5	43,723	30,961
Total non-current liabilities		**680,514**	**472,201**
Current liabilities			
Trade payables and other payables	3.7	155,898	98,401
Interest-bearing loans and borrowings	4.1-4.3; 4.5	24,706	4,314
Lease liabilities	3.5; 4.5	19,459	12,202
Income tax payable	2.5	7,598	866
Total current liabilities		**207,662**	**115,783**
Total liabilities		**888,176**	**587,985**
Total equity and liabilities		**1,095,703**	**740,201**

Consolidated Statement of Profit and Loss

EUR thousand	Note	1 Jan-31 Dec 2023	1 Jan-31 Dec 2022
Revenue (net sales)	2.1.	**624,904**	**483,282**
Other operating income	2.2.	3,541	3,547
Materials and services	2.2.	-155,538	-124,076
Employee benefit expenses	2.3., 5.1.	-307,493	-225,493
Depreciations, amortisations and impairment	3.2.; 3.3.; 3.4.	-45,400	-34,859
Other operating expenses	2.2.	**-79,194**	**-65,407**
Operating profit (EBIT)		**40,819**	**36,994**
Financial income	2.4.	4,140	486
Financial expenses	2.4.	-45,421	-22,743
Profit before tax		**-462**	**14,738**
Taxes	2.5.	-1,811	-539
Profit for the financial period		**-2,273**	**14,198**

Consolidated Statement of Other Comprehensive Income

EUR thousand	Note	1 Jan-31 Dec 2023	1 Jan-31 Dec 2022
Profit for the financial period		**-2,273**	**14,198**
Other items of other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations, net of tax		11,005	-8,052
Items that will not be reclassified to profit or loss in subsequent periods			
Other comprehensive income/(loss) for the year, net of tax		**11,005**	**-8,052**
Total comprehensive income for the financial period		**8,732**	**6,147**
Profit for the period attributable to			
Equity holders of the parent		-2,273	14,198

Consolidated Statement of Changes in Equity

2023			Equity belonging to the Parent Company			
EUR thousand	Note	Share Capital	Fund for unrestricted equity	Translation differences	Retained earnings	Total equity
Equity on 1 Jan 2023		**80**	**160,238**	**-7,709**	**-393**	**152,216**
Profit for the period		0	0	0	-2,273	-2,273
Other comprehensive income	4.7.	0	0	11,005	0	11,005
Total comprehensive income		**0**	**0**	**11,005**	**-2,273**	**8,732**
Increase in Fund for unrestricted equity	4.7.	0	48,000	0	0	48,000
Distribution of profit to Parent company	4.7.	0	0	0	-1,311	-1,311
Reclassification	4.7.	0	0	0	0	0
Other changes		0	0	0	-110	-110
Equity on 31 Dec 2023		**80**	**208,238**	**3,296**	**-4,087**	**207,527**

2022			Equity belonging to the Parent Company			
EUR thousand	Note	Share capital	Fund for unrestricted equity	Translation differences	Retained earnings	Total equity
Equity on 1 Jan 2022		**0**	**158,318**	**343**	**-13,219**	**145,442**
Profit for the period		0	0	0	14,198	14,198
Other comprehensive income	4.7.	0	0	-8,052	0	-8,052
Total comprehensive income		**0**	**0**	**-8,052**	**14,198**	**6,147**
Increase in Fund for unrestricted equity	4.7.	0	2,000	0	0	2,000
Distribution of profit to Parent company	4.7.	0	0	0	-1,315	-1,315
Reclassification	4.7.	80	-80	0	0	0
Other changes		0	0	0	-58	-58
Equity on 31 Dec 2022		**80**	**160,238**	**-7,709**	**-393**	**152,216**

Consolidated Statement of Cash Flows

EUR thousand	2023	2022
Operating activities		
Profit (loss)	-2,273	14,198
Adjustments to reconcile profit before tax to net cash flows:		
Income tax expenses	1,811	541
Depreciation and impairment	45,400	34,847
Finance income and expenses	41,284	22,257
Other adjustments	-3,846	-1,720
Change in working capital	545	-12,064
Other adjustments without payment	-2,792	2,564
Income tax paid	-3,439	-3,831
Net cash flow from operating activities	**76,689**	**56,792**
Net cash flow from investing activities		
Acquisition of tangible and intangible assets	-22,490	-17,711
Acquisition of a subsidiary, net of cash acquired (Note 3.1.)	-222,710	-87,507
Proceeds from sale of subsidiaries	0	465
Net cash flow from investing activities	**-245,201**	**-104,754**

EUR thousand	2023	2022
Net cash flow from financing activities		
Proceeds from fund for unrestricted equity	48,002	16,331
Paid dividends and other distribution of profit	-1	-
Net change in borrowings	178,655	81,224
Net interests and finance costs paid	-35,083	-20,933
Payments of lease liabilities	-18,807	-14,834
Net cash flow from financing activities	**172,767**	**61,788**
Net increase in cash and cash equivalents	**4,255**	**13,827**
Effect of exchange rate changes on cash and cash equivalents	-861	-525
Cash and cash equivalents at 1 Jan (4.4.)	31,632	18,331
Cash and cash equivalents at 31 Dec	**35,026**	**31,632**

Notes to the Consolidated Financial Statements

1. Key Accounting Policies and Consolidation

1.1. General information

Corporate information

PHM Group Holding Oyj ("Parent company" or "Company") is a limited company incorporated and domiciled in Finland and whose share is not publicly listed. The registered office is in Helsinki, Uusimaa, Finland. In the beginning of the fiscal year 2023 PHM Group Holding Oyj had outstanding senior secured callable fixed rate notes with a principal amount of EUR 340 million and senior secured callable floating rate notes in total amount of EUR 70 million. During the fiscal year PHM Group Holding Oyj has issued senior secured callable floating rate notes in the amount of EUR 55 million on 29 June 2023 and EUR 140 million on 26 October 2023 increasing the total amount of senior secured callable floating rate notes to EUR 265 million at year end. The notes are listed on the Nasdaq Helsinki Stock Exchange and the Frankfurt Open Market.

PHM principally provides services within property services. Information about the PHM's group structure is provided below. Information on other related party relationships of PHM is provided in Note 5.1.

The consolidated financial statements for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 23 April 2024. PHM's financial statements, Board of Directors' report and Auditor's report are available at the website www.phmgroup.com/investors/ and in the Group's head office at Takomotie 1-3, 00380 Helsinki, Finland. In accordance with Finnish Limited Liability Act, shareholders may adopt or reject the financial statements at the Annual General Meeting held after the publication. The annual general meeting can decide on changing the financial statements.

Parent company information

PHM Group Holding Oyj was founded on 6 March 2020 when funds controlled by Norvestor Equity AS acquired a controlling interest in PHM Group. PHM Group Holding Oyj is consolidated into PHM Group TopCo Oy. The ultimate parent of this Group is PHM Group TopCo Oy.

Information about subsidiaries

The consolidated financial statements of PHM include the following subsidiaries, which all provide property services to their customers. More information about the consolidation principles is presented in Note 1.2. Basis of preparation.

The consolidated financial statements of the Group include:		**% equity interest**	
Name	**Country of incorporation**	**2023**	**2022**
Cateva Oy	Finland	100	100
EPV Kiinteistöpalvelu Oy	Finland	100	100
Eurajoen Kiinteistöpalvelu Oy	Finland	100	100
Golden Shine Oy	Finland	100	-
Green Carpet Turku Oy	Finland	100	-
Helmi Saneerauspalvelut Oy	Finland	100	100
Janitor Oy *	Finland	100	100
Joensuun Seudun Talohuolto	Finland	100	100
JS Fastighetsservice Ab Oy	Finland	100	-
JS-Ilmastointipuhdistus Oy *	Finland	100	100
Jurvelin Oy	Finland	100	100
Kanta-Hämeen Kiinteistöala Oy	Finland	100	100
Karsikon Talohuolto Oy	Finland	100	100
Kiinteistöhoito Juhala Oy	Finland	100	100
Kiinteistöhuolto 3J Oy	Finland	100	100
Kiinteistöhuolto Honkapää Oy	Finland	100	100

The consolidated financial statements of the Group include:		% equity interest	
Name	Country of incorporation	2023	2022
Kiinteistöhuolto J Rusanen Oy	Finland	100	100
Kiinteistöhuolto Kantola Oy	Finland	100	100
Kiinteistöhuolto Lyijynen Oy	Finland	100	100
Kiinteistöhuolto Rantanen Oy	Finland	100	100
Kiinteistöpalvelu Tim Turunen Oy	Finland	100	100
Kiinteistötyöt Neitola Oy	Finland	100	-
Kirkas-Siivous Oy	Finland	100	100
Kotikatu Group Oy	Finland	100	100
Kotikatu Holding Oy *	Finland	100	100
Kotikatu Jokilaakso Oy	Finland	100	100
Kotikatu Oy	Finland	100	100
Kotkan Kiinteistöpalvelu Oy	Finland	100	100
Kouvolan Talohuolto Oy	Finland	100	100
Lappeen Huoltomestarit Oy	Finland	100	100
Lintula Oy	Finland	100	100
Luotsi Kiinteistöpalvelut Oy	Finland	100	100
Meranti Siivouspalvelut Oy	Finland	100	100
Moxley Oy	Finland	100	100
Nokian Kiinteistöhuolto Oy	Finland	100	100
P. Kiinteistöpalvelut Oy	Finland	100	100
PHM Finland Oy *	Finland	100	100
PHM Group Holding Oyj	Finland	100	100
PHM Group Oy	Finland	100	100
PHM Group Services Oy *	Finland	100	100
PHM Holding Oy *	Finland	100	100
PHM Liikekiinteistöt Oy	Finland	100	100
Pirkan Ympäristöpalvelut Oy	Finland	100	100
Pirkanmaan Duo Siivouspalvelut Oy	Finland	100	100

The consolidated financial statements of the Group include:		% equity interest	
Name	Country of incorporation	2023	2022
Pirkanmaan Talotoimi Oy	Finland	100	100
Pirkanmaan Viemäritekniikka Oy *	Finland	100	100
PK Kuivaus Oy	Finland	100	100
Porvoon Huoltomiehet Oy	Finland	100	-
Porvoon Talotiimi Oy	Finland	100	100
Puhtaasti Mäkinen Oy *	Finland	100	100
Pukinmäen Kiinteistöhuolto PKH Oy *	Finland	100	100
Punavaara Oy	Finland	100	-
Purkat Oy	Finland	100	100
QSC Group Oy	Finland	100	100
Raahen Talonhoito Oy	Finland	100	100
Savon Talohoito STH Oy	Finland	100	100
Siniservice Oy *	Finland	100	100
Sähköasennus Salminen Oy	Finland	100	100
Tankkipojat Oy	Finland	100	100
TL-Maint Oy	Finland	100	100
TR-Kiinteistöhuolto Oy	Finland	100	-
Turun Kiinteistöässä Oy	Finland	100	100
Turun Sähköhuolto Oy *	Finland	100	100
Turun Talopalvelu Oy *	Finland	100	100
Unce Oy	Finland	100	100
Vakka-Suomen Talohuolto Oy	Finland	100	-
Valkeakosken Kiinteistöpalvelu Oy	Finland	100	100
Vammalan talonmies ja siivouspalvelu Oy	Finland	100	100
Vihdin Rakennustekniikka VRT Oy	Finland	100	100
Viherkehä Oy	Finland	100	100
Bredablick Facility Services Ab	Sweden	100	-
Bredablick Förvaltning i Sverige Ab	Sweden	100	-

The consolidated financial statements of the Group include:		% equity interest	
Name	Country of incorporation	2023	2022
Bredablick Förvaltning Riks Ab	Sweden	100	-
Bredablick Förvaltning Stockholm Ab	Sweden	100	-
Bredablick Förvaltning Värmland Ab	Sweden	100	-
Bredablick Juridik Ab	Sweden	100	-
Bredablick Teknisk Förvaltning Skåne Ab	Sweden	100	-
Bredablick Teknisk Förvaltning Väst Ab	Sweden	100	-
Bromma Fönsterputs Ab	Sweden	100	100
Caros i Västerås AB	Sweden	100	-
Castanove Förvaltning AB	Sweden	100	-
Cemi Ab	Sweden	100	100
Crendo Fastighetsförvaltning Ab	Sweden	100	100
Cubile Utemiljö Ab	Sweden	100	-
Driftia EL Ab	Sweden	100	100
Driftia Förvaltning Ab	Sweden	100	100
F.T Drift Ab	Sweden	100	100
Fastighet Mark Teknik Förvaltning Norr Ab	Sweden	100	100
FF Fastighetsservice Ab	Sweden	100	100
Flow Fastighetsvärden Ab	Sweden	100	100
Fönsterputskåren i Stockholm Ab	Sweden	100	100
Förvaltnings Aktiebolaget Graden Ab	Sweden	100	100
Gröna Gården Ab	Sweden	100	100
Gutens Fastighetsservice Ab	Sweden	100	100
Hagtorn Fastighetsservice Ab	Sweden	100	-
Hagtorn VVS Ab	Sweden	100	-
Hemma Bäst Bidco Ab	Sweden	100	100
Höga Kusten Skog och Fastighet Ab	Sweden	100	100
International NordicLife Byggservice Ab	Sweden	100	100
International NordicLife Förvaltning Ab	Sweden	100	100
International NordicLife Teknik Ab	Sweden	100	100

The consolidated financial statements of the Group include:		% equity interest	
Name	Country of incorporation	2023	2022
Keyline Städ & Konsult Ab	Sweden	100	-
Lilla Kloster Rena Rum Ab	Sweden	100	-
Lilla Kloster Service Ab	Sweden	100	-
Lilla Kloster VVS Ab	Sweden	100	-
Lövets AB	Sweden	100	100
Majornas Energi & Miljökonsult Ab	Sweden	100	-
Mark & Fastighetsservice i Kalmar Ab	Sweden	100	100
Mark Fastighet Mälardalen Ab	Sweden	100	-
MARK Redovisarna AB	Sweden	100	-
MBA Bygg Ab	Sweden	100	-
MBA Fastighetsservice Ab	Sweden	100	-
Miljö & Trädgårdsservice i Stockholm Ab	Sweden	100	100
Nordic Part Resources Ab	Sweden	100	-
Nordstaden Stockholm Ab	Sweden	100	100
Norrland Park & Mark AB	Sweden	100	-
Optimal Service Sverige Ab	Sweden	100	100
Optimal Service Väst Ab	Sweden	100	100
Parkkompaniet i Boden Ab	Sweden	100	100
Part Halmstad Fastighetsförvaltning Ab	Sweden	100	100
PHM Redovisning Ab	Sweden	100	100
PHM Sweden Ab	Sweden	100	100
Princip Redovisning Ab	Sweden	100	100
Renew Service Ab	Sweden	100	100
Serviceuppdrag Sverige AB	Sweden	100	100
Svealands Fastighetsteknik Ab	Sweden	100	100
Tingvalla Mark AB	Sweden	100	100
Tomina Ab	Sweden	100	100
UBC Teknisk Förvaltning i Uppsala Ab	Sweden	100	-
Upplands Fastighetsservice Ab	Sweden	100	-

The consolidated financial statements of the Group include:		% equity interest	
Name	Country of incorporation	2023	2022
Vänerförvaltning Ab	Sweden	100	-
Västerås Service & Anläggning Ab	Sweden	100	100
Västmanlands Byggtjänst Ab	Sweden	100	100
Västmanlands Fastighetsskötsel Ab	Sweden	100	100
We Go Fastighet Ab	Sweden	100	-
1 Hjelpende Hånd AS	Norway	100	-
993 Hjelp As *	Norway	100	100
AJ Eiendomsforvaltning AS	Norway	100	-
Aktiv Ventilasjon AS	Norway	100	-
Alliansen Renhold As *	Norway	100	-
Asker & Bærum Vaktmesterkompani AS	Norway	100	-
Asker og Bærum Grøntmiljø AS	Norway	100	-
B.O Drift AS *	Norway	100	-
Bergen Vaktmestertjenester AS	Norway	100	-
Bonitas Eiendomsforvaltning AS	Norway	100	-
Boservice AS	Norway	100	-
Brabo Sør AS	Norway	100	-
Bryn Bydrift AS	Norway	100	-
Bygårdsservice AS	Norway	100	-
Christiania Forvaltning & Eiendom AS	Norway	100	-
Danielsen Service AS	Norway	100	-
Din Vaktmester As	Norway	100	100
EC Renhold As *	Norway	100	100
Eiendomsnøkkelen Forvaltning AS	Norway	100	-
Gaards-Service AS	Norway	100	-
Grønt og Hvitt Eiendomsservice AS	Norway	100	-
Gårdreform AS	Norway	100	-
Gårdreform Snø og Grønt AS	Norway	100	-

The consolidated financial statements of the Group include:		% equity interest	
Name	Country of incorporation	2023	2022
Halvorsen Service Partner AS	Norway	100	-
Heimdal Vaktmesterservice AS	Norway	100	-
Kilderent As *	Norway	100	100
Lettstyrt AS	Norway	100	-
Montasjelaget As *	Norway	100	100
Okonomiske Losninger As *	Norway	100	100
Olies Renhold As *	Norway	100	100
Oslo Renhold AS	Norway	100	-
Oslo Veggdyrkontroll AS	Norway	100	-
PBT Eiendomsdrift As *	Norway	100	100
PBT Eiendomsdrift Øst As	Norway	100	100
PBT Gruppen As *	Norway	100	100
PHM Norge As	Norway	100	100
Ren Dunk AS	Norway	100	-
Ren Service As	Norway	100	100
RenBolig Service og Omsorg AS	Norway	100	100
Rene Bygårder As	Norway	100	100
Rene Trapper As	Norway	100	100
Rokke Hageservice AS	Norway	100	100
Sefbo AS	Norway	100	-
Sefbo Forvaltning AS, avd. Oslo *	Norway	100	-
Sefbo Forvaltning AS, avd. Sandnes *	Norway	100	-
Sefbo Forvaltning AS, avd. Stabekk	Norway	100	-
Sefbo Holding AS	Norway	100	-
Siddis Hus og Hageservice AS	Norway	100	-
Skandinavisk Utemiljø As *	Norway	100	100
Svendsen Vaktmester & Vedlikeholdservice AS *	Norway	100	100
Trappevask Service As	Norway	100	100

The consolidated financial statements of the Group include:		% equity interest	
Name	**Country of incorporation**	**2023**	**2022**
Trondheim Renholdsservice AS *	Norway	100	100
UM Eiendomsdrift AS	Norway	100	100
Uterom Entreprenor As	Norway	100	100
Vaktmester Andersen AS	Norway	100	-
Vaktmester.no AS	Norway	100	-
Vaktmester-Gruppen As *	Norway	100	100
Vaktmestertjenesten AS	Norway	100	-
Altipolering ApS	Denmark	100	100
Altiren A/S	Denmark	100	100
Daseko ApS	Denmark	100	100
Ejendomsvirke A/S	Denmark	100	100
Grindsted Vinduesservice ApS	Denmark	100	100
KRS Service ApS	Denmark	100	100
Meincke's Total-Service A/S	Denmark	100	-
OK Rengoring A/S	Denmark	100	100
PHM Denmark A/S	Denmark	100	100
Saniservice ApS	Denmark	100	-
Sundby Rengorings Service ApS	Denmark	100	100
Taurus Ejendomsadministration A/S	Denmark	100	-
TIP TOP Ejendomsservice ApS	Denmark	100	100
Vækst & Miljø A/S	Denmark	100	-
WA ApS	Denmark	100	100
BBP Gesellschaft für Haus- und Versorgungstechnik GmbH	Germany	100	100
Corporate Care Organisation & Unternehmensbetreuung GmbH	Germany	100	100
HQM Hanse Quartiersmanagement GmbH	Germany	100	100
Marnach Hauswartung GmbH	Germany	100	-
Münz-24 GmbH	Germany	100	100

The consolidated financial statements of the Group include:		% equity interest	
Name	**Country of incorporation**	**2023**	**2022**
MÜTRA Objektmanagement GmbH	Germany	100	-
PHM Deutschland GmbH	Germany	100	100
Schultz BGM GmbH	Germany	100	100
Schultz EGM GmbH	Germany	100	100
Schultz GFS GmbH	Germany	100	100
Schultz Gruppe GmbH	Germany	100	100
Schultz IGM GmbH	Germany	100	100
Schultz TGM GmbH	Germany	100	100
Schultz TKD GmbH	Germany	100	100
Sophienterassen Quartiersmanagement GmbH & Co. KG	Germany	100	100

* Entity was merged during the 2023 financial period.

1.2. Basis of preparation

Basis of accounting

The consolidated financial statements of PHM Group Holding Oyj have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC Interpretations as adopted by European Union as of 31 December 2023. The notes to the financial statements also comply with the Finnish accounting and corporate legislation. These financial statements are prepared on a going concern basis. The condition of the assumption is that the group has adequate resources to continue its operations and that the management will continue the operations for at least one fiscal year from the end of the previous reporting period. The effects of the amended IFRS standard applied from the beginning of the fiscal year 2023 on the consolidated financial statements were not significant.

The consolidated financial statements have been prepared on a historical cost basis, unless otherwise stated in the accounting policies below. The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand, except when otherwise indicated. Therefore, the sum of individual numbers may deviate from the presented sum figure due to rounding differences. The comparative year information is presented in brackets after the information for the current financial year. In the fiscal year 2023, the group has grown strongly through acquisitions, which is why the figures for the consolidated result and balance sheet are not fully comparable in all respects.

The consolidated IFRS financial statements as of 31 December 2023 contain comparative information for the period ended 31 December 2022.

Significant events during fiscal year

Acquisitions and disposals

Acquisitions are a key element of PHM's strategy. The property services market is characterised by a very fragmented competitive landscape and therefore the number of acquisitions made by PHM is typically high. In 2023, PHM successfully continued executing its acquisition strategy. M&A activity reached an all-time high as PHM completed both strategic acquisitions as well as continued its expansion outside the Nordics. The most significant transactions were the acquisitions of PHM's main competitors Sefbo Group in Norway and Bredablick Group in Sweden. The acquisitions strengthen PHM's position as the market leader in both countries and secure its position as the leading consolidator in the market.

Financing

To ensure its ability to continue to execute its growth strategy, the Group strengthened its financial position by substantially increasing the amount of financing available to the Group in 2023. During the review period, PHM issued two tap issues of its senior secured callable floating rate notes due in June 2026, increased the framework relating to the notes from EUR 200 million to EUR 450 million, and increased its Super Senior RCF to EUR 77.5 million. New notes were issued in the nominal amount of EUR 195 million, of which EUR 140 million during the last quarter to finance the acquisition of Sefbo. Demand for the issues was good and the notes were issued at a price above par, demonstrating the markets' confidence in PHM's strategy and the strong resilience of its operations.

At the end of the review period, the total amount of outstanding senior secured notes totalled EUR 605 million, consisting of EUR 265 million senior secured floating rate notes and EUR 340 million senior secured fixed rate notes. The notes are listed on the Nasdaq Helsinki Stock Exchange and the Frankfurt Open Market. In total EUR 21.5 million of the Super Senior RCF was utilised at the end of the review period.

Consolidation principles

The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by PHM Group (its subsidiaries). PHM has control of an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Acquired subsidiaries are consolidated from the date on which control is transferred to PHM, and are no longer consolidated from the date that control ceases.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with PHM's accounting policies. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests are presented in the consolidated statement of financial position as within equity, separately from equity attributable to shareholders. Non-controlling interests are separately presented in the statement of other comprehensive income. There have not been non-controlling interests in the fiscal year or in the comparison year.

Segment reporting

PHM has one reportable segment. The reported segment comprises of the Group, PHM Group Holding Oyj, and the segment figures are consistent with PHM Group Holding Oyj Group's figures. See further information in the note 2.1. Revenue from contracts with customers.

Currencies

Functional currency

PHM's consolidated financial statements are presented in euros, which is also the parent company's functional currency. For each entity, PHM determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Primary and subsequent recording

Transactions in foreign currencies are initially recorded by PHM's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss apart from monetary items that are designated as part of the hedge of PHM's net investment in a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Group consolidation

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Current versus non-current classification

PHM presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is expected to be realised or intended to be sold or consumed in the normal operating cycle, is held for trading, or is expected to be realised within 12 months. Cash and cash equivalent items are presented as current assets unless restricted from being exchanged or used to settle a liability for longer than 12 months.

A liability is current when it is expected to be settled in the normal operating cycle, is held primarily for trading or is due to be settled within 12 months, or there is no unconditional right to defer the settlement over a period of 12 months.

Fiscal year 2022, cash flow adjustment

Cash flow reporting was amended in the year end 2023. Comparable data from fiscal year 2022 was adjusted to align with the fiscal year 2023. Net cash flow from operating activities for the comparison year 2022 increased, when finance income and expenses were adjusted by EUR 1.3 million. Respectively, net cash flow from financial activities decreased by EUR 1.3 million, as net change in borrowings was adjusted for the comparison year. There was no effect on cash and cash equivalents balance.

1.3. Accounting estimates and judgements applied in the preparation of the financial statements

The preparation of PHM's consolidated financial statements requires management to use judgement, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The actual values may differ from these estimates and assumptions.

The most significant accounting policies requiring judgement by the management and the key factors of uncertainty related to estimates are presented in the following notes:
- Business combinations, value of net assets acquired and contingent considerations (Note 3.1)
- Goodwill impairment testing (Note 3.2)
- Expected credit losses (Note 4.1)
- Leases (Note 3.5)

1.4. New and updated IFRS standards

PHM adopts the new and amended standards and interpretations, if applicable, when they become effective. The new and amended standards that become effective on 1 January 2023 or later are not expected to have a significant impact on PHM's consolidated financial statements.

The following new and amended standards have been issued and become effective on 1 January 2023 or later. PHM's perspective about the relevancy of each amended standard have been included in the summary below.

Disclosure of Accounting Policies - Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements (effective for financial years beginning on or after 1 January 2023)

The amendments clarify the application of materiality to disclosure of accounting policies.

Definition of Accounting Estimates - Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for financial years beginning on or after 1 January 2023)

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 Income Taxes (effective for financial years beginning on or after 1 January 2023)

The amendments narrow the initial recognition exemption (IRE) and clarify that the exemption does not apply to transactions such as leases and decommissioning obligations which give rise to equal and offsetting temporary differences.

International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12 Income Taxes (the temporary mandatory exception is effective immediately upon publication on 28 May 2023; disclosures requirements are effective for annual reporting periods beginning on or after 1 January 2023).

The amendments give relief from accounting for deferred taxes arising from the OECD's (Organisation for Economic Co-operation and Development) international tax reform and require new disclosures to compensate for the potential loss of information resulting from the relief.

Lease Liability in a Sale and Leaseback - Amendments to IFRS 16 Leases * (effective for financial years beginning on or after 1 January 2024, early application is permitted)

The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since the implementation of IFRS 16 in 2019.

Amendments to IAS 1 Presentation of Financial Statements *: Classification of Liabilities as Current or Non-current Date; Classification of Liabilities as Current or Non-current - Deferral of Effective Date; Non-current Liabilities with Covenants (effective for financial years beginning on or after 1 January 2024, early application is permitted)

The amendments are to promote consistency in application and clarify the requirements for determining if a liability is current or non-current. The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. The amendments require to disclose information about these covenants in the notes to the financial statements. The amendments also clarify transfer of a company's own equity instruments is regarded as settlement of a liability. Liability with any conversion options might affect classification as current or non-current unless these conversion options are recognized as equity under IAS 32.

Supplier Finance Arrangements - Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures * (effective for financial years beginning on or after 1 January 2024, early application is permitted)

The amendments enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. Amendments require to disclose quantitative and qualitative information about supplier finance programs.

Lack of Exchangeability - Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates * (effective for financial years beginning on or after 1 January 2025, early application is permitted)

The amendments require to apply a consistent approach in assessing whether a currency can be exchanged into another currency and, when it cannot, in determining the exchange rate to use and the disclosures to provide.

* not yet endorsed for use by the European Union as of 31 December 2023

2. Group Performance

2.1 Revenue from contracts with customers

Accounting principles

Revenue recognition
Revenue from contracts with customers is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which PHM expects to be entitled in exchange for those goods or services. The control is transferred over time. PHM acts as a principal in its revenue arrangements, as it typically controls the goods or services being transferred to the customers.

Performance obligations
PHM's customer contracts include mainly property maintenance and technical services. PHM recognises revenue from the property maintenance services over time as the services are rendered. The property maintenance services are invoiced mainly monthly based on services rendered. The additional services are invoiced separately based on hourly fees and the revenue is recognised accordingly over time when services are rendered.

In addition to property maintenance services, PHM provides short-term projects, e.g. sauna and playground refurbishments. The short-term projects typically last for 1-6 months in all operating countries. PHM periodises the revenue of short-term projects for each month work has been performed and thus, recognises revenue over time. The revenue from the short-term projects has not been significant during the fiscal year.

Variable consideration
Rendering of services may include variable consideration e.g. discounts, penalties for delay and customer claims. If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

PHM's contracts with customers do not include significant variable considerations.

Trade receivables
A receivable represents PHM's right to an amount of consideration that is unconditional, i.e., only the passage of time is required before payment of the consideration is due. Further information is disclosed in note 3.6 Trade and other receivables.

Other principles
PHM's contracts with customers do not include significant financing components.

PHM's contracts with customers do not include non-cash considerations.

PHM does not provide any warranties to its customers that would be considered as separate performance obligations. PHM's short-term project customer contracts include warranties, which guarantee to the customer that services performed comply with the agreed specifications. Typically, the contracts contain standard warranties in accordance with the overall industry practice and no service-type warranties are provided to the customers.

Segment information
PHM reports its business operations as one segment, which is in line with the internal reporting delivered to the chief operating decision maker. The chief operating decision maker of PHM is the board of directors.

The Group is in the business of providing property services and additional technical services. In addition, PHM provides short-term refurbishment projects. The property services have similar financial characteristics and are also similar in terms of nature of service production processes, type of customer, and methods used in service distribution.

Since PHM is managed as one segment by the chief operating decision maker and the management reporting only consist of Group level reporting, PHM only has one operating segment.

Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

EUR thousand	31 Dec 2023	31 Dec 2022
Type of service		
Contract revenues	319,435	251,324
Sale of additional services	302,056	231,082
Other sales	3,412	876
Total revenue from contracts with customers	**624,904**	**483,282**

Geographical markets	Contract sales	Additional sales	Total 31 Dec 2022
Finland	142,726	138,257	280,984
Sweden	59,072	73,733	132,806
Norway	24,221	11,444	35,666
Denmark	19,988	4,956	24,944
Germany	5,317	3,567	8,884
Total revenue from contracts with customers	**251,324**	**231,958**	**483,282**

Geographical markets	Contract sales	Additional sales	Total 31 Dec 2023
Finland	159,012	139,717	298,729
Sweden	63,552	104,659	168,211
Norway	35,368	32,657	68,024
Denmark	36,784	12,610	49,394
Germany	24,721	15,826	40,546
Total revenue from contracts with customers	**319,435**	**305,469**	**624,904**

Geographical markets	Contract sales	Additional sales	Total 31 Dec 2022
Timing of revenue recognition			
Services transferred over time	251,324	231,958	483,282
Total revenue from contracts with customers	**251,324**	**231,958**	**483,282**

In the chart above other sales are included in "additional sales" column.

Geographical markets	Contract sales	Additional sales	Total 31 Dec 2023
Timing of revenue recognition			
Services transferred over time	319,435	305,469	624,904
Total revenue from contracts with customers	**319,435**	**305,469**	**624,904**

2.2. Other operating income and expenses

Accounting principles

Other operating income
Other operating income includes income that does not directly relate to income from PHM's operating activities.

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. Government grants have been recognised within other income. There have been no material grants during the financial period of 2023 or the comparison period.

"Other income" in total other operating income during the periods presented include mainly annual rebates and rent income.

EUR thousand	2023	2022
Insurance compensations	697	554
Capital gains on fixed assets	1,329	1,342
Other income	1,515	1,651
Total other operating income	**3,541**	**3,547**

Other operating expenses
Other operating expenses include other operating expenses, which are not considered to be cost of good sold.

The other operating expenses consist mainly of machinery and equipment expenses, marketing and administrative expenses, IT expenses and voluntary personnel costs.

EUR thousand	2023	2022
Machinery and equipment expenses	-37,372	-30,677
Marketing and administrative expenses	-17,890	-13,740
IT expenses	-10,380	-7,855
Voluntary personnel costs	-6,342	-4,836
Expenses for premises	-4,490	-3,295
Short-term and low value leases	-272	-695
Travel expenses	-2,729	-2,010
Other operating expenses	8	-2,992
Total other operating expenses	**-79,194**	**-65,407**

Audit fees

EUR thousand	2023	2022
Audit services	-748	-635
Consulting services	-76	-23
Total fees to auditors	**-824**	**-658**

Materials and services

Materials and services consists of acquisitions of typical equipment and materials related to the inventory and services provided to customers. If inventory value is written off it is booked to materials in costs of goods sold.

2.3. Employee benefit expenses and average headcount

Accounting principles

Short-term employee benefits
Short-term employment benefits include salaries, bonuses as well as benefits in kind, annual holidays and bonuses. They are recorded in the period in which the employees perform the work in question.

PHM provides pension benefits in accordance with local statutory regulation. The current plans are defined contribution based plans and therefore the contributions payable are recognised as expenses in the statement of profit and loss for the period to which the payments relate.

PHM has an annual bonus plan and PHM accrues for the bonus on a monthly basis.

Post employment benefit
The post-employment benefit plans in PHM are contribution-based arrangements. PHM does not have legal obligations to pay any additional amounts related to the defined contribution plans. The payments made to the defined contribution plans are recognised in the statement of profit and loss during a financial period to which they relate.

Employee benefit expenses

EUR thousand	2023	2022
Wages and salaries	-249,150	-182,832
Social security costs	-31,360	-19,352
Pension expenses	-26,984	-23,309
Total employee benefit expenses	**-307,493**	**-225,493**

Average headcount of employees

	2023	2022
Average headcount of employees during the period	**8,389**	**5,615**

Salaries, fees and benefits paid for the Board of Directors and for the Group management

Please see Note 5.1. Related party transactions for information regarding compensation to Board of Directors and the Group management.

2.4. Financial income and financial expenses

Accounting principles

Financial income and expenses are recognised in the period during which they are incurred. Interest income and expenses are recognised using the effective interest method. More information regarding the financial instruments is presented in Notes 4.1, 4.2 and 4.4. Accounting policies relating to lease agreements are presented in Note 3.5.

The financial income of PHM consists mainly of interest income and foreign currency exchange gains. The financial expenses relate mostly to loans' interest payment.

Financial income

EUR thousand	2023	2022
Interest income	1,667	111
Foreign currency exchange gains	2,313	355
Dividends received	2	3
Other financial income	158	17
Total financial income	**4,140**	**486**

Financial expenses

EUR thousand	2023	2022
Interest on debts and borrowings	-32,413	-19,007
Interest expenses from leases	-1,999	-1,071
Foreign currency exchange losses	-9,019	-809
Other finance costs	-1,990	-1,856
Total financial expenses	**-45,421**	**-22,743**

2.5. Income tax

Accounting principles

Income taxes consist of taxes based on the taxable income of the fiscal year and deferred taxes. Taxes recorded on items in the income statement are included in income taxes in the income statement. The tax effect of other items of comprehensive income is recorded in other items of comprehensive income.

Current income tax

Taxes based on taxable income are recorded according to the local tax rules of each country using the applicable tax rate. If there is uncertainty included in interpretations of the income tax rules, company estimates if a company is able to fully utilise the tax position that is stated in income tax computation. If necessary, tax bookings are adjusted to reflect the changes in tax position.

Deferred tax

Deferred tax asset or liability is recognised on temporary differences arising between the tax bases of assets and liabilities and their financial statement carrying amounts at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted at the reporting date. The most significant temporary differences in PHM Group arise mainly from business combinations.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax liabilities are recognised in the balance sheet in full.

The Group offsets the deferred tax assets and deferred liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets that are based on the taxable income of the fiscal year.

Direct taxes

The major components of income tax expense for the years ended 31 December 2023 and 31 December 2022 are:

EUR thousand	2023	2022
Income tax on operations	-5,241	-2,028
Tax for previous accounting periods	-467	163
Deferred taxes	3,897	1,326
Income tax total	**-1,811**	**-539**

Tax rate reconciliation

EUR thousand	2023	2022
Profit before income tax	**-462**	**14,738**
Tax calculated at parent's tax rate of 20% (2022 20%)	92	-2,948
Tax for previous years	-725	163
Effect on different tax rates in foreign subsidiaries	-25	-457
Non-deductible expenses	-2,685	-872
Income not subject to tax	1,312	1,474
Confirmed losses and other tax items	220	2,099
Income taxes	**-1,811**	**-539**

Income tax receivables and payables

EUR thousand	2023	2022
Income tax receivables	1,060	0
Income tax payable	7,598	866

Effective tax rate

	2023	2022
Effective tax rate for the period	-392%	4%

Effective tax rate of fiscal year 2023 is explained by amortisation on customer and marketing related intangible assets that are done only on consolidated level and cannot be utilised in taxation. Furthermore PHM is unable to fully deduct all interest costs in taxation.

Deferred tax

Deferred tax assets 2023

EUR thousand	1 Jan 2023	Recognised in profit or loss	Business acquisitions	Translation differences	31 Dec 2023
Leases	173	127	0	0	300
Transaction costs from financial instruments	447	0	0	0	447
Business combinations	2,060	142	0	-4	2,198
Other	469	140	-241	-21	347
Total	**3,150**	**410**	**-241**	**-25**	**3,293**

Deferred tax liabilities 2023

EUR thousand	1 Jan 2023	Recognised in profit or loss	Business acquisitions	Translation differences	31 Dec 2023
Reclassification of subordinated loan	295	-	-	-	295
Business combinations	25,260	-3,214	16,137	-744	37,440
Leases	44	-	-	-	44
Transaction costs from financial instruments	1,535	-2,222	-	-	-687
Appropriations	3,808	1,923	660	-	6,390
Other	19	26	200	-5	240
Total	**30,961**	**-3,488**	**16,997**	**-749**	**43,722**

Deferred tax assets 2022

EUR thousand	1 Jan 2022	Recognised in profit or loss	Business acquisitions	Translation differences	31 Dec 2022
Leases	153	20	0	0	173
Transaction costs from financial instruments	447	0	0	0	447
Business combinations	1,350	723	0	-14	2,060
Other	251	118	28	72	469
Total	**2,202**	**862**	**28**	**59**	**3,150**

Deferred tax liabilities 2022

EUR thousand	1 Jan 2022	Recognised in profit or loss	Business acquisitions	Translation differences	31 Dec 2022
Reclassification of subordinated loan	295	-	-	-	295
Business combinations	24,304	-2,604	3,712	-152	25,260
Leases	44	-	-	-	44
Transaction costs from financial instruments	1,506	28	-	-	1,535
Appropriations	1,792	2,037	-	-20	3,808
Other	41	74	-93	-4	19
Total	**27,982**	**-464**	**3,619**	**-176**	**30,961**

3. Capital Employed

3.1. Business Combinations

Accounting principles

Acquired subsidiaries are consolidated in the Group financial statements from the date when PHM obtained control over the acquired entity. Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. The Group measures the identifiable assets acquired and the liabilities assumed at their acquisition date fair values. In connection with the most significant acquisitions, part of the purchase price is allocated to customer related intangibles and marketing related intangibles.

Acquisition-related costs, such as consulting costs, are expensed as incurred and included in the statement of profit and loss as other operating expenses.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to Group's cash-generating unit that is expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to that unit. More information about goodwill and imparment testing is provided in Note 3.2. Goodwill and impairment testing.

A contingent consideration recognised in a business combination is measured at its fair value through profit and loss.

Acquisitions in 2023

During 2023, PHM Group made acquisitions in all its operating countries; ten in Finland, nine in Sweden, four in Norway, four in Denmark and two in Germany. Details of the acquisitions in 2023 are presented in the table below.

Acquisitions in Finland

In Finland, PHM strengthened its market position and service offering in several cities. Additionally, PHM expanded to Laitila by acquiring Vakka-Suomen Talohuolto Oy, to Pietarsaari by acquiring JS Fastighetsservice Ab Oy and to Mäntyharju by acquiring property services and maintenance company Punavaara Oy.

Acquisitions in Sweden

In Sweden, PHM completed several acquisitions in the fields of property maintenance, property management and outdoor area maintenance. The strategically most significant transaction was the acquisition of Bredablick Group, which increased the size of PHM's Swedish business by approximately one third in terms of like-for-like revenue and added one of the best known Swedish residential property service brands into PHM's portfolio. Bredablick's services include various services related to residential property management and maintenance as well as facility services. Bredablick is a nationwide service provider that complements PHM's range of services and geographical presence particularly in the southern and western regions of Sweden. The acquisition of full-service property maintenance company MBA Fastighetsservice AB further strengthened PHM's presence in the southern parts of Sweden and especially the west coast. Further, the acquisition of Västerås-based full-service real estate service provider MARK Fastighet Mälardalen AB strengthened PHM's presence and service offering in the Mälardalen area.

Acquisitions in Norway

In Norway, PHM grew its business significantly in 2023 by acquiring Sefbo Group. Sefbo is the leading service provider of contract and subscription-based property services to housing associations in Norway. Sefbo's service offering includes property management, maintenance and cleaning services, as well as a wide range of other supplementary services. The acquisition strengthens PHM's range of services and geographical presence in Norway and provides PHM with excellent opportunities to expand and develop its activities both locally and as a group. The acquisition more than doubled the size of PHM's Norwegian business in terms of like-for-like revenue. Additionally, PHM strengthened its service offering in the Oslo region by three acquisitions, expanding both its property maintenance and cleaning business.

Acquisitions in Denmark

In Denmark, PHM acquired two sizeable companies; Taurus Ejendomsadministration ApS, a significant player in property management in Denmark, and Vækst & Miljø A/S, offering a wide range of services in landscaping, gardening, property maintenance and snow clearance. Taurus Ejendomsadministration and PHM's first acquisition in Denmark, Ejendomsvirke, joined forces and established a new operating organisation to capitalise on each other's strengths and better serve their current customer base within property management and maintenance. Additionally, PHM strengthened its service offerings in the Copenhagen area by two acquisitions, expanding both its property maintenance and cleaning business.

Acquisitions in Germany

In Germany, PHM entered the residential property service market in Berlin by acquiring Marnach Hauswartung GmbH, a facility maintenance and cleaning service provider serving mainly residential housing. Further, by acquiring MÜTRA Objektmanagement GmbH, a high-quality provider of facility maintenance, cleaning and outdoor maintenance, PHM strengthened its presence in Berlin and eastern parts of Germany.

Acquired company	Country	Transaction month	Currency	Revenue*	EBITDA*
Saniservice ApS	Denmark	January	DKKm	19.3	2.6
Pirkanmaan Viemäritekniikka Oy	Finland	January	EURm	1.0	0.1
MBA Fastighetsservice AB and MBA Bygg AB	Sweden	February	SEKm	132.6	13.2
Väner Förvaltning AB	Sweden	February	SEKm	9.9	1.9
B.O Drift AS	Norway	March	NOKm	16.7	2.2
Cubile Utemiljö AB	Sweden	April	SEKm	36.9	5.9
JS-Ilmastointipuhdistus Oy	Finland	May	EURm	0.5	0.1
Oslo Renhold AS	Norway	May	NOKm	7.1	2.0
Alliansen Renhold AS	Norway	May	NOKm	14.3	1.8
Norrland Park & Mark AB	Sweden	June	SEKm	20.7	5.9
Turun Talopalvelu Oy	Finland	June	EURm	0.3	0.1
MARK Fastighet Mälardalen AB**	Sweden	July	SEKm	98.1	3.3
Lilla Kloster Gruppen**	Sweden	July	SEKm	29.7	1.8
Meincke's Total-Service A/S	Denmark	July	DKKm	8.0	1.9
Bredablick Gruppen***	Sweden	August	SEKm	430.3	14.4
Green Carpet Turku Oy	Finland	August	EURm	0.7	0.2
Vakka-Suomen Talohuolto Oy	Finland	September	EURm	0.3	0.0
Taurus Ejendomsadministration ApS	Denmark	September	DKKm	73.3	4.2
Vækst & Miljø A/S	Denmark	September	DKKm	105.4	13.3
Sefbo Group****	Norway	October	NOKm	730.4	90.9
We Go Fastighet AB	Sweden	October	SEKm	29.5	3.5
Marnach Hauswartung GmbH	Germany	October	EURm	3.6	0.7
Kiinteistötyöt Neitola Oy	Finland	November	EURm	0.6	0.1
JS Fastighetsservice Ab Oy	Finland	November	EURm	1.9	0.2
TR-Kiinteistöhuolto Oy	Finland	November	EURm	0.8	0.0
Hagtorn Fastighetsservice AB and Hagtorn VVS AB**	Sweden	December	SEKm	31.6	-0.4
MÜTRA Objektmanagement GmbH	Germany	December	EURm	6.2	0.6
Punavaara Oy	Finland	December	EURm	2.0	0.4
Golden Shine Oy	Finland	December	EURm	1.3	0.2

* Presented financials are based on latest available audited financial statements (local GAAP)
** Unofficial consolidation of group entities
*** No statutory consolidated financials available, presented financials are based on management reporting FY22
**** Like-for-like revenue and adjusted EBITDA

Acquisitions in 2023

EUR thousand	
Purchase price	
Consideration paid in cash	241,567
Contingent considerations (Note 4.5)	-4,242
Total	**237,325**

Fair value of assets and liabilities recognised on acquisitions

Assets	
Intangible assets (Note 3.3)	
Customer related intangibles	66,273
Marketing related intangibles	8,791
Other intangible assets	108
Intangible assets	**75,172**
Tangible assets (Note 3.4)	**8,927**
Land and water areas	-
Buildings	146
Machinery & equipment	8,593
Construction in progress	-
Other equipment	188
Other assets	53,878
Cash and cash equivalents	18,856
Total assets	**156,833**
Liabilities	
Non-interest bearing liabilities	39,914
Interest bearing liabilities	68,764
Deferred tax liability (Note 2.5)	16,338
Total liabilities	**125,017**
Total identifiable net assets at fair value	**31,816**
Goodwill arising on acquisition (Note 3.2)	219,596
Purchase consideration transferred	**251,412**

Acquisitions in 2023

EUR thousand	
Cash flow impact of acquisitions	
Paid in cash	
Cash and cash equivalents	-241,567
Expenses related to the acquisition	-2,710
Net cash flow on acquisition	**-244,277**

Acquisitions in 2022

During 2022, PHM made acquisitions in all its operating countries; 13 in Finland, three in Sweden, ten in Norway, seven in Denmark and expanded to Germany by acquiring Schultz Gruppe. PHM also disposed of one small Swedish company. Please see details in the table below of the acquisitions and disposals in 2022.

Entry to the German market

The largest acquisition made by PHM in 2022 was the acquisition of German Schultz Gruppe by which PHM entered the German market. Schultz Gruppe is an owner-managed property service company serving a wide range of commercial, industrial and residential properties, offering cleaning and maintenance services, technical maintenance services and building management services in Northern Germany. The acquisition is strategically important to the Group as it opens a new market with significant growth opportunities and enables the continuing execution of the Group's strategy and diversification of the geographical risk of the Group.

Acquisitions in Finland

In Finland, PHM strengthened its market position and service offering in multiple locations around the country including the capital region by acquiring a number of local competitors and specialist service providers. Additionally, PHM expanded to Vammala and Sastamala by acquiring Vammalan Talonmies ja Siivouspalvelu Oy.

Acquisitions in Sweden

In Sweden, PHM strengthened its position especially in the Gothenburg area and in Northern Sweden. The largest acquisition in Sweden was Parkkompaniet i Boden Ab, a fast-growing outdoor maintenance company operating in several cities in Northern Sweden. PHM also divested a small Swedish company with operations that did not fit the core service offering of PHM.

Acquisitions in Norway

In Norway, PHM increased the size of its business significantly during 2022. The largest acquisitions were Ren Service AS, a property service company providing a variety of cleaning and maintenance services in the Oslo area, and PBT Gruppen, a full service property maintenance company operating in Vestfold & Telemark and Greater Oslo areas. Additionally, add-on acquisitions were made in both Oslo and Trondheim, and operations were expanded to Fredriksstad by acquiring RenBolig Service og Omsorg AS and to the Halden area by acquisition of Rokke Hageservice AS.

Acquisitions in Denmark

In Denmark, PHM increased the size of its business significantly during 2022. The largest acquisitions were the aqcuisitions of Altiren A/S and Alt I Polering ApS, and OK Rengøring AS and KRS Service ApS, both active mainly in the cleaning business in the Copenhagen area. Furthermore, in addition to strengthening the existing property maintenance business in Copenhagen, PHM also increased its management capabilities by acquiring WA ApS in Copenhagen and expanded to Jutland with the acquisition of Grindsted Vinduesservice ApS.

Acquired company	Country	Transaction month	Currency	Revenue*	EBITDA*
Hagen Hageservice AS	Norway	January	NOKm	12.8	2.4
Princip Redovisning Ab	Sweden	January	SEKm	5.5	1.4
Sundby Rengørings Service ApS	Denmark	February	DKKm	11.3	2.1
Daseko ApS	Denmark	March	DKKm	11.4	1.0
Vaktmester-Gruppen AS	Norway	March	NOKm	12.1	-0.2
Vammalan Talonmies ja Siivouspalvelu Oy	Finland	March	EURm	0.9	0.1
Turun Sähköhuolto Oy	Finland	March	EURm	0.8	0.0
Parkkompaniet i Boden Ab	Sweden	April	SEKm	44.0	11.3
RenBolig Service og Omsorg As	Norway	April	NOKm	12.2	1.4
Sähköasennus Salminen Oy	Finland	April	EURm	2.0	0.4
P. Kiinteistöpalvelut Oy	Finland	April	EURm	1.1	0.2
Unce Oy	Finland	April	EURm	2.5	0.5
Lojonia Palvelut Oy	Finland	April	EURm	0.8	0.1
Karkkilan Huolto Oy	Finland	April	EURm	1.1	0.0

Acquired company	Country	Transaction month	Currency	Revenue*	EBITDA*
Porvoon Talotiimi Oy	Finland	May	EURm	2.0	0.6
Siniservice Oy and Puhtaasti Mäkinen Oy	Finland	May	EURm	0.7	0.1
Altiren As and Altipolering ApS	Denmark	June	DKKm	44.4	8.2
HuoneistoHait Oy	Finland	June	EURm	0.3	0.0
H.N. Service**	Denmark	June	DKKm	5.8	2.3
International NordicLife Förvaltning AB	Sweden	July	SEKm	34.3	-3.1
OK Rengoring AS and KRS Service ApS	Denmark	July	DKKm	46.5	6.0
Grindsted Vinduesservice ApS	Denmark	July	DKKm	10.9	1.7
Kilderent As	Norway	July	NOKm	5.4	0.6
WA ApS	Denmark	August	DKKm	18.5	0.9
Ren Service AS	Norway	September	NOKm	83.9	7.6
Karsikon Talohuolto Oy	Finland	September	EURm	2.8	0.1
Pukinmäen Kiinteistöhuolto and PK Kuivaus Oy	Finland	September	EURm	3.8	0.3
Totopro Oy	Finland	October	EURm	1.4	0.3
3 Kløver AS	Norway	October	NOKm	30.9	0.5
Schultz Gruppe and Corporate Care GmbH***	Germany	October	EURm	32.8	3.5
EC Renhold As	Norway	October	NOKm	11.5	3.5
Svendsen Vaktmester & Vedlikeholdservice AS	Norway	October	NOKm	11.0	0.2
Rokke Hageservice AS	Norway	November	NOKm	9.2	0.7
PBT Gruppen	Norway	November	NOKm	83.1	2.0
Disposed company					
Berga Lås & Larm Ab	Sweden	June	SEKm	6.9	0.5

* Presented financials are based on latest available audited financial statements
** Asset purchase
*** Unofficial consolidation of group entities

EUR thousand	Acquisitions in 2022
Purchase price	
Consideration paid in cash	98,193
Contingent considerations (Note 4.5)	1,582
Total	**99,775**

Fair value of assets and liabilities recognised on acquisitions	
Assets	
Intangible assets (Note 3.3)	
Customer related intangibles	14,468
Marketing related intangibles	214
Other intangible assets	108
Intangible assets	14,789
Tangible assets (Note 3.4)	6,412
Land and water areas	-
Buildings	146
Machinery & equipment	8,593
Construction in progress	-
Other equipment	188
Other assets	35,740
Cash and cash equivalents	10,686
Total assets	**67,628**

EUR thousand	Acquisitions in 2022
Liabilities	
Non-interest bearing liabilities	22,099
Interest bearing liabilities	15,983
Deferred tax liability (Note 2.5)	3,803
Total liabilities	**41,886**
Total identifiable net assets at fair value	**25,743**
Goodwill arising on acquisition (Note 3.2)	73,873
Purchase consideration transferred	**99,615**

Cash flow impact of acquisitions	
Paid in cash	
Cash and cash equivalents	-98,193
Expenses related to the acquisition	-2,557
Net cash flow on acquisition	**-100,750**

3.2. Goodwill and impairment testing

Accounting principles

Goodwill arises from the business combinations, and it corresponds to the amount that the consideration transferred exceeds the fair value of identifiable net assets as of the acquisition date.

Goodwill is reviewed for impairment annually or whenever events or changes in circumstances indicate to a possible impairment. The carrying amount of the cash-generating unit (CGU) including goodwill is compared to the recoverable amount which is the higher of the fair value less costs of disposal or the value in use.

If the recoverable amount of an asset is less than its carrying amount, the impairment loss is recorded so that the carrying amount of the asset is equal to its recoverable amount.

EUR thousand	31 Dec 2023	31 Dec 2022
Acquisition cost at 1 Jan	**416,764**	**350,561**
Goodwill from business acquisitions	207,857	66,203
Acquisition cost at 31 Dec	**624,621**	**416,764**

PHM does not possess any intangible assets that have indefinite useful life. Impairment testing is carried out at group level as the identified cash generating unit (CGU) also follows the method how the management follows the operative business. PHM Group Holding monitors goodwill internally at Group level and as PHM Group Holding only has identified one CGU, all goodwill recognised is allocated to this cash generating unit.

The Group has in the reporting period tested goodwill for impairment at 31 December 2023 and 31 December 2022. The recoverable amount from the cash generating unit is determined based on value-in-use calculations. The calculations are prepared following the discounted cash flow method using the management approved estimates for the following year and subsequent development derived from the strategic plans, based on information collected from local sales teams. Terminal year value has been defined based on the long-term strategic plans.

Cash flows beyond the 5-year period are calculated using the terminal value method. The terminal growth rate of 0.5 per cent (0.5%) used in projections is based on management's assessment on conservative long-term growth. Key driver for the valuation is the revenue growth based on the Group's performance and future strategic growth plans, market position as well as the potential in key markets.

The applied discount rate is the weighted average pre-tax cost of capital (WACC). The components of the WACC are risk-free rate, market risk premium, company specific factor, and industry specific beta, cost of debt and debt/equity ratio. The pre-tax WACC of 8.78 per cent (10.36%) has been used in the calculations.

As a result of the impairment test, no impairment loss for the CGU was recognised for the financial periods ended 31 December 2023 and 31 December 2022.

When assessing the recoverable amounts of cash generating unit, management believes that no reasonably possible change in any of the key variables used would lead to a situation where the recoverable amount of the unit would fall below their carrying amount.

Accounting estimates and determinations based on management's judgements

The management uses significant estimates and judgement when determining whether there are indications of impairment of goodwill. Management judgement has also been used when defining the amount of cash generating units but since one cash generating unit has been identified, no further allocation of goodwill is required.

The cash flow projections are based on budgets and financial estimates approved by management covering a 5-year period. Cash flow forecasts are based on Group's existing business structure, actual results and the management's best estimates on future sales, cost development, general market conditions and applicable tax rates. The growth rates are based on the management's estimates on future growth of the business.

Management tests the impacts of changes in significant estimates used in forecasts by sensitivity analyses as described above in this note.

3.3. Intangible assets

Accounting principles

PHM's intangible assets arise mainly from intangible assets identified in acquisitions that are customer and marketing related intangibles. These assets are valued at fair value. PHM also has separately acquired intangible assets. Separately acquired intangible assets are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is measured at fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Development costs are capitalised when the conditions for their recognition are met.

The useful lives of intangible assets are assessed as either finite or indefinite. PHM does not have intangible assets with indefinite useful lives.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

A summary of the policies applied to the PHM's intangible assets is, as follows:

	Customer related intangibles	Marketing related intangibles	Other intangible assets
Useful lives (years)	Finite (12 and 10 years)	Finite (15 years)	Finite (5 years)
Amortisation principle	Amortised on a straight-line basis over the period of the customer relationships	Amortised on a straight-line basis over the period of the trademark	Amortised on a straight-line basis over the period of the trademark
Internally generated or acquired	Acquired	Acquired	Acquired

EUR thousand	Customer related intangibles	Marketing related intangibles	Other intangible assets excluding goodwill	Intangible assets total	Goodwill	Total intangible assets
Cost						
1 Jan 2022	**125,186**	**12,300**	**2,720**	**140,206**	**350,561**	**490,766**
Business combinations	14,468	214	108	14,789	73,873	88,662
Additions	-	-	1,284	1,284	35	1,319
Disposals	-	-	-	-	-451	-451
Translation differences	-725	-	438	-288	-7,254	-7,542
31 Dec 2022	**138,928**	**12,514**	**4,549**	**155,991**	**416,764**	**572,755**
Business combinations	66,273	8,791	994	76,058	219,596	295,654
Additions	-	-	2,357	2,357	186	2,542
Disposals	-	-	-34	-34	-60	-94
Translation differences	-3,391	12	-59	-3,438	-11,861	-15,299
Reclassification	-	-	-39	-39	-3	-42
31 Dec 2023	**201,810**	**21,317**	**7,768**	**230,895**	**624,621**	**855,516**
Amortisation and impairment						
1 Jan 2022	**-15,779**	**-1,093**	**-575**	**-17,447**	**-**	**-17,447**
Amortisation	-11,981	-824	-762	-13,566	-	-13,566
31 Dec 2022	**-27,760**	**-1,917**	**-1,337**	**-31,014**	**-**	**-31,014**
Amortisation	-14,405	-1,071	-1,207	-16,683	-	-16,683
31 Dec 2023	**-42,165**	**-2,988**	**-2,544**	**-47,697**	**-**	**-47,697**
Net book value						
31 Dec 2022	111,168	10,597	3,213	124,978	416,764	541,742
31 Dec 2023	159,645	18,329	5,225	183,199	624,621	807,820

Customer related intangibles

PHM has recognised customer relationships as intangible assets. The majority of intangible assets in connection to business acquisitions are customer relationships due to importance of the customer base to PHM's operations.

Marketing related intangibles

PHM obtained the right to use the Kotikatu and Cateva trademarks in connection with an acquisition in 2020 and Schultz Gruppe trademark in connection with an acquisition in 2022, as well as the right to use Bredablick trademark in connection with an acquisition in 2023. The trademarks have been valued using the relief from royalty method.

3.4. Tangible assets

Accounting principles

PHM's property, plant and equipment consist mainly of buildings, machinery & equipment and land and water areas. The most significant assets class is machinery and equipment which include cars, vans, trucks, office equipment and furniture and other equipment.

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. The costs comprise directly attributable incremental costs incurred. Indirect acquisition costs are not included in the capitalised acquisition costs.

Depreciation of property, plant and equipment is charged on a straight-line basis over the estimated useful lives to their residual value, as follows:
- Land areas (are not depreciated)
- Buildings 5-25 years
- Machinery and equipment 3-15 years
- Other tangible assets 3-5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if they differ significantly from the previous estimate.

Sales gains and losses on disposal or transfer of tangible assets are presented in other operating income and expenses. Sales gains or losses are calculated as the difference between the sales price and the remaining acquisition cost.

PHM estimates the recognised amounts of the tangible assets, when the internal or external events or changes in the conditions of the operations indicate that the recognised value may not be retained. PHM also takes into account the age of the assets and their remaining useful lives. If any such indication exists, the entity estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the difference is recognised in profit or loss.

During Q4/22 the Group redefined the depreciation period for machinery and equipment in its Finnish subsidiaries to better match the useful life of the assets. The change in depreciation method for the fiscal year 2022 was booked in its entirety to Q4/22 having a positive impact of 4.8 MEUR on depreciation.

EUR thousand	Land and water areas	Buildings	Machinery & equipment	Other equipment	Total
1 Jan 2022	**150**	**1,707**	**42,190**	**1,247**	**45,295**
Additions	-	232	20,077	525	20,834
Business combinations (Note 3.1)	-	1,274	5,129	9	6,412
Disposals	-	-175	-2,831	-	-3,006
Reclassifications	-	-1	1	-	-
Depreciation charge for the year	-	-314	-8,283	-61	-8,658
Translation differences	-	1	-633	-1,210	-1,842
31 Dec 2022	**150**	**2,725**	**55,649**	**510**	**59,034**
Additions	-	950	22,663	375	23,988
Business combinations (Note 3.1)	-	146	8,593	188	8,927
Disposals	-	-367	-1,729	-21	-2,118
Reclassifications	-7	62	486	-444	98
Depreciation charge for the year	-	-463	-10,700	-170	-11,332
Translation differences	-	-0	-230	-31	-262
31 Dec 2023	**143**	**3,052**	**74,732**	**408**	**78,335**

3.5. Leases

Accounting principles

Group as a lessee

The lease contracts of PHM consist mainly of cars, machinery and equipment and office premises. Lease contracts are valid for a fixed period or until further notice. The majority of PHM's leasing contracts are valid until further notice with notice periods of three, six or 12 months respectively.

PHM assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets

Right-of-use assets are measured at aqcuisition cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date (less any incentives received), any initial direct costs incurred by PHM, and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Subsequently, the right-of-use assets are measured at initial measurement less accumulated depreciation and impairment losses. The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

Lease liabilities

At the inception of the lease, PHM measures the lease liability at the present value of the lease payments over the lease term. The lease payments included in the measurement of the lease liability comprise the following payments:

- fixed payments;
- variable lease payments that depend on an index or a rate;
- the price of the purchase option if it is reasonably certain that the option will be exercised by the Group; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease

The fixed payments consist of the minimum lease payments. In some of the contracts the lease payments are increased annually based on index. The non-lease components are separated from lease payments in case they can be measured reliably.

Lease payments are discounted by using the lessee's incremental borrowing rate since the interest rates are not easily available in the lease contracts. PHM's incremental borrowing rate is determined based on financing offers received and market conditions. Further information regarding the incremental borrowing rate has been disclosed in Note 4.1. Financial risk management.

Interest expenses on lease liabilities are recognised in financial items in the statement of profit and loss over the lease term. The lease liabilities are subsequently measured at initial recognition less lease payments that are allocated to the principal.

Interest expenses on lease liabilities are recognised in financial items in the statement of profit and loss over the lease term. The lease liabilities are subsequently measured at initial recognition less lease payments that are allocated to the principal.

Short-term lease contracts and contracts of low-value assets

PHM applies the exemptions applicable to short-term lease contracts (lease period 12 months or less), and for lease contracts for which the underlying asset is of low value. The lease assets are considered to be of low value when the underlying asset value is estimated to be under the threshold of EUR 200 on a monthly basis. However, car leases under EUR 200 are included to the lease calculations. These low value lease contracts, which are not included to the lease calculations, are not recognised in the statement of financial position but recorded as expense when the costs are incurred. Lease expenses recognised for short-term leases and low-value assets are presented in more detail in Note 2.2. Other operating income and expenses.

Right-of-use assets

EUR thousand	Buildings	Vehicles	Machinery	Other	Total
1 Jan 2022	**16,755**	**3,925**	**1,596**	**9**	**22,285**
Additions	3,781	3,335	486	15	7,617
Business combinations	6,553	1,657	1,827	24	10,061
Depreciations for the financial year	-8,496	-2,897	-1,214	-16	-12,622
Translation differences	-407	-280	-115	-1	-803
At 31 Dec 2022	**18,186**	**5,740**	**2,580**	**31**	**26,536**
1 Jan 2023	**18,186**	**5,740**	**2,580**	**31**	**26,536**
Additions	13,438	4,340	2,611	85	20,474
Business combinations	8,736	6,633	3,408	-	18,777
Depreciations for the financial year	-11,449	-4,315	-1,571	-47	-17,383
Translation differences	-257	-232	-213	-1	-703
At 31 Dec 2023	**28,653**	**12,166**	**6,814**	**68**	**47,701**

Lease liabilities

EUR thousand	2023	2022
1 Jan	**27,222**	**22,856**
Additions	23,742	10,209
Business combinations	18,777	10,062
Lease payments	-18,807	-14,834
Interest expenses	-1,999	-1,071
31 Dec	**48,936**	**27,222**

EUR thousand	2023	2022
Long-term lease liabilities	29,476	15,020
Short-term lease liabilities	19,459	12,202
31 Dec	**48,936**	**27,222**

The maturity analysis of lease liabilities is disclosed in Note 4.5. Borrowings and lease liabilities.

Impact of leases on profit and loss statement

EUR thousand	1 Jan-31 Dec 2023	1 Jan-31 Dec 2022
Short-term leases	-179	-194
Low value assets	-93	-140
Depreciations of right-of-use assets	-17,383	-12,622
Interest expenses from lease liabilities	-1,999	-1,071
Total	**-19,383**	**-13,694**

Payments of lease liabilities during the financial period 2023 were EUR 18,807 thousand (2022: EUR 14,834 thousand).

Accounting estimates and management's judgements

The most significant management judgment relates to open-ended real-estate lease agreements. For these contracts, management needs to estimate the length of the lease term, which may significantly affect the amounts of right-of-use asset and lease liability as well as the related depreciation and interest expense.

Management judgment is also applied in defining the incremental borrowing rate used to calculate the present value of the future lease payments. PHM applies a margin based on external loan agreement to determine the incremental borrowing rate plus a risk-free reference rate that takes into consideration the currency of the lease payments and the lease term of the lease. In PHM the discount rate is determined according to the operating country, contract term and lease asset class. As a reference discount rate for real estate PHM uses its high-yield bond interest rate and for machinery and equipment lease contracts PHM uses SSRCF limit rate as reference. Based on PHM's analysis these interest rates correspond to PHM's expenses of financing.

For real estate contracts valid until further notice, PHM analyses the lease term on a case-by-case basis supported by PHM's three-year strategy period. For those contracts with an option to extend, PHM estimates the likelihood to use the option. If it is reasonably certain that the option will be used, the extension option is taken into account when measuring the lease liability. For contracts including a purchase option, PHM's evaluates the likelihood of the purchase transaction based on the asset class and the lease period. For car lease contracts, lease term is generally assessed to be 3-5-year contract period. The estimates of the interest rates of lease contracts are updated every year.

3.6. Trade and other receivables

Accounting principles

Trade and other receivables arise from typical business transactions and are non-interest-bearing receivables. A trade receivable is recognised if an amount of consideration that is unconditional is due from the customer. Trade receivables are initially recognised at fair value at inception and recognised as subsequently measured at amortised cost following the classification of financial assets. Other receivables are recognised as cost and typically include tax receivables and other short-term accruals, which are not considered as financial assets.

Trade receivables

EUR thousand	31 Dec 2023	31 Dec 2022
Trade receivables from external customers	88,884	57,317
Provision for expected credit losses	-1,763	-1,113
Total trade receivables	**87,121**	**56,204**

Trade receivables are non-interest bearing and are generally on payment terms of 14 to 45 days. Trade receivables which are over 360 days past due are considered as defaulted. Past due trade receivables are subject to enforcement activity and collection. The collection process is managed by the PHM's credit control unit.

For terms and conditions relating to related party receivables, refer to Note 5.1. At the end of fiscal year 2023, there were no open receivables from the related parties.

Other current assets consist of prepayments, accrued income and other receivables. Other receivables include VAT receivables and other related items. Other receivables considered as non-current assets amounted to EUR 842 (332) thousand on 31 December 2023. The receivables under other current assets are presented below.

Other receivables & other current assets

EUR thousand	31 Dec 2023	31 Dec 2022
Prepayments and accrued income	19,081	11,965
Other receivables	10,089	3,084
Other current assets	**29,171**	**15,049**

Expected Credit Loss (ECL) calculation

The expected credit loss calculation is based on historical data adjusted by forward-looking parameters based on customers' payment behavior. PHM has analysed its trade receivables as one portfolio, because the payment behavior is homogeneous. The management estimates the customers' payment behavior and economic events in every reporting period. PHM estimates the timeliness of the payment alongside the customers' payment profile in order to recognise the time value of money effect for the credit receivables. As PHM does not use financing as part of their sales contracts in accordance with IFRS 15, the clients' time value of money is discounted separately for each past due bracket as presented in the ECL table below. PHM applies the simplified approach to calculate the estimated credit losses for each period.

The expected credit losses for contract assets include the expected credit losses from open account receivables at each quartely reporting period. The expected credit loss rate of contract assets is assumed to match the rate used for current trade receivables.

In order to avoid excessive concentrations of risk, the PHM Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified customer portfolio. Identified concentrations of credit risks are controlled and managed accordingly. In PHM Group, the share of an individual customer is never significant, which reduces the risk of credit losses.

Set out below is the information about the credit risk exposure on Group's trade receivables using a provision matrix:

Expected Credit Loss 31 Dec 2023

EUR thousand	%	Gross value	Expected credit loss	Net value
Current	0.1%	69,244	-69	69,175
Overdue 1-30 days	0.5%	11,923	-60	11,863
Overdue 31-90 days	2.0%	4,488	-90	4,398
Overdue 91-180 days	10.0%	1,137	-114	1,024
Overdue 181-360 days	50.0%	1,323	-661	661
Overdue > 360 days	100.0%	770	-770	0
Total		**88,884**	**-1,763**	**87,121**

Expected Credit Loss 31 Dec 2022

EUR thousand	%	Gross value	Expected credit loss	Net value
Current	0.1%	47,491	-47	47,443
Overdue 1-30 days	0.5%	6,226	-31	6,195
Overdue 31-90 days	2.0%	1,746	-35	1,711
Overdue 91-180 days	10.0%	593	-59	533
Overdue 181-360 days	50.0%	641	-321	321
Overdue > 360 days	100.0%	619	-619	0
Total		**57,317**	**-1,113**	**56,204**

There are no changes in the expected credit loss valuation methods or assumptions between the comparison periods. Due to immaterial amount of the loan receivables from and loan payables to the parent of the group, the expected credit loss was not calculated for either financial period.

3.7. Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within 12 months or less. Otherwise they are presented as non-current liabilities.

EUR thousand	31 Dec 2023	31 Dec 2022
Other non-current payables		
Contingent liabilities	2,100	676
Other long-term liabilities	-37	265
Cash pool liability to PHM Group TopCo Oy	0	5,668
Group contribution liability to PHM Group TopCo Oy	1,311	1,315
Other non-current payables total	**3,375**	**7,923**

EUR thousand	31 Dec 2023	31 Dec 2022
Current trade and other payables		
Trade payables	46,391	28,995
Personnel related liabilities	64,032	41,824
Other payables	30,498	16,189
Accrued interest	1,666	755
Accrued expenses and deferred income	13,312	10,639
Current trade and other payables total	**155,898**	**98,401**

Other payables consist of contingent considerations, VAT liabilities, withholding tax and social security pay. Accrued expenses and deferred income in the table consist mainly of accrued costs and personnel related expenses.

4. Financial Instruments and Capital Structure

4.1. Financial risk management

Financial instruments' risk management objectives and policies

PHM's principal financial instruments are exposed to various financial risks. Financial risks include market risk, credit risk and liquidity risk. Market risk covers foreign exchange risk and interest rate risk. In addition, PHM's financial assets are exposed to counterparty's credit risk. PHM's management monitors and manages its financial risks in accordance to its Risk Management Policy. PHM has appropriate policies and procedures and financial risks are identified, measured and managed in accordance with PHM's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks.

Currently, PHM does not use derivatives to hedge its risks associated with market risk. In 2023 PHM did however do a one-time hedge relating to the purchace of Sefbo to protect againts FX fluctuation between signing and closing of the transaction. However, PHM key management has a mandate from the Board of Directors to use derivatives if deemed necessary. The objective of PHM is to monitor and minimise financial risk exposures. PHM has centralised management for its financing arrangements on group level.

As PHM is a local service business, the war in Ukraine has had a limited direct impact on the company's operations. The main impacts from the crisis are increased fuel and energy prices as well as the general price inflation and economic uncertainty.

Market risk

Market risk is the risk that the fair value or future cash flows arising from financial instruments will fluctuate because of changes in market prices or market conditions. Market risk is comprised of interest rate risk and currency risk. Sensitivity analysis of the market risks is presented below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. PHM's exposure to interest rate fluctuations relates primarily to the debt obligations which have floating interest rate linked to euribor. Changes in market interest rates have a direct effect on PHM's future interest payments. The majority of PHM external loans do have fixed interest rates and hence variable interest rate risk is considered limited. The main exposure to interest rate risk is the new floating rate senior secured notes of EUR 265 million that were issued in December 2022, June 2023 and October 2023, which make up 38.8% of the Group's total interest bearing debt.

The interest rates of intra-group loans are in line with the interest rates of external financing.

In 2021, PHM Group Holding Oyj issued senior secured callable fixed rate notes with an initial principal amount of EUR 300 million. The loan is due on 18 June 2026. In February 2022, PHM completed a tap issue of its senior secured callable fixed rate notes in the nominal amount of EUR 40 million under the existing EUR 450 million notes' framework. The notes are listed on the Nasdaq Helsinki Stock Exchange and the Frankfurt Open Market.

New euro-denominated senior secured floating rate notes in a nominal amount of EUR 70 million under a framework of EUR 200 million were issued on 15 December 2022. The framework relating to the notes was increased from EUR 200 million to EUR 450 million on 14 June 2023. Tap issues of the senior secured floating rate notes were issued on 29 June 2023 with a nominal amount of EUR 55 million and on 26 October 2023 with a nominal amount of EUR 140 million. The loan is due on 19 June 2026. The notes are listed on the Nasdaq Helsinki Stock Exchange and the Frankfurt Open Market.

At the beginning of the year, the Group had a Super Senior Revolving Credit Facility of EUR 62.5 million of which EUR 12.5 million had been agreed as a temporary increase for tvelwe months starting from 7 October 2022. On 14 June 2023 the Group permanently increased the Super Senior Revolving Credit Facility to EUR 77.5 million.

Interest-bearing loans

Debt Instrument	Interest	Interest type	Loan raised	Capital amount at 31 Dec 2023 EUR million
Super senior RCF	Euribor + Margin	Floating	2021	20
Loans from financial institutions	Reference rate + Margin	Fixed/Floating	2020-2021	40
Bond	4.75%	Fixed	2021	340
Bond	3 m Euribor + 7.5%	Floating	2022-2023	265

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the portion of loans and borrowings affected. Sensitivity analysis has been calculated assuming 0.5% variation in the market interest rate with other variables remaining constant.

	31 Dec 2023		31 Dec 2022	
EUR thousand	Profit of the year	Equity	Profit of the year	Equity
+0.5% change in market interest rate	-1,425	-1,425	-350	-350
-0.5% change in market interest rate	1,425	1,425	350	350
+1.0% change in market interest rate	-2,850	-2,850	-700	-700
-1.0% change in market interest rate	2,850	2,850	700	700

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows will fluctuate because of changes in foreign exchange rates. PHM's exposure to the foreign currency risk relates primarily to the operating activities, when revenue or expense is denominated in a foreign currency.

PHM operates in Finland, Sweden, Norway, Denmark and Germany. All entities in the group have local currency as their functional currency. All entities operate with their functional currency without any significant foreign currency transactions and hence the Group has no significant foreign currency transaction risk. The main transaction risk for PHM relates to the acquisitions the Group has made as the acquisition debt is in EUR whereas the cash flows and result of companies acquired is denominated in foreign currencies.

PHM Group has translation risk related to Swedish krona, Norwegian krone and Danish krone. Foreign currency translation risk is presented in translation difference in equity. The most significant part of the translation risk arises from Swedish krona (SEK) and Norwegian krone (NOK). PHM Group has not hedged its equity risk.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial credit loss. PHM is exposed to credit risk from its operating activities, which primarily includes trade receivables.

In relation to the credit risk PHM is exposed to a counterparty risk, which is managed alongside the credit risk by recognising the customer prior the trading for the services. PHM operates only with recognised, creditworthy parties. Receivable balances are monitored and collected on an ongoing basis. The maximum exposure to credit risk at the reporting date is the carrying value of financial assets. There are no significant concentrations of credit risk within PHM. Please see Note 3.6 Trade and other receivables regarding credit risk.

Liquidity risk

PHM monitors its available funds and maturity analysis as the basis for concluding the cash requirements. Management assesses the business forecast and the related cash flows to maintain the liquidity requirements.

PHM's objective is to maintain a balance between continuity of funding and flexibility through the use of bank balances, and if necessary bank loans. PHM has assessed the concentration of risk with respect to refinancing its debt and concluded it to be low.

The group has a good liquidity position as cash and cash equivalents amounted to EUR 35.0 million at year end and the amount of undrawn short-term credit facility was EUR 56.0 million.

PHM has a considerable head room for covenants at their current position. The Group has not had any repayment events caused by breaches of covenants in fiscal years 2023 and 2022.

Please see further information regarding the liquid assets in the note 4.4. Cash and cash equivalents.

Maturity distribution of financial liabilities

The following table describes the contractual maturity distribution of the remaining financial liabilities on the balance sheet date. The presented figures are gross and undiscounted.

Based on the maturity distribution position PHM's management facilitates the credit position and liquidity requirement.

31 Dec 2023

EUR thousand	Carrying amount	Due in less than a year	Due in 1-5 years	Total Cash Outflows
Interest-bearing loans and borrowings incl. Interest	630,312	-63,067	-719,023	-782,090
Lease liabilities	48,936	-19,028	-29,526	-48,554
Trade payables	46,391	-46,391	-	-46,391
Contingent considerations	5,214	-3,114	-2,100	-5,214
Total	**730,852**	**-131,600**	**-750,649**	**-882,249**

31 Dec 2022

EUR thousand	Carrying amount	Due in less than a year	Due in 1-5 years	Total Cash Outflows
Interest-bearing loans and borrowings incl. Interest	423,366	-20,531	-509,670	-530,201
Lease liabilities	27,222	-13,585	-19,067	-32,652
Trade payables	28,995	-28,995	-	-28,995
Contingent considerations	2,987	-2,311	-676	-2,987
Total	**482,569**	**-65,422**	**-529,413**	**-594,835**

4.2. Fair value measurement

PHM measures financial instruments at fair value at each balance sheet date. Aside from this note, additional fair value related disclosures, including the valuation methods, significant estimates and assumptions are also provided in Note 3.1. Business combinations.

Accounting principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by PHM.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

PHM uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Fair value estimation

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1:
The fair value of these assets or liabilities is based on available quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2:
The fair value of these assets or liabilities is based on valuation techniques, for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable. The inputs for the valuation are based on quoted or other readily available source.

Level 3:
Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable and require independent consideration and judgement from the valuation perspective.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, PHM determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the PHM's management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the PHM's accounting policies.

For the purpose of fair value disclosures, PHM has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

In PHM Group contingent liabilities are based on level 3 information. Management's estimate regarding contingent liabilities is based on the financial development of the target company, supported by its historical result, budget and latest business plan.

Fair values

Set out in the financial instruments' tabular presentation (Note 4.3. Financial assets and liabilities) is a comparison, by class, of the carrying amounts and fair values of PHM's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values.

4.3. Financial assets and liabilities

Accounting principles

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

PHM's financial assets are measured at fair value at initial recognition at trade date, and are classified and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss. The classification is based on the contractual cash flow characteristics of the financial asset and PHM's business model for managing the instruments. In the fiscal years 2023 and 2022, all the group's financial assets have been classified and recorded at amortised cost.

Amortised cost

Financial assets are classified at amortised cost, if the objective of holding the asset is to collect contractual cash flows and if the cash flows are solely payments of principal and interest. Financial assets which fulfill both of the conditions are subsequently measured using the effective interest rate method (EIR) and are subject to impairment. Any gains or losses from these financial assets are recognised in profit or loss when the asset is derecognised, modified or impaired.

PHM's financial assets at amortized cost include cash and cash equivalents, trade and loan receivables.

Derecognition of financial assets

PHM derecognises a financial asset when, and only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and the transfer qualifies for derecognition.

When PHM has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, PHM continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability.

There were no such items on balance sheet at year end.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions (1.2.-1.3.)
- Trade receivables (3.6.)

Further information about expected credit loss is presented in Note 4.1. Financial Risk Management

Financial liabilities

PHM recognises a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provision of the instrument. PHM's financial liabilities are measured at fair value at initial recognition at trade date and are classified as subsequently measured at amortised cost and fair value through profit or loss. The financial liabilities are classified to their respective current and non-current accounts.

Amortised cost

PHM's financial liabilities classified at amortised cost, such as interest-bearing loans and borrowings and lease liability, are initially recognised at fair value less any related transaction cost, and are subsequently measured using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Financial liabilities classified at amortised cost include loans from financial institutions, bond, lease liabilities and trade payables.

Financial liabilities at fair value through profit and loss
Financial liabilities measured at fair value through profit and loss include financial liabilities held for trading and financial liabilities classified upon initial recognition at fair value through profit and loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Financial liabilities at fair value through profit and loss includes contingent considerations arising from business combinations. More information in Note 4.5. Borrowings and lease liabilities.

Derecognition of financial liabilities
PHM derecognises financial liabilities when, and only when the obligation of a financial liability specified in its respective contract is discharged, cancelled or it expires.

4.3. Financial assets and liabilities (continues)

Financial instruments by classification 31 Dec 2023

Financial assets, 2023

EUR thousand	Note	Level	Fair value through profit and loss	At amortised cost	Fair value
Current financial assets					
Trade receivables	3.6.	**2**	-	87,121	87,121
Loan receivables	4.3.	**2**	-	138	138
Cash and cash equivalents	4.4.	**2**	-	35,026	35,026
Current financial assets total			**-**	**122,286**	**122,286**
Financial assets total			**-**	**122,286**	**122,286**

Financial liabilities, 2023

EUR thousand	Note	Level	Fair value through profit and loss	At amortised cost	Fair value
Non-current financial liabilities					
Bond	4.5.	**2**	-	588,871	587,988
Loans from financial institutions	4.5.	**2**	-	1,521	1,521
Hire purchase loans	4.5.	**2**	-	13,548	13,548
Contingent consideration	4.5.	**3**	2,100	-	2,100
Non-current financial liabilities total			**2,100**	**603,940**	**605,158**
Current financial liabilities					
Loans from financial institutions	4.5.	**2**		20,640	20,640
Hire purchase loans		**2**		4,066	4,066
Trade payables	3.7.	**2**	-	46,391	46,391
Leasing liabilities	3.5.	**2**	-	48,936	48,936
Contingent consideration	4.5.	**3**	3,114	-	3,114
Current financial liabilities total			**3,114**	**120,032**	**123,146**
Financial liabilities total			**5,214**	**723,973**	**728,304**

Financial instruments by classification 31 Dec 2022

Financial assets, 2022

EUR thousand	Note	Level	Fair value through profit and loss	At amortised cost	Fair value
Current financial assets					
Trade receivables	3.6.	**2**	-	56,204	56,204
Loan receivables	4.3.	**2**	-	291	291
Cash and cash equivalents	4.4.	**2**	-	31,632	31,632
Current financial assets total			**-**	**88,127**	**88,127**
Financial assets total			**-**	**88,127**	**88,127**

Financial liabilities, 2022

EUR thousand	Note	Level	Fair value through profit and loss	At amortised cost	Fair value
Non-current financial liabilities					
Bonds	4.5.	**2**	-	404,531	369,050
Loans from financial institutions	4.5.	**2**	-	3,217	3,217
Hire purchase loans	4.5.	**2**	-	10,548	10,548
Contingent consideration	4.5.	**3**	676	-	676
Non-current financial liabilities total			**676**	**418,297**	**383,491**
Current financial liabilities					
Loans from financial institutions	4.5.	**2**	-	362	362
Hire purchase loans		**2**	-	3,952	3,952
Trade payables	3.7.	**2**	-	28,995	28,995
Leasing liabilities	3.5.	**2**	-	27,222	27,222
Contingent consideration	4.5.	**3**	2,311	-	2,311
Current financial liabilities total			**2,311**	**60,531**	**62,842**
Financial liabilities total			**2,987**	**478,828**	**446,333**

4.4. Cash and cash equivalents

Cash and cash equivalents comprise of cash at banks and on hand with a maturity of three months or less. Cash and cash equivalents are subject to a minor risk of changes in value. Cash deposits of the Group are deposited to banks with a low credit risk.

EUR thousand	31 Dec 2023	31 Dec 2022
Cash at banks and on hand	35,026	31,632
Total	**35,026**	**31,632**

4.5. Interest-bearing loans and borrowings

Interest-bearing liabilities and net interest-bearing debt

Net interest-bearing debt

EUR thousand	Note	2023	2022
Non-current interest-bearing liabilities	4.3.	603,940	418,297
Current interest-bearing loans and borrowings	4.3.	24,706	4,314
Lease liabilities	3.5.	48,936	27,222
Contingent consideration	4.3.	5,214	2,987
Cash and cash equivalents	4.4.	-35,026	-31,632
Net interest-bearing debt total		**647,769**	**421,187**

Contingent considerations

PHM has contingent considerations related to its acquisitions. PHM recognises contingent considerations at fair value through profit or loss. Re-evaluation is made at each reporting date based on the likelihood of meeting the predetermined targets set at acquisition. The earn-out is based on an agreed performance target of the acquired entity, which is typically an agreed EBITDA target for the entity.

In connection with the acquisitions of the financial period ending on 31 December 2023, PHM has agreed on contingent consideration based on the performance of the acquired companies. PHM has estimated the contingent consideration to an amount of EUR 5,214 thousand included in the acquisition price at the acquisition date, of which EUR 2,100 thousand will mature in less than five years and EUR 3,114 thousand will mature in less than a year.

In connection with the acquisitions of the financial period ending on 31 December 2022, PHM has agreed on contingent consideration based on the performance of the acquired companies. PHM has estimated the contingent consideration to an amount of EUR 2,987 thousand included in the acquisition price at the acquisition date, of which EUR 676 thousand will mature in less than five years and EUR 2,311 thousand will mature in less than a year.

Changes in the interest-bearing liabilities

31 Dec 2023

EUR thousand	Opening balance 1 Jan	Business combinations	Translation differences	Other changes	Reporting date balance 31 Dec
Non-current interest-bearing liabilities	418,297	1,043	-78	184,679	603,940
Current interest-bearing liabilities	4,314	207	4	20,180	24,706
Lease liabilities	27,222	18,777	-700	3,636	48,936
Contingent considerations	2,987	-	-21	2,248	5,214
Total changes in interest-bearing liabilities	**452,819**	**20,028**	**-795**	**210,744**	**682,796**

31 Dec 2022

EUR thousand	Opening balance 1 Jan	Business combinations	Translation differences	Other changes	Reporting date balance 31 Dec
Non-current interest-bearing liabilities	303,971	5,433	-161	109,053	418,297
Current interest-bearing liabilities	33,584	388	-107	-29,550	4,314
Lease liabilities	22,856	10,062	-818	-4,877	27,222
Contingent considerations	4,228	-	-107	-1,135	2,987
Total changes in interest-bearing liabilities	**364,639**	**15,883**	**-1,193**	**73,491**	**452,819**

Publicly traded bonds

Before fiscal year 2023 PHM Group Holding Oyj has issued senior secured callable fixed rate notes with an initial principal amount of EUR 340 million. The notes are due on 18 June 2026. PHM Group Holding Oyj has issued issued senior secured callable floating rate notes in the amount of EUR 70 million, due on 19 October 2026. During fiscal year 2023 PHM Group Holding Oyj issued further senior secured callable floating rate notes in the amount of EUR 55 million in June and EUR 140 million in October. The notes are due on 19 June 2026. PHM Group Holding Oyj notes are listed on Nasdaq Helsinki Stock Exchange and the Frankfurt Open Market.

4.6. Capital management

The primary objective of the Group's capital management is to ensure continuity of operations (going concern), enable the execution of the Group's strategy and increase the shareholder value.

PHM manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants, and to ensure availability of capital. To maintain or adjust the capital structure, PHM may issue new debt instruments, repay existing debt, adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. PHM monitors its capital structure by following its leverage ratio, equity and net debt levels. Within net debt, PHM includes interest bearing loans and borrowings, lease liabilities and contingent considerations, less cash and cash equivalents.

Interest-bearing net debt is presented separately in Note 4.5. Interest-bearing loans and borrowings.

Capital structure

EUR thousand	2023	2022
Net debt (Note 4.5.)	647,769	421,187
Equity	207,527	152,216
Leverage, x	5.36	4.81

In order to achieve these objectives, PHM's capital management, amongst other things, aims to ensure that it meets the financial covenants attached to the interest-bearing loans and borrowings that are a prerequisite to maintaining the desired capital structure. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current review period. PHM further aims to keep its leverage ratio below 5.5x to ensure availability of debt capital with reasonable terms. Leverage is calculated by dividing the interest-bearing net debt by the LFL synergy adjusted EBITDA. Additional information regarding the calculation of leverage is found in the Key Figures section in the the Board of Directors' Report.

No changes were made in the objectives, policies or processes for managing capital during the fiscal year 2023.

4.7. Equity

The Group classifies the instruments it has issued either in equity or in financial liabilities based on their nature. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Expenses related to the issuance or acquisition of equity instruments are presented as an allowance for equity.

Equity and capital reserves

Group equity per 31 December 2023 consists of share capital, reserve for unrestricted equity and exchange differences on translation of foreign operations.

Share capital

During fiscal year 2023 there were no changes in the share capital of PHM Group Holding Oyj.

Fund for unrestricted equity

The fund for unrestricted equity contains the other equity-related investments and share subscription prices to the extent that these are not made to the share capital. Addition of EUR 48 million was made to the fund for unrestricted equity during the fiscal year 2023 of which EUR 44 million was made in connection with financing the Sefbo acquisition.

Translation differences

Exchange differences relating to the translation of the results and net assets of the PHM's foreign operations from their functional currencies to the Group's presentation currency (i.e. euro) are recognised in other comprehensive income and accumulated in the equity.

Board of Directors' proposal for measures concerning the company's profit and any other distribution of non-restricted equity

The parent company PHM Group Holding Oyj had EUR 208.4 million in distributable funds on 31 Dec 2023, of which the profit for the period was EUR 593.9 thousand. The Board of Directors proposes that EUR 1,468,116.80 shall be distributed from the fund for unrestricted equity as permitted by the terms and conditions of the company's financing arrangements.

PHM Group Holding Oyj has distributed profit as group contribution to its Parent Company PHM Group TopCo Oy: EUR 1,311 thousand in fiscal year 2023 and EUR 1,315 thousand in fiscal year 2022.

Shares

PHM Group Holding Oyj has one share class and one share outstanding, which is owned by PHM Group TopCo Oy.

Subordinated loan

PHM Group Holding Oyj has no subordinated loans.

4.8 Other shares and investments

PHM's investments in other shares consist of shares of housing co-operative and other equity shares. Shares in housing co-operative company are a typical ownership structure for Finnish apartments and commercial space, where the acquirer owns the shares allowing for tenure in a specific unit and the company around the housing co-operative facilitates the maintenance and public spaces. Other shares and investments are initially measured at cost and are subsequently measured at cost less any impairment.

EUR thousand	2023	2022
Other shares and investments	3,011	3,223

5. Other Notes

5.1. Related party transactions

PHM's related parties comprise of subsidiaries, the Board of Directors, the CEO and the rest of the company's management team and their close family members, as well as entities under their control or joint control, sister companies belonging to the group structure.

PHM is a wholly-owned subsidiary of PHM Group TopCo Oy ("TopCo"). TopCo's three most significant shareholders in terms of shares and voting rights were on 31 December 2023 as follows: Norvestor Fund VIII SCSp, 51.4% of votes and 38.3% of shares; Intera Fund III Ky, 7.7% of votes and 9.69% of shares; and Mivi Capital Oy, 7.07% of votes and 8.9% of shares. The remaining shares and votes in TopCo are held by other investors and the key employees of PHM.

Balances and transactions between the parent and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

The following tables provide the total amount of transactions that have been entered into with related parties for the fiscal year 2023 and equivalent amounts for fiscal year 2022.

Compensation of key management personnel

The key personnel in the Group's management consist of the members of the Board of Directors, Group CEO and members of the Group management team. The amounts disclosed in the table are expensed during the fiscal year.

Compensation of the members of the Board of Directors

EUR thousand	2023	2022
Karl Svozilik, Chairman of the Board	-	-
Ståle Kolbjørn Angel	-18	-18
Tuomas Sarkola	-	-
Svein Olav Stølen	-18	-18
Marika af Enehjelm	-	-
Total	**-36**	**-36**

Group management team

EUR thousand	2023	2022
Salaries and short-term employee benefits	-2,258	-1,926
Post-employment pension and medical benefits	-50	-25
Total compensation paid to key management personnel	**-2,308**	**-1,951**

Other related party transactions

Service provided to

EUR thousand	2023	2022
to Companies held by CEO or to CEO	489	361
Total	**489**	**361**

Services purchased from

EUR thousand	2023	2022
Real-estate leases from Mivi Capital (CEO is shareholder)	-732	-778
Personnel recreation expenses from Scandinavian Outdoor (CEO is shareholder)	-104	-98
Total	**-836**	**-876**

Liabilities to PHM Group TopCo Oy

EUR thousand	2023	2022
Group contribution liability	1,311	1,315
Cash pool liability	0	5,668
Total	**1,311**	**6,983**

5.2. Contingent liabilities and commitments

Other commitments and obligations for the Group

EUR thousand	2023	2022
Liabilities with pledges, mortgages or other assets pledged as collateral		
Liabilities	35,113	52,000
Total	**35,113**	**52,000**
Securities pledged as collateral for own commitments regarding the above-mentioned liabilities		
Business mortgages	1,250,000	650,000
Total	**1,250,000**	**650,000**

Obligations for lease liabilities

EUR thousand	2023	2022
Leasing liabilities payable in the following financial year	216	619
Leasing liabilities payable in later financial years	623	1,856
Total	**839**	**2,474**

Obligations for rent liabilities

EUR thousand	2023	2022
Rent liabilities payable in the following financial year	56	77
Rent liabilities payable in later financial years	149	230
Total	**204**	**307**

Legal claim contingency

PHM has not had any material outstanding or ongoing juridical cases with employees, former employees, customers, or other parties to the companies from which PHM would be liable to compensate the other party.

5.3. Events after reporting period

The Group has continued its strategy of growing through acquisitions even after the year end and continues to have a strong pipeline of active dialogues. None of the closed transactions are such that it would have a material impact on the Group's business or financial position.

In March 2024, PHM Group Holding Oyj issued a tap issue of senior secured callable floating rate notes in a nominal amount of EUR 35 million under a framework of EUR 450 million. The net proceeds from the tap issue will be used for general corporate purposes and working capital purposes of the Group.

Financial Statements of the Parent Company

Parent Company Income Statement (FAS)

EUR thousand	1 Jan-31 Dec 2023	1 Jan-31 Dec 2022
Revenue (net sales)	0	0
Other operating expenses	-1,313	-1,185
Operating profit (loss)	**-1,313**	**-1,185**
Financial income and expenses		
Other interest and financial income	36,358	13,555
Interest and other financial expenses	-41,826	-18,839
Financial income and expenses, total	-5,468	-5,284
Profit (loss) before appropriations and taxes	**-6,781**	**-6,468**
Group contribution	7,416	6,038
Depreciation reserve	-1	0
Taxes	-41	0
Profit for the financial period	**594**	**-431**

Parent Company Balance Sheet (FAS)

EUR thousand	2023	2022
Assets		
Non-current assets		
Tangible assets	23	0
Investments		
Holdings in Group companies	294,410	224,410
Subordinated loan receivable	36,855	26,792
Receivables from Group companies	484,887	277,719
Total investments	816,152	528,921
Total non-current assets	**816,175**	**528,921**
Current assets		
Current receivables	60	49
Receivables from Group companies	8,728	43,509
Total current receivables	8,787	43,557
Cash equivalents	500	0
Total current assets	**9,287**	**43,557**
Total assets	**825,463**	**572,479**

EUR thousand	2023	2022
Equity and liabilities		
Equity		
Share capital	80	80
Other reserves (Ltd)	208,239	160,238
Retained earning	-431	-1
Profit (loss) for the financial year	594	-431
Total shareholder's equity attributable to equity holders of the parent	**208,481**	**159,887**
Depreciation reserve	**1**	**0**
Liabilities		
Non-current liabilities		
Bond loan	605,000	410,000
Total non-current liabilities	**605,000**	**410,000**
Current liabilities		
Liabilities to Group companies	9,515	1,315
Loans from financial institutions	0	0
Short term liabilities	2,466	1,277
Total current liabilities	**11,981**	**2,592**
Total liabilities	**616,981**	**412,592**
Total equity and liabilities	**825,463**	**572,479**

Cash Flow Statement of the Parent Company

EUR thousand	2023	2022
Operating activities		
Profit before tax	-6,781	-6,468
Adjustments to reconcile profit before tax to net cash flows:		
Finance income and expenses	5,468	5,284
Change in working capital	43,873	-32,869
Net cash flow from operating activities	**42,559**	**-34,054**
Net cash flow from investing activities		
Acquisition of a subsidiary, net of cash acquired	-70,000	-
Investments in intangible and tangible assets	-30	-
Net cash flow from investing activities	**-70,030**	**0**
Net cash flow from financing activities		
Loans granted	-184,666	-70,000
Proceeds from borrowings	195,000	110,000
Repayment of borrowings	-	-5,000
Change in equity	46,685	16,331
Net interest and finance cost paid	-29,048	-17,277
Net cash flow from financing activities	**27,971**	**34,054**
Net increase in cash and cash equivalents	**500**	**0**
Cash and cash equivalents at 1 Jan	-	-
Cash and cash equivalents at 31 Dec	**500**	**0**

Accounting Policies

The financial statements have been prepared in accordance with the Small Business Act (in accordance with Chapters 2 and 3 of the PMA).

Valuation and accrual principles and methods

The company's valuation principles and methods as well as accrual principles and methods are in accordance with sections 3: 1.2-3 of the PMA (Small Business Act), therefore no separate notes are presented on these.

Notes concerning the parent company's balance sheet

Asset breakdown

EUR thousand	2023	2022
Holdings in Group companies		
PHM Group Oy	294,410	224,410

Breakdown of long-term receivables

EUR thousand	2023	2022
Subordinated loan receivable PHM Group Oy	23,569	21,823
Subordinated loan receivable Kotikatu Oy	5,367	4,969
Subordinated loan receivable Nokian Kiinteistöhuolto Oy	753	0
Subordinated loan receivable PHM Finland Oy	1,420	0
Subordinated loan receivable Cateva Oy	740	0
Subordinated loan receivable PHM Liikekiinteistöt Oy	667	0
Subordinated loan receivable Kiinteistöhuolto J Rusanen Oy	1,060	0
Subordinated loan receivable Kotkan Kiinteistöpalvelu Oy	659	0
Subordinated loan receivable Kiinteistöpalvelu Lintula Oy	229	0
Subordinated loan receivable Kiinteistöhuolto Jurvelin Oy	1,407	0
Subordinated loan receivable TL-Maint Oy	983	0
Loan receivable PHM Group Oy	484,887	277,719
Long-term receivables total	**521,742**	**304,511**

Breakdown of short-term receivables

EUR thousand	2023	2022
Receivables from group companies	8,728	43,509
Other receivables	60	49
Short-term receivables total	**8,787**	**43,557**
Cash and cash equivalents	500	0
Cash and cash equivalents	**500**	**0**

Breakdown of Equity items

Restricted equity

EUR thousand	2023	2022
Share capital 1 January	**80**	**0**
Increase	0	80
Decrease	0	0
Share capital 31 December	80	80
Total restricted equity	**80**	**80**

Unrestricted equity and other equity reserves

EUR thousand	2023	2022
Other reserves 1 January	**160,238**	**158,318**
Increase	48,000	2,000
Decrease	0	-80
Other reserves 31 December	208,239	160,238
Other reserves total	**208,239**	**160,238**

Notes Concerning the Parent Company's Income Statement

Retained earnings

EUR thousand	2023	2022
Retained earnings 1 January	**-431**	**-1**
Profit (loss) for the period	594	-431
Retained earnings 31 December	**163**	**-431**

Non-restricted equity attributable to the owners of the parents

EUR thousand	2023	2022
Retained earnings/losses	163	-431
Total restricted equity	80	80
Total unrestricted equity	208,239	160,238
Total Equity	**208,481**	**159,887**

Distributable funds attributable to the owners of the parents and subordinated loans

EUR thousand	2023	2022
Other reserves	208,239	160,238
Retained earnings/losses	163	-431
Total	**208,401**	**159,807**

Total amounts of dividend income, interest income and interest expenses

EUR thousand	2023	2022
Other interest and financial income	36,358	13,555
Interest and other financial expenses	-41,826	-18,839
Total	**-5,468**	**-5,284**

Parent Company's Notes Concerning Personnel and Members of the Organs

Number and groups of personnel

The company did not have any employees during the financial year.

Loans and securities granted to the CEO, members of the Board of Directors and other related parties

EUR thousand	2023	2022
Accounts payable to PHM Group Oy	0	0
Other liabilities to PHM Group TopCo Oy	1,311	1,315
Nordea Cash Pool account liability to PHM Finland Oy	8,204	0
Nordea Cash Pool account receivable from PHM Finland Oy	0	34,467

Holdings in other companies	2023	2022
PHM Group Oy	100%	100%

Notes concerning reporting entity included in the Group

PHM Group Holding's parent company is PHM Group TopCo Oy. The consolidated financial statements are available at Takomotie 1-3, FI-00380 Helsinki, Finland.

Board of Directors' Report Referred to in the Limited Liability Companies Act

Board of Directors' proposal for measures concerning the company's profit and any other distribution of non-restricted equity.

The parent company PHM Group Holding Oyj had EUR 208.4 million in distributable funds on 31 Dec 2023, of which the profit for the period was EUR 593.9 thousand. The Board of Directors proposes that EUR 1,468,116.80 shall be distributed from the fund for unrestricted equity as permitted by the terms and conditions of the company's financing arrangements.

Other commitments and obligations for the Group	2023	2022
Liabilities with pledges, mortgages or other assets pledged as collateral		
Liabilities	0	47,000
Total	**0**	**47,000**
Securities pledged as collateral for own commitments regarding the above-mentioned liabilities		
Business mortgages	1,250,000	650,000
Total	**1,250,000**	**650,000**

Signatures to the Board of Directors' Report and the Financial Statements

In Helsinki, 23 April 2024

Karl Svozilik
Chairman of the Board

Ståle Angel
Member of the Board

Tuomas Sarkola
Member of the Board

Marika af Enehjelm
Member of the Board

Svein Olav Stølen
Member of the Board

Ville Rantala
CEO

Auditor's note

A report on the audit performed has been issued on 23 April 2024.

KPMG Oy Ab

Turo Koila
Authorised Public Accountant

Auditor's Report

To the Annual General Meeting of PHM Group Holding Oyj

Report on the Audit of the Financial Statements

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Opinion

We have audited the financial statements of PHM Group Holding Oyj (business identity code 3123811-8) for the year ended 31 December 2023. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including material accounting policy information, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with IFRS Accounting Standards as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 2.4.1 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

The key audit matter	How the matter was addressed in the audit
Revenue recognition - Accounting principles of the consolidated financial statements and note 2.1	

- Completeness and accuracy of revenue recognition is a key audit matter due to the following reasons:
  - Sales are generated by individual services rendered in multiple locations.
  - The volume of sales transactions is high and the group uses several pricing- and contract models.
	- We have evaluated the group's revenue recognition and accounting practises in relation to the principles specified in IFRS.
	- We have tested the operating effectiveness of the key internal controls ensuring the completeness and accuracy of revenue recognition.
	- In addition, we have performed substantive audit procedures over the completeness, accuracy and cut-off of revenue recognition and evaluated the appropriate presentation of the notes to the consolidated financial statements.

Valuation of goodwill and intangible assets related to acquisitions (Accounting principles and note 3.1 and 3.2 to the consolidated financial statements)	
- At the end of financial year 2023 the goodwill and intangible assets were together EUR 808 million represents a significant part, 74%, of the consolidated balance sheet total. - Goodwill is tested for impairment annually and whenever there is any indication that the goodwill may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is determined based on value in use. The preparation of goodwill impairment testing requires estimates be made about the future. Management estimates and associated critical uncertainties relate to the components of the calculation of recoverable amount, which include the discount rate, terminal growth rate, and the development of net sales and operating profit, including cost levels for the company. - The intangible assets mainly consist intangible assets identified in connection the acquisitions. - Due to the significance of the carrying amount and significant management judgments involved in the forecasts, valuation of goodwill is considered a key audit matter.	- We critically assessed the management fundamentals and assumptions underlying the cash flow projections for the coming years. - We utilised our own valuation specialists that assessed the appropriateness of the discount rate, the technical accuracy of the calculations and the assumptions used in relation to market and industry information. - In addition, we considered the appropriate presentation of the disclosures on goodwill impairment testing in the financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting in 2020, and our appointment represents a total period of uninterrupted engagement of 4 years.

PHM Group Holding Oyj has been a public interest entity since 9.6.2022.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 23 April 2024

KPMG OY AB

TURO KOILA

Authorised Public Accountant, KHT

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