

HLRE Holding Group

Q4 Interim Report 1 February 2020 – 31 January 2021

The figures in this release are unaudited. Comparison figures in brackets refer to the corresponding period previous year.

November 2020 – January 2021 in brief

- Q4 revenue increased by 7% to EUR 25,2 million (23,6 million).
- Gross margin increased by 20% to EUR 11,1 million (9,3 million).
- Adjusted EBITDA increased to EUR 1,8 million (0,6 million).
- Operational cash flow decreased to EUR 0,4 million (EUR 0,7 million).

February 2020 – January 2021 in brief

- Revenue increased by 6% to EUR 107,3 million (101,0 million).
- Gross margin increased by 8% to EUR 46,2 million (42,9 million).
- Adjusted EBITDA decreased by 3% to EUR 11,4 million (11,8 million).
- Operational cash flow decreased to EUR 7,4 million (EUR 11,9 million).

HLRE HOLDING GROUP						
IN 1000 EUR						
(IFRS, UNAUDITED*)	Nov2020-Jan2021	Nov2019-Jan2020	%	Feb2020-Jan2021	Feb2019-Jan2020	%
Revenue	25,2	23,6	7	107,3	101,0	6,2
Gross profit	11,1	9,3	20	46,2	42,9	7,8
Gross margin	44,2 %	39,2 %		43,1 %	42,5 %	
Adjusted EBITDA	1,8	0,6		11,4	11,8	-3,2
Operational cash flow	0,4	0,7		7,4	11,9	

Management Overview of Q4

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. The Group also develops, manufactures, and sells high quality rainwater systems and roof safety products under the brand name Nesco.

HLRE Holding Group operates currently in 17 locations in Finland and three locations in Sweden. The Group has two in-house manufacturing facilities in Finland, steel roofing profile production in Pirkkala and production of rainwater systems and roof safety products in Orimattila.

HLRE Holding Group's Q4 revenue and profitability improved from Q4 last year, but financial performance and cash flow were affected by seasonality and harsh winter both in Finland and Sweden. Roof and roof product installations are customarily exposed to seasonality, the effect and timing of which may vary annually based on winter characteristics such as temperature and snow cycle. We generally see a seasonal decrease in roof and roof product sales and installations in midwinter, which also temporarily

affects installation efficiency in business units, but sales and installation efficiency normally recover towards spring, summer, and autumn months.

The Group's Q4 revenue increased by 7% to EUR 25,2 million (23,6 million). Revenue growth resulted mainly from improved roof renovation installation volumes in Sweden, where installation capacity was increased by adding two installation groups to the previous six in the autumn of 2020 (>30% increase), as well as from increase in roof product sales in Finland compared to last year.

Gross margin increased by 20% to EUR 11,1 million (9,3 million) and adjusted EBITDA increased to EUR 1,8 million (0,6 million). Q4 profitability was improved compared to corresponding period previous year mainly by sales price increases introduced in 2020 in Finland and Sweden and by moving scaffolding in-house in three units in Finland during the financial year.

Q4 operational cash flow decreased to EUR 0,4 million (EUR 0,7 million). Operational cash flow was affected by seasonal fluctuation and COVID-19 pandemic. The pandemic has temporarily caused longer delivery times of raw material leading to the Group having inventory of EUR ~1 million higher compared to Q4 last year to ensure efficient supply-chain management and delivery reliability during the pandemic.

1 February 2020 – 31 January 2021 (Unaudited)

To date, the impacts of Covid-19 pandemic on the Group's revenue have in general been moderate. Despite the pandemic, the Group's annual revenue increased by 6% to EUR 107,3 million (101,0 million). At the beginning of the pandemic, we saw a temporary fall in demand for our services in Q1 and Q2, but demand and sales for roof and roof product renovations recovered towards the summer. The pandemic also slowed down sales to housing companies particularly in the first half of the year as governmental meeting restrictions prevented housing companies from organizing their annual meetings, but situation repaired after the first wave of Covid-19 in Finland.

Steady growth of revenue results from the Group being able to keep all production facilities and renovation sites running both in Finland and Sweden. Throughout the year, health and well-being of our employees, customers and co-operation partners has been our top priority. All our production facilities and installation units follow the guidelines set by local health authorities. Despite somewhat harder corona-effect on sick leaves in Sweden than in Finland, growth in Sweden continued strong during the year and the Group's revenue in Sweden increased by 44% to EUR 15.8 million (EUR 10.9 million) resulting to approximately 15% of the Group's annual revenue coming from Sweden (11%). We expect strong revenue performance in Sweden to continue this year. Also group external product sales of roof products in Finland increased by 7% to EUR 12.3 million (EUR 11.5 million) during the financial year.

Gross margin increased by 8% to EUR 46,2 million (42,9 million) mostly because of larger proportion of in-house scaffolding compared to previous year and price increases in the second half of the year. The Group's adjusted EBITDA decreased by 3% to EUR 11,4 million (11,8 million). EBITDA decline was mainly caused by temporary increase in relative costs of sales and marketing due to the pandemic and the effect of short order books to installation efficiency.

Largest EBITDA adjustments include a project for development of new sales concept in roof product renovations in Finland (EUR 0,6 million), leadership development project and other consulting (EUR 0,3 million), closing of Hämeenlinna unit in Finland (EUR 0,1 million), consumer segment survey for sales and marketing of roof and roof product installations in Finland (EUR 0,05 million) and other EBITDA adjustments EUR 0,1 million.

Introducing new more digital and remote sales models and processes as well as other precautionary measures against the pandemic have influenced the Group's profitability and cash flow in FY2021. Because of governmental meeting restrictions caused by the pandemic, organizing face to face meetings with customers was challenging especially in the first half of the year moving larger part of our sales process remote. Our readiness to swift to more remote sales methods proved to be good, and we are particularly pleased with our organization's ability to quickly adapt to new more remote sales methods, which we believe will continue to benefit our business operations even after the pandemic. Own production of roof profiles and products helped maintain quality and flexibility of our deliveries as well as high customer satisfaction even during the pandemic. Management sees that no structural changes have happened to the Group's business or market environment because of the pandemic.

The Group's operational cash flow decreased to EUR 7,4 million (EUR 11,9 million). We continued measures to secure delivery capability, which resulted in higher inventory levels in both production facilities compared to previous year. The Group still maintained stable liquidity position and did not need to utilize any of its available EUR 5 million RCF at the year end.

Management has reacted to seasonal changes in customer volumes and demand for roof and roof product renovations through workforce adjustment and temporary layoffs of installation personnel in some units in Finland. However, it is still hard to predict the financial impacts or duration of the COVID-19 pandemic, and so seasonality and harsh winter along with effects of Covid-19 pandemic are expected to continue to have an impact on the Group's financial performance at least in the first quarter of the year. National or regional restrictions aimed at preventing spread of coronavirus and potential delays in COVID-19 vaccinations may have a negative impact on the Group's business volume, result, or financial performance.

After the end of the review period, Vesivek Oy acquired the majority of Salaojakympit Oy, a Finnish underground drain provider for a consideration of EUR 400k. Salaojakympit Oy (name change to Vesivek Salaojat Oy pending) is the largest provider of underground drain renovations to small residential houses in Finland with very similar business model and clientele than Vesivek. Management sees good cross-selling synergies in adding this service to the Group's service portfolio and local integration of Salaojakympit Oy's business operations into Vesivek Oy's units has got off to a good start.

The Group's bank loan is classified in full in current financial liabilities in the financial statements of 31 January 2021 due to the loan maturing in February 2021. After the end of the financial year, HLRE Holding Oy has issued a three-year senior secured bond in an amount of SEK 300 million (approximately EUR 30 million) which was used to refinance the previous senior bank debt and purchase of leased assets, as well as to finance the acquisition Salaojakympit Oy, and general corporate purposes. The bond matures in three years and pays floating interest of STIBOR 3 months +6,60%. The bond terms and conditions include a possibility of subsequent bond issue at one or several occasions in maximum amount of SEK 100 million (approximately EUR 10 million) provided that the Group's leverage ratio, if the subsequent bond issue is made during the first year after the original bond issue, is equal to or less than 3.00:1, equal to or less than 2.75:1 in the second year after the original bond issue and equal to or less than 2.50:1 in the third year after the original bond issue, and that the company is not otherwise in breach of the bond terms. In connection with the bond, the Group has agreed EUR 2 million SSRFCF with Danske Bank A/S, Finland Branch, replacing the previous EUR 5 million RCF.

HLRE Holding Group

Consolidated Statement of Comprehensive Income

	1000 EUR	1.2.2020-31.1.2021	1.2.2019-31.1.2020
REVENUE		107 263	101 027
Other operating income		1 080	841
Material and services		-36 755	-35 659
Employee benefits expense		-41 006	-38 128
Depreciation and amortisation		-7 611	-7 391
Other operating expenses		-20 349	-16 774
OPERATING PROFIT		2 621	3 917
Finance income		345	91
Finance expense		-2 436	-2 499
Finance income and expense		-2 091	-2 407
PROFIT/LOSS BEFORE TAX		530	1 510
Tax on income from operations		-370	-456
PROFIT/LOSS FOR THE PERIOD		160	1 054
Profit attributable to:			
Owners of the parent company		117	1 021
Non-controlling interests		43	33
		160	1 054
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		45	-7
		45	-7
TOTAL COMPREHENSIVE INCOME		205	1 047
Total comprehensive income attributable to:			
Owners of the parent company		158	1 015
Non-controlling interests		47	32
		205	1 047

HLRE Holding Group

Consolidated Statement of Financial Position

	1000 EUR	31.1.2021	31.1.2020
ASSETS			
NON-CURRENT ASSETS			
Goodwill		39 437	39 437
Intangible assets		1 000	890
Property, plant, equipment		26 632	29 461
Other non-current financial assets		48	45
Non-current loan receivables		9	14
Other non-current receivables		0	4
Deferred tax assets		7	27
NON-CURRENT ASSETS		67 133	69 878
CURRENT ASSETS			
Inventories		11 105	10 147
Trade receivables and other receivables		9 494	8 617
Loan receivables		625	54
Tax Receivable, income tax		0	5
Cash and cash equivalents		2 219	5 711
CURRENT ASSETS		23 443	24 535
ASSETS		90 576	94 413
EQUITY AND LIABILITIES			
Owners of the parent company			
Share capital		3	3
Unrestricted equity reserve		18 079	18 079
Translation differences		32	-10
Accumulated earnings		9 479	9 333
Owners of the parent company		27 592	27 404
Non-controlling interests		93	45
EQUITY		27 685	27 449
NON-CURRENT LIABILITIES			
Non-current liabilities, interest-bearing		18 169	45 111
Non-current interest-free liabilities		389	359
Deferred tax liabilities		395	287
NON-CURRENT LIABILITIES		18 953	45 757
CURRENT LIABILITIES			
Current interest-bearing liabilities		29 809	8 524
Trade Payables and Other Liabilities		13 866	12 377
Derivatives		34	142
Tax liability, income tax		229	164
CURRENT LIABILITIES		43 938	21 207
Liabilities		62 891	66 964
EQUITY AND LIABILITIES		90 576	94 413

HLRE Holding Group

Consolidated Statement of Cash Flows, indirect

	1000 EUR	1.2.2020-31.1.2021	1.2.2019-31.1.2020
Cash flows from operating activities			
PROFIT/LOSS FOR THE PERIOD		160	1 054
Adjustments to the profit/loss for the period			
Depreciation, amortisation and impairment		7 611	7 391
Financial income and expenses		2 257	2 399
Tax on income from operations		370	456
Other adjustments		-360	77
Adjustments total		9 878	10 323
Working capital changes			
Increase / decrease in inventories		-918	2 505
Increase /decrease in trade and other receivables		-825	-2 015
Increase / decrease in trade payables		1 111	2 132
Interest paid		-1 706	-1 666
Dividends received		0	3
Interest received		16	22
Other financial items		-121	-218
Income taxes paid		-180	-218
Net cash from operating activities		7 415	11 921
Cash flows from investing activities			
Purchase of tangible and intangible assets		-1 816	-2 143
Proceeds from sale of tangible and intangible assets		91	21
Proceeds from sales of investments		0	9
Loans granted		-621	-22
Proceeds from repayments of loans		56	96
Net cash used in investing activities		-2 291	-2 039
Cash flows from financing activities			
Proceeds from issue of share capital		0	4 500
Capital investment by non-controlling interests		0	0
Purchase of treasury shares		0	-102
Proceeds from sale of treasury shares		30	0
Proceeds from current borrowings		0	0
Repayment of current borrowings		-2 050	-4 609
Addition / deduction of current borrowings		3	1
Proceeds from non-current borrowings		0	2 183
Repayment of non-current borrowings		-2 596	-2 050
Payment of lease liabilities		-4 003	-4 337
Net cash used in financing activities		-8 616	-4 414
Net change in cash and cash equivalents		-3 492	5 468
Cash and cash equivalents, opening amount		5 711	244
Net increase/decrease in cash and cash equivalents		-3 492	5 468
Effects of exchange rate fluctuations on cash held		0	-2
Cash and cash equivalents		2 219	5 711
Cash and cash equivalents, other arrangements		0	0