

HLRE Holding Group

Q1 Interim Report 1 February – 31 April 2021

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

Brief Look at February – April 2021

- Q1 revenue increased by 21% to EUR 29,3 million (24,3 million).
- Gross margin increased by 21% to EUR 12,5 million (10,3 million).
- Adjusted EBITDA decreased to EUR 1,6 million (2,3 million).
- Operational cash flow decreased to EUR 1,9 million (EUR 3,0 million).

HLRE HOLDING GROUP IN 100 EUR			
IFRS	Feb -Apr 2021	Feb -Apr 2020	%
Revenue	29,3	24,3	21 %
Gross profit	12,5	10,3	21 %
Gross margin	42,7 %	42,4 %	
Adjusted EBITDA	1,6	2,3	
Operational cash flow	1,9	3,0	

Q1 Revenue, Result and Cash Flow

HLRE Holding Group's Q1 revenue and gross margin increased from Q1 last year but adjusted EBITDA and cash flow continued to be affected by seasonality and COVID-19 both in Finland and Sweden. Roof and roof product installations as well as underground drain renovations 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 sales and installations of renovations in midwinter, which also temporarily affects installation efficiency, but sales and installation efficiency normally recover towards high season months.

The Group's Q1 revenue increased by 21% to 29,3 million (24,3 million) and gross margin increased by 21% to EUR 12,5 million (10,3 million). Revenue and gross margin growth resulted mainly from the acquisition of Vesivek Salaojat Oy in February 2021 as well as from improved roof renovation installation volumes in Sweden, where the installation capacity was about 30% higher than in Q1 last year, and from sales price increases introduced in 2020 in Finland and Sweden as well as from increase in roof product sales volumes in Finland.

The Group's Q1 adjusted EBITDA decreased to EUR 1,6 million (2,3 million) and operational cash flow decreased to EUR 1,9 million (EUR 3,0 million). Largest EBITDA adjustments include a leadership development project and other consulting (EUR 0,15 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. Introducing new more digital and remote sales models and processes as well as other precautionary measures against the pandemic continued to influence the

Group's profitability especially in the beginning of Q1 compared to last year. The acquisition and integration of Vesivek Salaojat Oy also added to nonrecurring fixed costs. However, in addition to sales and marketing synergies, management sees that the integration of underground drain business into Vesivek's other business operations will bring cost savings from, for instance, overlapping premise leases as well as support functions such as HR, finance, and sales.

Management has reacted to COVID-19 pandemic and seasonal changes in customer volumes through workforce adjustment and temporary layoffs of installation personnel in some units in Finland during Q1. However, COVID-19 continues to cause uncertainty and decreased visibility regarding, for instance, business forecasts. If COVID-19 pandemic is prolonged and spreads, vaccinations are delayed or new variants of the coronavirus impair the effectiveness of vaccines, the pandemic's impact on the Group companies' business in Finland and Sweden is difficult to foresee.

The Group's Q1 operational cash flow continued to be affected by seasonal fluctuation and COVID-19 pandemic. The pandemic has temporarily caused longer delivery times of raw material, which increased the Group's inventory by EUR 0,8 million in Q1 to ensure efficient supply-chain management and delivery reliability. Repurchase of sale and lease back assets in connection with the Group's refinancing in February 2021 caused an IFRS capital loss of EUR -1,0 million to Q1 result and operational cash flow. Despite the pandemic and seasonality, the Group continued to maintain stable liquidity position and did not need to utilize any of its available EUR 2 million SSRCF in Q1.

Management Overview

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 five locations in Finland. 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 20 locations in Finland and three locations in Sweden and employs more than 800 employees. 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.

Group company providing roof renovations in Finland, Vesivek Oy, started to use scaffolding as fall protection in roof installations in 2018. Around the house scaffolding brings Vesivek many competitive advantages such as efficiency, safety, and quality. Scaffolding optimizes use of installers' time as well as improves work quality and efficiency due to more ergonomic working conditions. Scaffolding also minimizes risk of personnel injuries and reduces overtime working hours and sick days as well as increases personnel commitment. In 2018 scaffolding was mainly subcontracted, but Vesivek has gradually moved scaffolding in-house during the years of 2019 and 2020. At the beginning of year 2021, only three units in Finland outsource all scaffolding, and the Group intends to gradually insource scaffolding also in the remaining Finnish units within one or two years. Management expects insourced scaffolding to bring savings and EBITDA improvement within the next couple of years.

Vesivek Oy acquired approximately 70% of Vesivek Salaojat Oy (previously called Salaojakympit Oy) in February 2021. Vesivek Salaojat Oy is the largest provider of underground drain renovations to small residential houses in Finland with very similar business model to Vesivek's roof installation renovation business. Much like Vesivek's roof renovations, underground drain renovations are completed within 2-

4 days and are needed at similar approximately 40-year intervals as roof renovations. Vesivek Salaojat Oy is headquartered in Jyväskylä, Finland, and employs approximately 60-70 professionals in five geographical locations complementary to Vesivek's units. Management sees significant cross- and up-selling potential among existing and future customers in adding this service to Vesivek's service portfolio.

In February 2021 HLRE Holding Oy 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 add-on acquisition of Vesivek Salaojat Oy, and general corporate purposes. The bullet 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 agreed EUR 2 million SSRFC with Danske Bank A/S, Finland Branch, replacing the previous EUR 5 million RCF.

In 2020 COVID-19 pandemic erupted rapidly worldwide and its effects have continued since then. The Group took immediate actions in Finland and Sweden to safeguard the adequacy of Group companies' cash reserves, operating prerequisites, and business. All locations improved safety by adopting new guidelines and operating models to minimize physical meetings. In Finland, the pandemic has had more impact on Vesivek's sales than installation operations. In Sweden, the pandemic has affected both sales and installation. However, Vesivek Sverige AB has managed to avoid mass infections, and units have not been fully closed because of the pandemic in Finland or Sweden. Management sees that no structural changes have happened to the Group's business or market environment because of the pandemic, and the Group has prepared plans for reacting and adjusting operations to different scenarios.

HLRE Holding Group
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Consolidated Statement of Comprehensive Income
1000 EUR

	1.2.-30.4.2021	1.2.-30.4.2020
REVENUE	29 301	24 287
Other operating income	255	218
Operating expenses	-28 169	-22 361
Depreciation and amortisation	-1 992	-1 880
OPERATING PROFIT	-604	264
Finance income	220	121
Finance expense	-855	-628
Finance income and expense	-635	-507
PROFIT/LOSS BEFORE TAX	-1 239	-243
Tax on income from operations	-77	-7
PROFIT/LOSS FOR THE PERIOD	-1 316	-250
Profit attributable to:		
Owners of the parent company	-1 254	-244
Non-controlling interests	-62	-6
	-1 316	-250
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	-6	0
	-6	0
TOTAL COMPREHENSIVE INCOME	-1 322	-250
Total comprehensive income attributable to:		
Owners of the parent company	-1 259	-244
Non-controlling interests	-63	-6
	-1 322	-250

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Consolidated Statement of Financial Position

1000 EUR	30.4.2021	30.4.2020
ASSETS		
NON-CURRENT ASSETS		
Goodwill	40 250	39 437
Intangible assets	1 090	910
Property, plant, equipment	27 792	28 133
Other non-current financial assets	55	45
Non-current loan receivables	68	13
Other non-current receivables	64	0
Deferred tax assets	-1	0
NON-CURRENT ASSETS	69 318	68 538
CURRENT ASSETS		
Inventories	11 986	10 305
Trade receivables and other receivables	12 554	9 872
Cash and cash equivalents	5 435	4 607
CURRENT ASSETS	29 975	24 784
ASSETS	99 293	93 323
EQUITY AND LIABILITIES		
Owners of the parent company	26 390	27 160
Non-controlling interests	-138	39
EQUITY	26 252	27 200
NON-CURRENT LIABILITIES		
Non-current liabilities, interest-bearing	48 880	19 606
Non-current interest-free liabilities	389	359
Deferred tax liabilities	343	200
NON-CURRENT LIABILITIES	49 612	20 165
CURRENT LIABILITIES		
Current interest-bearing liabilities	4 606	31 117
Current interest-free liabilities	18 823	14 840
CURRENT LIABILITIES	23 429	45 958
Liabilities	73 041	66 123
EQUITY AND LIABILITIES	99 293	93 323

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Consolidated Statement of Cash Flows, indirect

1000 EUR	1.2.2021-30.4.2021	1.2.2020-30.4.2020
Cash flows from operating activities		
PROFIT/LOSS FOR THE PERIOD	-1 316	-250
Adjustments to the profit/loss for the period	3 625	2 403
Working capital changes	462	1 701
Cash flow from operating activities before finance and taxes	2 770	3 855
Finance income and expense	-566	-707
Income taxes paid	-320	-171
Net cash from operating activities	1 884	2 977
Cash flows from investing activities		
Purchase of tangible and intangible assets	-1 509	-295
Proceeds from sale of tangible and intangible assets	1 314	8
Acquisition of subsidiaries, net of cash acquired	-201	0
Addition / deduction of loan receivables	3	-586
Addition / deduction of cash equivalents	-1	2
Net cash used in investing activities	-393	-872
Cash flows from financing activities		
Proceeds from sale of treasury shares	68	0
Repayment of current borrowings	-25 812	0
Addition / deduction of current borrowings	0	1
Proceeds from non-current borrowings	28 781	0
Repayment of non-current borrowings	72	-2 183
Payment of lease liabilities	-1 383	-1 027
Net cash used in financing activities	1 725	-3 209
Net change in cash and cash equivalents	3 216	-1 104
Cash and cash equivalents, opening amount	2 219	5 711
Net increase/decrease in cash and cash equivalents	3 216	-1 104
Effects of exchange rate fluctuations on cash held	0	0
Cash and cash equivalents	16 5 435	4 607
Cash and cash equivalents, other arrangements	0	0