

HLRE Holding Group

Half-Year Financial Report 1 February – 31 July 2024

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

Brief Look at May - July 2024

- Q2 revenue decreased by 5% to EUR 25,1 EUR million (EUR 26,5 Million).
- Q2 gross profit decreased to EUR 9,1 million (EUR 11,1 Million).
- Q2 adjusted EBITDA was EUR 0,8 million (EUR 1,4 million).
- Q2 net cash from operating activities was EUR 0,5 million (EUR 0,6 Million).

Brief Look at February – July 2024

- H1 revenue decreased by 13% to EUR 45,7 EUR million (EUR 52,4 Million).
- H1 gross profit decreased to EUR 17,6 million (EUR 20,9 Million).
- H1 adjusted EBITDA was EUR 1,4 million (EUR 2,3 million).
- H1 net cash from operating activities was EUR -2,6 million (EUR 2,0 Million).

Key Figures

HLRE HOLDING GROUP	May– July 24	May– July 23	Feb- July 24	Feb– July 23	Feb 23 – Jan 24
EUR Million	Q2	Q2	Q1-Q2	Q1-Q2	Q1-Q4
Revenue	25,1	26,5	45,7	52,4	108,2
Gross profit	9,1	11,1	17,6	20,9	42,6
Gross margin,%	36,2 %	41,9 %	38,5 %	39,9 %	39,4 %
Adjusted EBITDA	0,8	1,4	1,4	2,3	3,8
EBIT	-0,9	-0,6	-2,5	-2,4	-10,7
Net cash from operating activities	0,5	0,6	-2,6	2,0	4,3

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 July 2024 and employs around 720 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 second quarter

In the second quarter of 2024 the Group's installation operations in Finland were disappointing. Low sales volumes and short order backlogs led to inefficiency in installations in Finland and were main reason for weak profitability.

In Sweden the roof installation business performed on a previous year level. The direct product sales in Finland was lower compared to previous year, but the profitability remained fair.

Market growth expectations of installation business areas both in Finland and Sweden in a short-term period are low. It means Group actions to increase market shares, but also tight cost control all over the Group.

Second quarter May - July 2024

Q1 revenue decreased by 5 % to EUR 25,1 Million (26,5 Million). Low sales volumes and short order backlog in roof and underground drain installations in Finland had negative impact both on revenue and profit in Q2. Gross profit was EUR 9,1 million (11,1 Million) in Q2.

Q2 reported EBITDA was EUR 0,8 Million (1,1 Million) and adjusted EBITDA EUR 0,8 Million (1,4 Million). There were no reported adjustments in Q2.

Q2 net cash from operating activities was EUR 0,5 Million (0,6 Million) due to weak business performance in Q2 and some negative net working capital changes. Net change in cash and cash equivalents in Q2 was EUR -0,7 Million (-0,7 Million).

First half 2024

H1 revenue decreased by 13% to EUR 45,7 EUR Million (EUR 52,4 Million). H1 gross profit decreased to EUR 17,6 million (EUR 20,9 Million). H1 reported EBITDA decreased slightly to EUR 1,1 Million (1,3 Million) and adjusted EBITDA to EUR 1,4 Million (2,3 Million). Reported adjustments totaled to EUR 0,3 (1,0 Million) including one-offs regarding restructuring costs in the businesses in Finland, EUR 0,25 Million and other nonrecurring costs, EUR 0,05 Million. Impact of the adjustments to the operating cashflow in H1 amounted to EUR 0,3 Million (0,75 Million).

H1 net cash from operating activities was EUR -2,6 Million (2,0 Million) due to weak business performance in H1, some negative net working capital changes and other nonrecurring financial items. Net change in cash and cash equivalents in H1 was EUR -0,9 Million (-0,8 Million).

Outlook for the financial year 1 February 2024 – 31 January 2025

No outlook for the financial year 1 February 2024 – 31 January 2025.

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.

For more information

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Consolidated Statement of Comprehensive Income
1000 EUR

	1.5-31.7.2024	1.2.2024-31.7.2024	1.5.-31.7.2023	1.2.2023-31.7.2023	1.2.2023-31.1.2024
REVENUE	25 112	45 660	26 511	52 418	108 161
Other operating income	369	1 012	554	836	1 330
Material and services	-9 909	-17 025	-9 259	-18 518	-39 864
Employee benefits expense	-10 073	-19 463	-11 651	-22 835	-46 487
Depreciation and amortisation	-1 742	-3 572	-1 854	-3 776	-12 810
Other operating expenses	-4 684	-9 083	-4 859	-10 565	-21 001
OPERATING PROFIT	-926	-2 471	-557	-2 440	-10 671
Finance income	-279	913	1 156	1 238	259
Finance cost	-1 133	-2 392	-1 227	-2 300	-4 635
Finance income and expense	-1 412	-1 478	-72	-1 062	-4 376
PROFIT/LOSS BEFORE TAX	-2 339	-3 950	-629	-3 503	-15 047
Tax on income from operations	316	560	125	598	1 769
PROFIT/LOSS FOR THE PERIOD	-2 023	-3 390	-504	-2 904	-13 278
Profit attributable to:					
Owners of the parent company	-1 917	-3 170	-472	-2 834	-13 113
Non-controlling interests	-105	-220	-32	-71	-165
	-2 023	-3 390	-504	-2 904	-13 278
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations	30	-50	-34	-33	12
	30	-50	-34	-33	12
TOTAL COMPREHENSIVE INCOME	-1 993	-3 440	-538	-2 937	-13 266
Total comprehensive income attributable to:					
Owners of the parent company	-1 890	-3 215	-503	-2 864	-13 102
Non-controlling interests	-103	-224	-35	-73	-164
	-1 993	-3 440	-538	-2 937	-13 266

Consolidated Statement of Financial Position

1000 EUR	31.7.2024	31.7.2023	31.1.2024
ASSETS			
NON-CURRENT ASSETS			
Goodwill	35 273	40 304	35 273
Intangible assets	615	785	685
Property, plant, equipment	23 571	23 778	26 263
Other non-current financial assets	48	48	48
Loan receivables	8	19	13
Deferred tax assets	2 562	749	1 940
NON-CURRENT ASSETS	62 077	65 683	64 221
CURRENT ASSETS			
Inventories	13 015	14 201	12 833
Trade and other receivables	7 686	9 481	9 494
Loan receivables	50	52	625
Income tax receivable	716	453	713
Cash and cash equivalents	1 712	2 796	2 574
CURRENT ASSETS	23 178	26 984	22 433
ASSETS	85 255	92 667	86 654
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	-183	-181	-140
Retained earnings	-6 841	6 681	-3 599
Owners of the parent company	11 058	24 582	14 343
Non-controlling interests	-265	-1	-91
EQUITY	10 793	24 581	14 252
NON-CURRENT LIABILITIES			
Finance and lease liabilities	54 231	22 176	10 738
Employee benefit obligation	400	427	400
Deferred tax liabilities	37	0	105
NON-CURRENT LIABILITIES	54 668	22 603	11 243
CURRENT LIABILITIES			
Finance and lease liabilities	5 250	30 377	42 066
Other current liabilities	14 502	13 175	17 098
Derivatives	0	1 759	1 852
Income tax liabilities	42	172	143
CURRENT LIABILITIES	19 794	45 483	61 159
Liabilities	74 462	68 085	72 401
EQUITY AND LIABILITIES	85 255	92 667	86 654

Consolidated Statement of Cash Flows, indirect

1000 EUR	1.5.2024-31.7.2024	1.2.2024-31.7.2024	1.5.2023-31.7.2023	1.2.2023-31.7.2023	1.2.2023-31.1.2024
Cash flows from operating activities					
PROFIT/LOSS FOR THE PERIOD	-2 023	-3 390	-504	-2 904	-13 278
Adjustments to the profit/loss for the period	0				
Depreciation, amortisation and impairment	1 742	3 572	1 854	3 776	12 810
Financial income and expenses	1 110	2 286	961	1 876	3 801
Tax on income from operations	-316	-560	-125	-598	-1 769
Other adjustments	518	-874	-1 127	-901	169
Adjustments total	3 054	4 423	1 563	4 153	15 011
Working capital changes					
Increase / decrease in inventories	282	-242	1 118	1 523	2 947
Increase / decrease in trade and other receivables	428	-1 459	872	334	3 584
Increase / decrease in trade payables	-713	1 456	-1 551	644	-541
	0		0		
Interest paid	-450	-829	-789	-1 464	-3 030
Interest received	34	77	32	61	192
Other financial items	2	-2 367	-3	-5	-12
Income taxes paid	-95	-240	-148	-352	-551
Net cash from operating activities	520	-2 571	592	1 991	4 322
Cash flows from investing activities					
Purchase of tangible and intangible assets	-199	-283	-461	-768	-999
Proceeds from sale of tangible and intangible assets	580	628	752	864	587
Acquisition of subsidiaries, net of cash acquired	-2	-2	0	0	0
Loans granted	0	-1	0	-9	-9
Proceeds from repayments of loans	3	8	4	8	14
Addition / deduction of cash equivalents	15	3	4	5	0
Net cash used in investing activities	397	352	299	98	-407
Cash flows from financing activities					
Purchase of treasury shares	-13	-18	0	0	0
Proceeds from current borrowings	0	976	0	0	0
Proceeds from non-current borrowings	66	3 066	0	0	0
Payment of lease liabilities	-1 681	-2 668	-1 607	-2 849	-4 898
Net cash used in financing activities	-1 628	1 356	-1 607	-2 849	-4 898
Net change in cash and cash equivalents	-711	-863	-717	-761	-983
Cash and cash equivalents, opening amount	2 423	2 574	3 514	3 557	3 557
Net increase/decrease in cash and cash equivalents	-711	-863	-717	-761	-983
Cash and cash equivalents	1 712	1 712	2 796	2 796	2 574
Cash and cash equivalents, other arrangements	0	0	0	0	0

Consolidated statement of changes in equity

HLRE Holding Group

2611405-7

1000 EUR	Share capital	Reserve for invested unrestricted equity	Translation differences	Retained earnings	Total	Non-controlling interests	Total equity
EQUITY 1.2.2024	80	18 002	-138	-3 601	14 343	-91	14 252
Comprehensive income							
Profit/loss for the period				-3 170	-3 170	-220	-3 390
Other comprehensive income:							
Translation differences	0	0	-45	0	-45	-4	-50
TOTAL COMPREHENSIVE INCOME	0	0	-45	-3 170	-3 215	-224	-3 440
Transactions with owners							
Acquisition of treasury shares	0	0	0	-18	-18	0	-18
Total transactions with owners	0	0	0	-18	-18	0	-18
Changes in ownership interests in subsidiaries							
Changes in ownership interest without loss of control				-52	-52	50	-2
TOTAL EQUITY 31.7.2024	80	18 002	-183	-6 841	11 058	-265	10 793

1000 EUR	Share capital	Reserve for invested unrestricted equity	Translation differences	Retained earnings	Total	Non-controlling interests	Total equity
EQUITY 1.2.2023	80	18 002	-151	9 511	27 442	71	27 512
Comprehensive income							
Profit/loss for the period				-2 834	-2 834	-71	-2 904
Other comprehensive income:							
Translation differences	0	0	-30	0	-30	-3	-33
TOTAL COMPREHENSIVE INCOME	0	0	-30	-2 834	-2 864	-73	-2 937
Other changes	0	0	0	4	4	2	6
Total transactions with owners	0	0	0	4	4	2	6
Changes in ownership interests in subsidiaries							
TOTAL EQUITY 31.7.2023	80	18 002	-181	6 681	24 582	-1	24 581

Notes to the condensed consolidated financial statements

1) Reporting entity

These condensed consolidated interim financial statements are the financial statements of a group of companies comprised of HLRE Holding Oyj (formerly HLRE Holding Oy), a Finnish public limited liability company operating under the laws of Finland with business ID 2611405-7 (hereinafter referred to as “HLRE Holding”, “the Company” or “the parent company”) and its subsidiaries, which are jointly referred to as “HLRE”, “HLRE Group” or “the Group”. The parent company of the Group is domiciled in Pirkkala, and its registered address is Jasperintie 273, FI-33960 Pirkkala, Finland.

HLRE 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.

2) Basis of preparation

This condensed interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group's annual consolidated financial statements for the financial year ended 31 January 2024, which have been prepared in accordance with IFRS.

These condensed consolidated interim financial statements do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS and accordingly, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements. The accounting policies applied are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the financial year ended 31 January 2024.

The consolidated financial statements are presented as thousands of euros, unless otherwise specified, and the numbers are rounded off to the nearest thousand. Because of this, the sum of individual figures can deviate from the reported total.

This condensed interim report has not been reviewed by the Company's auditors.

3) Seasonality of operations

The Group operates in an industry that sees seasonal changes. In a typical year, the second and third quarter together amount major share of the Group's full-year EBITDA.

Management has reacted to seasonal changes in customer volumes and demand for roof, roof product and underground drain renovations through workforce adjustment and structural changes in business area management and sales functions in Finland.

4) Segment information and revenue

The Board of Directors of HLRE Holding is the Group's chief operating decision maker, and operating segments have been specified based on the information reviewed by the Board of Directors in order to allocate resources and assess the profitability of business operations. The Board of Directors manages the HLRE Group as a single integrated business aggregate, and therefore HLRE has a single operating and reportable segment.

The revenue of the HLRE Holding Group is primarily generated by roofing, roof product and underground drain renovations for single-family homes and housing companies pursuant to the service concept developed by the Company, as well as project and direct sales of rainwater systems and roof safety products. The entire service chain – product development, manufacturing, sales and installation – is managed in-house by the Group.

The HLRE Holding Group is operating in Finland and Sweden. Small-scale out of total H1 revenue was generated by direct sales of rainwater systems and roof safety products from Vesivek Tuotteet Oy in Finland to Baltic countries and Sweden. No sales to Russia since February 2022. The Swedish turnover was generated by roofing and roof product installations and small-scale by direct sales of rainwater systems and roof safety products:

Breakdown of revenue by country			
1000 EUR	Feb 24 – Jul 24	Feb 23 – Jul 23	Feb 23 – Jan 24
	Q1-Q2	Q1-Q2	Q1-Q4
Finland	36 012	43 275	89 354
Sweden	9 381	8 513	18 174
Baltic countries	267	630	633
Total	45 660	52 418	108 161

5) Financial liabilities

On 30 January 2024, the Group announced that it had successfully concluded the negotiations with the majority holder of the bond on the terms and conditions for refinancing the bond, while at the same time announcing that, as the maturity of the outstanding bonds, being 12 February 2024, was approaching, it will request for a one-month extension to finalize the terms and conditions. On 5 February 2024, the Group announced that the majority of the bondholders had approved the one-month extension. In February 2024, the Group continued to finalize the terms and conditions of the bond, announcing on 8 March 2024 the refinancing of the three-year SEK 300 million bond and the registration of the bond with Nasdaq Stockholm on 13 March 2024.

The bond falls due for payment on 12 February 2027. The terms and conditions include an interest premium of 7.85% (previously 6.60%) for the deferral of the payment dates between 12 February 2024 and 12 May 2025 until the loan maturity date. The updated terms and conditions also include the option after 12 May 2025 to postpone 30% of the 7.85% interest premium until the loan maturity date.

In addition, the terms and conditions of the bond included a five-year convertible bond of EUR 3 million issued by the Company's principal shareholders and around EUR 66 thousands to minor shareholders. The principal of the convertible bond is subject to a fixed annual interest rate of 8.00%. The accrued interest shall be paid on the maturity date of the loan or on the conversion date specified separately in the agreement, whichever earlier. Until then, all accrued interest will remain as debt, but the accrued interest will not be added to the loan principal and will not accrue interest. The principal of the convertible bond has seniority over the deferred interest premium at the payment dates between 12 February 2024 and 12 May 2025.

The updated terms and conditions of the bond do not include the net debt/EBITDA covenant until 2025 July. After that, the covenant will be 5.0 until January 2026, 4.5 between February 2026 and July 2026, and 4.0 from August 2026 until the loan maturity date in February 2027. The updated terms and conditions also include a new liquidity covenant of EUR 2 million.

Maturities of contracts of financial liabilities 31 July 2024**1000 EUR**

	No more than 12 months	Over 1 year and no more than 2 years	Over 2 years and no more than 5 years	Over 5 years	Total	Book value
Trade payables	5 758				5 758	5 758
Lease liabilities	4 389	3 671	5 757	324	14 141	13 591
Bonds	1 040	3 148	32 559	0	36 746	25 498
Convertible bonds			3 784	0	3 784	3 066
Shareholder loans			17 606		17 606	15 965
Derivatives	976				976	976

Maturities of contracts of financial liabilities 31 January 2024**1000 EUR**

	No more than 12 months	Over 1 year and no more than 2 years	Over 2 years and no more than 5 years	Over 5 years	Total	Book value
Trade payables	4 763				4 763	4 763
Lease liabilities	4 940	3 811	6 550	492	15 793	15 150
Bonds	26 651				26 651	26 614
Shareholder loans	15 794				15 794	15 773
Derivatives	1 852				1 852	1 852

6) Commitments and contingent liabilities

The following shares have been pledged as collateral for the bond and overdraft facility: HLRE Group Oy, Vesivek Oy, Vesivek Sverige AB and Vesivek Tuotteet Oy (formerly Nesco Oy).

Furthermore, the following internal loans have been pledged as collateral for the bond agreement:

Loan granted by HLRE Holding Oyj to HLRE Group Oy totaling EUR 11,996,333

Loan granted by HLRE Holding Oyj to Vesivek Oy totaling EUR 1,234,960

Loan granted by HLRE Holding Oyj to Nesco Invest Oy totaling EUR 8,446.71

Loan granted by HLRE Holding Oyj to Vesivek Tuotteet Oy (former Nesco Oy) totaling EUR 4,510,442

The following business mortgages have been confirmed and pledged as collateral for the bond and overdraft facility.

HLRE Group Oy EUR 57,200 thousand

Vesivek Oy EUR 57,200 thousand

Nesco Invest Oy EUR 57,200 thousand

Vesivek Tuotteet Oy (former Nesco Oy) EUR 57,200 thousand

Vesivek Sverige AB SEK 20,000 thousand

The following real estate mortgages have been pledged as collateral for the bond and overdraft facility:

Vesivek Tuotteet Oy(former Nesco Oy) Orimattila production plant EUR 13,673 thousand

In May 2024 Vesivek Oy sold own industrial hall in Lieto disposed on a market value and on arm's length terms purchase price EUR 260 thousands.

7) Events after reporting date

Sustainability will become more and more important and part of everyday business activities when comes to environment, social or governance topics. Due to this, and in spite of the challenging Group business performance in H12024, Group recruited Mrs. Liisa Jaatinen as Quality and Sustainability Director. Liisa has strong experience on creating sustainability strategies and developing business processes and quality systems.

Use of Alternative Performance Measures

Alternative Performance Measures (APM) are financial measures of historical or future financial performance, financial position, or cash flows, other than financial measures defined or specified in the applicable financial reporting framework. HLRE Group reports the financial measures [Gross profit], [Gross margin] and [Adjusted EBITDA] in its quarterly reports, which are not financial measures as defined in IFRS. The Group believes that the alternative performance measures provide significant additional information on HLRE's results of operations, financial position and cash flows. The APMs are used consistently over time and accompanied by comparatives for the previous periods.

Gross profit = Revenues – cost of goods sold

Gross margin (%) = Gross profit in relation to Revenue

EBITDA = Operating profit (EBIT) + Depreciation + Amortization

EBITDA % = EBITDA in relation to Revenue

Adjusted EBITDA = EBITDA - EBITDA Adjustments

Adjusted EBITDA % = (EBITDA - EBITDA Adjustments) / Revenue

Operating profit (EBIT) % = Operating profit in relation to Revenue

EBITDA adjustments = One-offs regarding restructuring costs and other non-recurring costs

