

HLRE Holding Group

Report 1 February 2023 – 30 April 2023

Comparison figures in brackets refer to the corresponding period previous year.

Brief Look at February 2023 – April 2023

- Q1 revenue decreased by 7% to EUR 25,9 EUR million (EUR 27,9 Million).
- Q1 gross profit decreased to EUR 9,8 million (EUR 11,3 Million).
- Q4 adjusted EBITDA was EUR 0,9 million (EUR 1,9 million).
- Q4 net cash from operating activities was EUR 1,4 million (EUR -2,0 Million).

Key Figures

HLRE HOLDING GROUP	Feb 23 –Apr 23	Feb 22 –Apr 22	Feb 22 – Jan 23
EUR Million	Q1	Q1	Q1-Q4
Revenue	25,9	27,9	129,4
Gross profit	9,8	11,3	52,3
Gross margin,%	37,8 %	40,5 %	40,4 %
Adjusted EBITDA	0,9	1,9	10,8
EBIT	-1,9	-0,5	2,5
Net cash from operating activities	1,4	-2,0	4,7

Company description

HLRE Holding Group (commonly known as Vesivek Group) is a leading provider of roof and roof product renovations offered primarily to detached and row houses in Finland and Sweden under the brand name Vesivek. In addition to roof and roof product installations, Vesivek provides underground drain renovations in eight locations in Finland. The Group also develops, manufactures, and sells high quality rainwater systems and roof safety products.

HLRE Holding Group operated in 14 locations in Finland and three locations in Sweden in April 2023 and employs around 800 employees currently on average. The Group has two in-house manufacturing facilities in Finland, steel roofing profile production in Pirkkala and manufacture of rainwater systems and roof safety products in Orimattila.

Management Overview of the first quarter

Q1 financial performance in roof and rainwater systems installation in Finland and roof renovation in Sweden were below forecasted. Underground drain renovation business in Finland performed close to forecast.

Group launched co-operation negotiations in Lahti unit in Finland in the beginning of January 2023. Co-operation negotiations completed on March 2023 leading termination of employment relationship of 12 persons no later than until the end of H12023 . As a result of the negotiations, the roof installation business of the Lahti unit will be discontinued during Q1/2023 and Vesivek Oy will continue in the Lahti economic area in the rainwater and roof safety business.

At the beginning of April 2023, the Board of Directors of the Company issued a change negotiation proposal concerning the entire Kuopio unit of Vesivek Oy and Vesivek Salaojat Oy. Co-operation negotiations completed on the end of April 2023 leading termination of employment relationship of 7 persons no later than until the end of

Q32023. As a result of the negotiations, the roof installation business of the Kuopio unit will be discontinued during Q1/2023 and Vesivek will continue in the Kuopio economic area only in the rainwater and roof safety and underground drain businesses.

First quarter February 2023 - April 2023

Q1 revenue decreased by 7 % to EUR 25,9 Million (27,9 million). Short order backlog in roof installations in both Finland and Sweden led to inefficiency in installations and to weaker profitability. Gross profit was EUR 9,8 million (11,3 million) in Q12023.

Q1 reported EBITDA was EUR 0,0 million (1,5 million) and adjusted EBITDA EUR 0,9 million (1,9 million). Reported adjustments totaled to EUR 0,85 million including one-offs regarding restructuring costs in the businesses in Finland of EUR 0,6 million and other non-recurring costs of EUR 0,25 million. Impact of the adjustments to the operating cashflow in Q1 amounted to EUR 0,85 million (EUR 0,4 million).

Q1 net cash from operating activities was EUR 1,4 million (-2,0 million) mainly due to more effective management of working capital.

Events after reporting date

HLRE Group Ltd and Vesivek Ltd issued a change negotiation initiative on 10th of May 2023. The negotiations concerned all employees of HLRE Group Ltd (excluding payroll personnel) and salaried employees of Vesivek Ltd (joint functions, unit management, sales personnel, profile production and workshop repair unit, excluding B2B sales personnel and site installation managers). Further, Oulu/Tornio, Nurmijärvi/Lohja, Kerava/Orimattila units were excluded. In the change negotiations the plans were to discuss about adapting and rearranging the operations in HLRE Group Ltd and Vesivek Ltd to better meet the economic situation and weakened demand.

Negotiations completed on the end of May 2023. Final decisions about employment terminations and lay-offs will be concluded during June.

Group decided on May 2023 to close down the Oulu branch office in Tornio. Impact on personnel decrease is around 10 persons effective no later than end of July.

Outlook for the financial year 1 February 2023 – 31 January 2024

No outlook for the financial year 1 February 2023 – 31 January 2024.

Risks and uncertainties

The Group's revenues and operating profit are affected by general economic conditions, which are, in turn, influenced by many factors beyond the Group's control. The Group currently operates in Finland and Sweden. Currently, the majority of the Group's operations are located in Finland but growth in both markets, for example, by way of increasing market share and/or expanding the Group's product and service offering is an important factor in fulfilling the Group's strategic objectives. Respectively, the Group's revenue and operating profit are particularly susceptible to general economic conditions and perception of future general economic conditions in the Finnish and Swedish markets.

Uncertainty or adverse trends in general economic conditions could affect the Group's business and demand for the Group's products and services through, inter alia, affecting consumer confidence as well as through adverse impacts on the business activities of the Group's corporate clients purchasing the Group's rainwater systems and roof safety products. Importantly, the general economic conditions may adversely affect the level and cost of financing available to the Group's consumer and corporate clients to make investments in renovations and refurbishments. Moreover, increases in the costs of financing and decreases in the level of available financing may adversely affect the Group's ability to make investments and fulfil its strategic objectives and may have a material adverse effect on the Group's business, financial position and results. Through its manufacturing

operations, the Group is furthermore exposed to the risk of fluctuations in certain commodity prices (such as steel, aluminium and wood) and energy prices (especially through fuel costs for vehicles) and increases in prices due to economic disruptions and changes in general market conditions may have an adverse effect on the Group's business, financial position and results. All of the factors mentioned above could harm the Group's operations and the Group cannot predict the ways in which the future economic environment and market conditions may affect the Group's operations.

In general, the frequency of accidents at construction sites is worth noticing and the Group operates in a business segment subject to extensive laws and regulations regarding the work environment. Despite required health and safety measures and, for example, the use of scaffoldings on its construction sites improving the safety of the personnel, the Group is exposed to the risk of, possibly even fatal, accidents at the workplace especially on its roof renovation sites but also at its manufacturing facilities. In addition to physical injuries, employees of the Group are exposed to risks related to hazardous substances as certain of the Groups renovation sites contain asbestos. Respectively, the Group must also comply with specific environmental regulations with respect to asbestos. Finnish legislation includes particularly stringent requirements for any activities involving asbestos and the safety requirements for such activities. Any failure to comply with the regulations concerning health and safety or asbestos related activities may result in liability for the Group and/or the Group's permit being revoked. For example, if Group's permit to handle asbestos would be revoked, the Group would need to stop all business activities relating to handling of asbestos and acquire the work through subcontractors. Moreover, all potential accidents and health impacts have an adverse effect on its personnel's well-being. The Group as an employer is exposed to the risks related to health and safety issues of its employees possibly resulting in reduced working capacity of employees.

The Group may, in the future, become in breach of financial covenants and other obligations in its financing agreements that constitute grounds for termination or acceleration. A failure by the Group to obtain necessary capital in the future, or obtaining financing on less favourable terms, may have an adverse effect on the Group's business, financial position and results. The Group issued a three-year senior secured bond in an amount of SEK 300 million (approximately EUR 28-30 million) in February 2021 including EUR 2 million Super Senior RCF maturing 6 months prior to the bond termination date. A failure by the Group to refinance the bond and the SSRCF, or obtaining financing on substantially less favourable terms, have an adverse effect on the Group's business, financial position and results.

For more information

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Condensed financial statements for the period ended 30 April 2023

Consolidated Statement of Comprehensive Income 1000 EUR

	1.2.2023-30.4.2023	1.2.2022-30.4.2022	1.2.2022-31.1.2023
REVENUE	25 907	27 931	129 455
Other operating income	282	356	1 064
Material and services	-9 259	-9 888	-47 702
Employee benefits expense	-11 185	-11 376	-49 747
Depreciation and amortisation	-1 922	-1 949	-7 757
Other operating expenses	-5 706	-5 549	-22 844
OPERATING PROFIT	-1 883	-475	2 469
Finance income	83	153	2 018
Finance cost	-1 073	-1 332	-4 450
Finance income and cost	-990	-1 180	-2 432
PROFIT/LOSS BEFORE TAX	-2 874	-1 655	36
Tax on income from operations	467	277	-374
PROFIT/LOSS FOR THE PERIOD	-2 407	-1 378	-338
Profit attributable to:			
Owners of the parent company	-2 368	-1 376	-458
Non-controlling interests	-39	-2	120
	-2 407	-1 378	-338
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	1	30	-147
	1	30	-147
TOTAL COMPREHENSIVE INCOME	-2 407	-1 348	-484
Total comprehensive income attributable to:			
Owners of the parent company	-2 368	-1 348	-591
Non-controlling interests	-39	0	107
	-2 407	-1 348	-484

Consolidated Statement of Financial Position

1000 EUR	30.4.2023	30.4.2022	31.1.2023
ASSETS			
NON-CURRENT ASSETS			
Goodwill	40 304	40 304	40 304
Intangible assets	764	712	976
Property, plant, equipment	25 036	26 050	26 261
Other non-current financial assets	48	48	48
Loan receivables	23	7	17
Non-current prepayments and accrued income (from others)	0	14	0
Deferred tax assets	625	405	235
NON-CURRENT ASSETS	66 801	67 540	67 841
CURRENT ASSETS			
Inventories	15 351	18 207	15 756
Trade and other receivables	10 375	11 911	9 494
Loan receivables	53	625	625
Income tax receivable	475	236	158
Cash and cash equivalents	3 514	2 564	3 557
CURRENT ASSETS	29 767	33 542	29 394
ASSETS	96 568	101 082	97 235
EQUITY AND LIABILITIES			
Owners of the parent company			
Share capital	80	80	80
Reserve for invested unrestricted equity	18 002	18 002	18 002
Translation differences	-150	11	-151
Retained earnings	7 146	8 560	9 511
Owners of the parent company	25 077	26 652	27 442
Non-controlling interests	33	-37	71
EQUITY	25 111	26 615	27 512
NON-CURRENT LIABILITIES			
Finance and lease liabilities	23 831	50 951	50 349
Employ Employee benefit obligation	427	422	427
Deferred tax liabilities	102	112	150
NON-CURRENT LIABILITIES	24 359	51 486	50 926
CURRENT LIABILITIES			
Finance and lease liabilities	30 563	5 733	4 742
Other current liabilities	14 716	16 846	12 433
Derivatives	1 572	370	1 461
Income tax liabilities	246	33	161
CURRENT LIABILITIES	47 098	22 982	18 797
Liabilities	71 457	74 467	69 722
EQUITY AND LIABILITIES	96 568	101 082	97 235

Consolidated Statement of Cash Flows, indirect

1000 EUR	1.2.2023-30.4.2023	1.2.2022-30.4.2022	1.2.2022-31.1.2023
Cash flows from operating activities			
PROFIT/LOSS FOR THE PERIOD	-2 407	-1 378	-338
Adjustments to the profit/loss for the period			
Depreciation, amortisation and impairment	1 922	1 949	7 757
Financial income and expenses	915	768	3 437
Tax on income from operations	-467	-277	374
Other adjustments	226	342	-1 051
Adjustments total	2 597	2 782	10 517
Working capital changes			
Increase / decrease in inventories	405	-2 720	-394
Increase / decrease in trade and other receivables	-538	-2 836	-429
Increase / decrease in trade payables	2 195	3 282	-934
Interest paid	-675	-572	-2 483
Interest received	29	3	65
Other financial items	-2	10	-203
Income taxes paid	-204	-550	-776
Net cash from operating activities	1 399	-1 979	5 026
Cash flows from investing activities			
Purchase of tangible and intangible assets	-308	-411	-1 987
Proceeds from sale of tangible and intangible assets	112	200	245
Disposal of subsidiaries	0	0	8
Loans granted	-10	0	-18
Proceeds from repayments of loans	4	2	21
Net cash used in investing activities	-201	-208	-1 731
Cash flows from financing activities			
Proceeds from sale of treasury shares	0	0	9
Proceeds from current borrowings	0	743	0
Repayment of current borrowings	0	-2	-6
Addition / deduction of current borrowings	0	4	0
Repayment of non-current borrowings	0	-1	0
Payment of lease liabilities	-1 242	-1 195	-4 942
Net cash used in financing activities	-1 242	-450	-4 938
Net change in cash and cash equivalents	-43	-2 638	-1 644
Cash and cash equivalents, opening amount	3 557	5 201	5 201
Net increase/decrease in cash and cash equivalents	-43	-2 638	-1 644
Effects of exchange rate fluctuations on cash held	0	0	0
Cash and cash equivalents	3 514	2 564	3 557
Cash and cash equivalents, other arrangements	0	0	0

Consolidated statement of changes in equity

1000 EUR	Note	Share capital	invested unrestricted equity	Translation differences	Retained earnings	Total	Non-controlling interests	Total equity
	18							
EQUITY 1.2.2023		80	18 002	-151	9 511	27 442	71	27 512
Comprehensive income								
Profit/loss for the period					-2 368	-2 368	-39	-2 407
Other comprehensive income:								
Translation differences		0	0	1	0	1	0	1
TOTAL COMPREHENSIVE INCOME		0	0	1	-2 368	-2 368	-39	-2 407
TOTAL EQUITY 30.4.2023		80	18 002	-150	7 142	25 074	33	25 107

1000 EUR

	Share capital	Reserve for invested unrestricted equity	Translation differences	Accumulated earnings	Total	Non-controlling interests	Total equity
EQUITY 1 Feb 2022	80	18002	-17	9935	28000	-37	27963
Comprehensive income							
Profit/loss for the period				-458	-458	120	-338
Other comprehensive income:							
Translation differences			-133		-133	-13	-147
TOTAL COMPREHENSIVE INCOME			-133	-458	-591	107	-484
Transactions with owners							
Acquisition of treasury shares							
Other changes				23	23	9	31
Total transactions with owners				23	23	9	31
Changes in ownership interests in subsidiaries							
Changes of non-controlling interests without change in control				10	10	-7	3
TOTAL EQUITY 31 Jan 2023	80	18002	-151	9510	27442	71	27512

