

# HLRE Holding Group

## Bulletin for Q4 and full year 1 February 2021 – 31 January 2022

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

### Brief Look at November 2021 – January 2022

- Q4 revenue increased by 8% to EUR 27,2 million (EUR 25,2 Million).
- Q4 gross profit increased by 9% to EUR 12,1 million (EUR 11,1 Million).
- Q4 adjusted EBITDA was EUR 1,6 million (EUR 1,8 million).
- Q4 net cash from operating activities decreased to EUR -3,8 million (EUR 0,4 Million).

### Brief Look at February 2021 – January 2022

- Q1-Q4 revenue increased by 21 % to EUR 130,4 million (107,3 million).
- Gross profit increased by almost 20 % to EUR 55,3 million (46,2 million).
- Adjusted EBITDA increased by 20 % to EUR 13,8 million (11,4 million).
- Net cash from operating activities was positive at EUR 7,3 million (7,4 million).

### Key Figures

EUR Million	Nov 21 – Jan 22	Nov 20 – Jan 21	Feb 21 – Jan 22	Feb 20 – Jan 21
	Q4	Q4	Q1-Q4	Q1-Q4
Revenue	27,2	25,2	130,4	107,3
Gross profit	12,1	11,1	55,3	46,2
Gross margin,%	44,5 %	44,2 %	42,4 %	43,1 %
Adjusted EBITDA	1,6	1,8	13,8	11,4
EBIT	-0,35	-0,05	4,4	2,6
Net cash from operating activities	-3,8	0,4	7,3	7,4

### 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 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 17 locations in Finland and three locations in Sweden and employs more than 850 employees in 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.

### Q4 Revenue, Result and Cash Flow

Harsh winter had impact on Group's business performance in Q4. Also, Covid-19 hit renovation operations both in Sweden and Finland with relatively high proportion on employees' covid infections in December-January. Stock levels increased in Q4 by approximately EUR 2 million. Together with higher net finance cash expenses in Q4 compared to Q4 last year had negative effect on Q4 operating net cash.

### Q1-Q4 Revenue, Result and Cash Flow

Q1-Q4 revenue increased by 21% compared to previous annual financial period due to acquisition of Salaojakympit Oy in February 2021 (name changed to Vesivek Salaojat Oy in February 2021), capacity increase in Sweden and sales price increases in all sales segments.

Vesivek Salaojat Oy opened two (2) new locations (Seinäjäjoki and Kerava) and closed Kokkola unit during the 2021. Vesivek Oy's Oulu unit opened in 2021 a joint office in Tornio focusing on roof renovations to Northern Sweden up to Kalix area. Vesivek Oy also closed Kokkola unit in 2021.

Q1-Q4 net cash from operating activities was 7,3 M€ (7,4 M€). Working capital changes due to relatively significant increase of raw material prices during the year, such as steel and wood, and at the same time Group ensuring material sufficiency in all normal circumstances, had together negative impact on financial period's net operating cash flow.

### Outlook for the financial year 1 February 2022 – 31 January 2023

No outlook for the financial year 1 February 2022 – 31 January 2023.

### Bond issue

In February 2021 HLRE Holding Oyj (formerly 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 on 12 February 2024 and carries interest at the rate of STIBOR 3 months plus a margin of 6,60 per cent per annum.

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 is at a specified level.

The bond has been listed on the Open Market segment of the Frankfurt Stock Exchange since February 2021. On 8 February 2022 the bond was admitted to trading on the corporate bond segment of Nasdaq Stockholm with name HLRE Sen Sec FR SEK Bond 2024 and ISIN code SE0015530712

### Annual General Meeting 2021 and dividend proposal

The Board of Directors proposed to the Annual General Meeting no dividend payments from the annual period ended 31 January 2021. The Annual General Meeting decided on 14 April 2021 according to the proposal of the Board of Directors no dividend payments from the annual period ended 31 January 2021.

The Board of Directors proposed to the Annual General Meeting that legal form of Company is changed to public limited company. The Annual General Meeting decided on 14 April 2021 according to the proposal of the Board of Directors to change Company as public limited company and business name HLRE Holding Oyj.

The Board of Directors proposed to the Annual General Meeting to increase Company's share capital from EUR 2,5 thousands to EUR 80 thousands by fund raise from the reserve for invested non-restricted equity. The Annual General Meeting decided on 14 April 2021 according to the proposal of the Board of Directors to increase Company's share capital from EUR 2,5 thousands to EUR 80 thousands by fund raise from the reserve for invested non-restricted equity.

### Annual report 2022

The annual financial report 2022 will be released and available to the public on a week 20.

## 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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**Condensed financial statements for the financial year ended 31 January 2022**

**Consolidated statement of comprehensive income**

1000 EUR	Nov 21 - Jan 22 Q4	Feb 21 - Jan 22 Q1-Q4	Feb 20 - Jan 21 Q1-Q4
<b>REVENUE</b>	27 194	130 352	107 263
Other operating income	318	1 063	1 080
Materials and services	-8 583	-45 375	-36 755
Employee benefit expenses	-11 556	-50 257	-41 006
Depreciation, amortisation and impairments	-1 881	-7 855	-7 600
Other operating expenses	-5 841	-23 572	-20 573
<b>OPERATING PROFIT</b>	-349	4 356	2 408
Finance income	697	1 146	345
Finance costs	-978	-4 148	-2 436
Finance costs - net	-281	-3 003	-2 091
<b>PROFIT/LOSS BEFORE TAX</b>	-630	1 353	317
Income tax expense	-207	-663	-327
<b>PROFIT/LOSS FOR THE PERIOD</b>	-837	691	-10
<b>Profit attributable to:</b>			
Owners of the parent company	-755	623	-53
Non-controlling interests	-82	68	43
	-837	691	-10
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange rate differences on translating foreign operations	-75	-54	45
<b>TOTAL COMPREHENSIVE INCOME</b>	-912	637	35
<b>Total comprehensive income attributable to:</b>			
Owners of the parent company	-823	574	-12
Non-controlling interests	-89	63	47
	-912	637	35

<b>Consolidated balance sheet</b>		
<b>1000 EUR</b>	31 Jan 2022	31 Jan 2021
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Goodwill	40 304	39 437
Intangible assets	657	787
Property, plant and equipment	27 188	26 632
Other non-current financial assets	48	48
Non-current loan receivables	7	9
Other non-current receivables	26	0
Deferred tax assets	169	50
<b>NON-CURRENT ASSETS</b>	<b>68 400</b>	<b>66 963</b>
<b>CURRENT ASSETS</b>		
Inventories	15 464	11 105
Trade and other receivables	9 598	9 744
Loan receivables	63	375
Income tax receivables	198	0
Cash and cash equivalents	5 201	2 219
<b>CURRENT ASSETS</b>	<b>30 524</b>	<b>23 443</b>
<b>ASSETS</b>	<b>98 923</b>	<b>90 406</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Owners of the parent company</b>		
Share capital	80	3
Reserve for invested unrestricted equity	18 002	18 079
Translation differences	-17	31
Retained earnings	9 935	9 309
<b>Owners of the parent company</b>	<b>28 000</b>	<b>27 422</b>
Non-controlling interests	-37	93
<b>EQUITY</b>	<b>27 963</b>	<b>27 515</b>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings and lease liabilities	51 197	21 445
Employee benefit obligation	422	389
Deferred tax liabilities	216	395
<b>NON-CURRENT LIABILITIES</b>	<b>51 834</b>	<b>22 229</b>
<b>CURRENT LIABILITIES</b>		
Borrowings and lease liabilities	4 633	29 809
Trade and other payables	13 528	10 590
Derivatives	484	34
Income tax liabilities	482	229
<b>CURRENT LIABILITIES</b>	<b>19 126</b>	<b>40 662</b>
<b>Liabilities</b>	<b>70 960</b>	<b>62 891</b>
<b>EQUITY AND LIABILITIES</b>	<b>98 923</b>	<b>90 406</b>

**Consolidated statement of changes in equity**
**1000 EUR**

	Share capital	Reserve for invested unrestricted equity	Translation differences	Accumulated earnings	Total	Non-controlling interests	Total equity
<b>EQUITY 1 Feb 2021</b>	3	18079	32	9310	27423	93	27515
<b>Comprehensive income</b>							
Profit/loss for the period				623	623	68	691
Other comprehensive income:							
Translation differences			-49		-49	-5	-54
<b>TOTAL COMPREHENSIVE INCOME</b>			-49	623	574	63	637
<b>Transactions with owners</b>							
<b>Acquisition of treasury shares</b>				-28	-28		-28
Sale of treasury shares				102	102		102
Reclassifications	78	-78					
Other changes				-62	-62	-15	-77
<b>Total transactions with owners</b>	78	-78		11	11	-15	-3
<b>Changes in ownership interests in subsidiaries</b>							
Changes of non-controlling interests without change in control				-7	-7	1	-6
Changes with change in control			0	0	0	-180	-180
<b>TOTAL EQUITY 31 Jan 2022</b>	80	18002	-17	9937	28000	-37	27963

**1000 EUR**

	Share capital	Reserve for invested unrestricted equity	Translation differences	Accumulated earnings	Total	Non-controlling interests	Total equity
<b>EQUITY 1 Feb 2020</b>	3	18079	-10	9333	27404	45	27449
<b>Comprehensive income</b>							
Profit/loss for the period				-53	-53	43	-10
Other comprehensive income:							
Translation differences			41		41	4	45
<b>TOTAL COMPREHENSIVE INCOME</b>			41	-53	-11	47	36
<b>Transactions with owners</b>							
Sale of treasury shares				30	30		30
<b>Total transactions with owners</b>	3	18079	31	9310	27423	93	27515
<b>TOTAL EQUITY 31 Jan 2021</b>							

**Consolidated cash flow statement****1000 EUR**

	Feb 21 – Jan 22 Q1-Q4	Feb 20 – Jan 21 Q1-Q4
<b>Cash flows from operating activities</b>		
PROFIT/LOSS FOR THE PERIOD	691	-10
Adjustments to the profit/loss for the period		
Depreciation, amortisation and impairment	7 855	7 600
Financial income and expenses	3 003	2 091
Income tax expenses	663	327
Other adjustments	1 045	-194
Adjustments total	12 566	9 824
Working capital changes		
Increase / decrease in inventories	-4 278	-918
Increase /decrease in trade and other receivables	1 137	-825
Increase / decrease in trade payables	759	1 111
Interest paid	-2 469	-1 706
Dividends received		
Interest received	21	16
Other financial items	-432	-121
Income taxes paid	-661	-180
<b>Net cash from operating activities</b>	<b>7 333</b>	<b>7 190</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and intangible assets	-3 160	-1 592
Proceeds from sale of property, plant and equipment and intangible assets	326	91
Purchase of other financial assets	-201	-3
Loans granted to related parties		
Loans granted	-27	-621
Proceeds from repayments of loans	300	56
<b>Net cash used in investing activities</b>	<b>-2 762</b>	<b>-2 069</b>
<b>Cash flows from financing activities</b>		
Proceeds from share issue		
Purchase of treasury shares	-28	
Proceeds from sale of treasury shares	78	30
Repayment of current borrowings	-25 820	-2 050
Addition / deduction of current borrowings	8	3
Proceeds from non-current borrowings	29 045	
Repayment of non-current borrowings	29	-2 596
Payment of lease liabilities	-4 900	-4 003
<b>Net cash used in financing activities</b>	<b>-1 588</b>	<b>-8 616</b>
<b>Net change in cash and cash equivalents</b>	<b>2 982</b>	<b>-3 492</b>
Cash and cash equivalents, opening amount	2 219	5 711
Net increase/decrease in cash and cash equivalents	2 982	-3 492
Effects of exchange rate fluctuations on cash held		
Cash and cash equivalents	5 201	2 219

## **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 five locations in Finland. The Group also develops, manufactures, and sells high quality rainwater systems and roof safety products under the brand name Nesco.

### **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 2021, 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 2021.

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 temporary layoffs of installation personnel in some units 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 Q1-Q4 revenue was generated by direct sales of rainwater systems and roof safety products from Nesco in Finland to Baltic countries and Russia. The Swedish turnover was generated exclusively by roofing and roof product installations:



**Breakdown of revenue by country**

1000 EUR	Nov 21 – Jan 22 Q4	Feb 21 – Jan 22 Q1-Q4	Feb 20 – Jan 21 Q1-Q4
Finland	22940	109672	90577
Sweden	4124	20055	16092
Baltic countries and Russia	130	625	594
<b>Total</b>	<b>27194</b>	<b>130352</b>	<b>107263</b>

**5) Business Combinations**

In February 2021, the Group acquired a 71.63% holding in Salaojakympit Oy in a related party transaction (see note 7). Salaojakympit Oy was renamed as Vesivek Salaojat Oy. Vesivek Salaojat Oy is a company engaged in installing underground drains in Finland.

The purchase price for the 71.63% share was EUR 406 thousand and fully paid in cash at the acquisition date. The fair value of the net assets acquired was negative EUR -461 thousand and HLRE Group recognised a goodwill of EUR 867 thousand, which was allocated to cash-generating unit Installation of roof and rainwater systems in Finland. Goodwill is considered to comprise of the acquired skilled employees, market position and synergies expected to arise after the acquisition.

The Group recognized a non-controlling interest of EUR-182,3 thousands at the proportionate share of the acquiree's net identifiable assets.

Acquisition-related costs have been recognized as expenses in the consolidated statement of comprehensive income.

**6) Financial liabilities**

In February 2021, the Company rearranged its financing, and issued a secured three-year SEK 300 million bond that includes an option of increasing the total loan, when separately agreed conditions are met, by a maximum total of SEK 100 million to a maximum total of SEK 400 million in one or more tranches. The bond is a non-amortizing bullet loan that matures on 12 February 2024 and carries interest at the rate of STIBOR 3 months plus a margin of 6,60 per cent per annum.

The bond involves a leverage covenant (ratio of net debt to EBITDA). The covenant should be equal to or less than 5.00/4.50/4.00 for the first/second/third year from the original issue date of the bond (12 February 2021).

The issuance of additional bonds requires that the Group's ratio of net debt to EBITDA does not exceed 3.00/2.75/2.50 one/two/three years after the original issue of the bond.

The Group complied with the leverage covenant throughout the reporting period. As at 31 January 2022, the leverage ratio was 2,95.

The bond has been listed on the Open Market segment of the Frankfurt Stock Exchange since February 2021. On 8 February 2022 the bond was admitted to trading on the corporate bond segment of Nasdaq Stockholm.

The Company repaid the bank loans with Danske Bank A/S Finland Branch together with interest and expenses and redeemed the equipment acquired in the leaseback agreement signed with Danske Finance Oy on 12 April 2019 at the agreed residual value with the funds borrowed with the bond.

In addition to the issue of the bond, the Company agreed on a secured EUR 2,000,000 overdraft facility with Danske Bank A/S Finland Branch on 12 February 2021. The overdraft facility involves a leverage financial covenant similar to the terms and conditions of the bond. The facility was not in use on 31 January 2022.

**Maturities of contracts of financial liabilities 31 January 2022****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	7468	2			7470	7470
Lease liabilities	4887	4330	3898	323	13438	12909
Bonds	1888	1888	29077		32853	28000
Shareholder loans			15964		15964	14648
Derivatives					0	484

**Maturities of contracts of financial liabilities 31 January 2021****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	5122				5122	5122
Lease liabilities	4237	3522	3862	177	11798	11385
Loans from financial institutions	25391	797			26187	25805
Shareholder loans			16067		16067	14065

**7) Fair values and carrying amounts of financial instruments**

Fair values and carrying amounts of financial instruments are as follows:

1000 EUR	Fair value hierarchy level	31 Jan 2022		31 Jan 2021	
		Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial liabilities</b>					
Loans from financial institutions	2			25805	25805
Bonds	2	28000	28359		
Shareholder loans	2	14648	14189	14065	13490
Derivatives	2	484	484		

The fair values of financial instruments are classified in accordance with the following fair value hierarchy: instruments for which there is a publicly quoted price in an active market (level 1), instruments for which there is another observable direct or indirect price than a quoted price pursuant to level 1 (level 2) and instruments for which there is no observable market price (level 3).

The fair values of loans from financial institutions are based on discounted cash flows. Fair values of the bonds are based on observable market prices.

Carrying amounts of trade receivables, trade payables and cash and cash equivalents are a reasonable approximation of their fair values.

## 8) 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 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 1,442,609  
Loan granted by HLRE Holding Oyj to Nesco Invest Oy totaling EUR 8,446.71  
Loan granted by HLRE Holding Oyj to 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  
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:

Nesco Oy Orimattila production plant EUR 13,673 thousand  
Vesivek Oy industrial hall in Lieto EUR 46,800 thousand

## 9) Related party transactions

The related parties of the HLRE Group include the Group's parent company and subsidiaries. The related parties also include the members of the Board of Directors and Group management team, any deputy members and secretary, the CEO and Deputy CEO, their close family members and their controlled entities.

Related party transactions are treated in accordance with the related party guideline approved by the Board of Directors of HLRE Holding Oy. The Company's Board of Directors always decides on significant transactions with HLRE Holding Oy and its related parties.

The following transactions have been realized with related parties:

1000 EUR		
With entities controlled by key management	31 Jan 2022	31 Jan 2021
Sales of goods and services	52	86
Purchases of goods and services	190	287
Repayment of lease liability	1289	1167
Interest expense on lease liability	76	91
Loan receivables		340
Trade receivables		328
Interest receivables		12
Trade payables	4	

  

With shareholders and key management	31 Jan 2022	31 Jan 2021
Loan receivables		250
Non-current liabilities	10789	10789
Interest liabilities	3832	3276
Interest costs	647	649

In February 2021, the Group company Vesivek Oy acquired a 71.63% holding in Salaojakympit Oy (later renamed as Vesivek Salaojat Oy) from the Group's CEO at a purchase price of EUR 406 thousand, and fully paid in cash at acquisition date. Further information about the acquisition is provided in note 5.

During the previous financial year, Vesivek Oy granted a total of EUR 340 thousand of loans to Salaojakympit Oy (later renamed as Vesivek Salaojat Oy) and a total of EUR 250 thousand to the CEO. The loan granted to the CEO was repaid in full on July 2021.

#### **10) Events after the reporting date**

The bond has been listed on the Open Market segment of the Frankfurt Stock Exchange since February 2021. On 8 February 2022 the bond was admitted to trading on the corporate bond segment of Nasdaq Stockholm with name HLRE Sen Sec FR SEK Bond 2024 and ISIN code SE0015530712.

Vesivek Salaojat Oy has decided to start underground drain renovations in Vaasa and Oulu during the H1/2022. Both units have for years performed successfully on Vesivek Oy's business.

**Parent company's condensed income statement\***

1000 EUR	Nov 21 – Jan 22	Feb 21 – Jan 22	Feb 20 – Jan 21
	Q4	Q1-Q4	Q1-Q4
<b>TURNOVER</b>	139	472	285
	-26	-185	-176
Depreciation, amortisation and impairment	-6	-24	-24
Other operating expenses	-127	-284	-68
<b>OPERATING PROFIT/LOSS</b>	-20	-21	17
Financial income and expenses	1506	19	115
<b>PROFIT/LOSS BEFORE TAX</b>	1486	-2	132
Income taxes	0	0	-26
<b>PROFIT/LOSS FOR THE PERIOD</b>	1486	-2	106

**Parent company's condensed balance sheet\***

1000 EUR	31 Jan 22	31 Jan 21
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Intangible assets	46	70
Investments	19 802	19 802
	19 848	19 872
<b>CURRENT ASSETS</b>		
Non-current receivables	33 888	7 700
Current receivables	9 034	5 642
Cash and cash equivalents	61	141
	42 983	13 483
<b>ASSETS</b>	<b>62 832</b>	<b>33 354</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	80	3
Other reserves	18 002	18 079
Retained earnings	992	836
Profit or loss for the financial year	-2	106
<b>SHAREHOLDERS' EQUITY</b>	19 072	19 024
<b>LIABILITIES</b>		
Non-current liabilities	39 390	14 265
Current liabilities	4 370	65
<b>LIABILITIES</b>	43 760	14 330
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>62 832</b>	<b>33 354</b>

\*Parent company's figures are presented according to the Finnish Accounting Standards

### 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 = IFRS loss of sale and lease back arrangement, advisory and other transaction costs related to re-financing and other non-recurring costs