

# HLRE Holding Group

## Bulletin for Q4 and full year 1 February 2023 – 31 January 2024

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

### Brief Look at November 2023 – January 2024

- Q4 revenue decreased by 27% to EUR 20,6 million (EUR 28,4 Million).
- Q4 gross profit decreased to EUR 7,4 million (EUR 10,9 Million).
- Q4 adjusted EBITDA decreased to EUR -3,2 million (EUR 0,2 million).
- Q4 net cash from operating activities was EUR -6,1 million (EUR -0,1 Million).

### Brief Look at February 2023 – January 2024

- Q1-Q4 revenue decreased by 16% to EUR 108,5 million (EUR 129,4 Million).
- Q1-Q4 gross profit decreased to EUR 42,6 million (EUR 52,3 Million).
- Q1-Q4 adjusted EBITDA decreased to EUR 3,8 million (EUR 10,8 million).
- Q1-Q4 net cash from operating activities was EUR 4,4 million (EUR 4,7 Million).

### Key Figures

<b>HLRE HOLDING GROUP</b>	<b>Nov 23 – Jan 24</b>	<b>Nov 22 – Jan 23</b>	<b>Feb 23 – Jan 24</b>	<b>Feb 22 – Jan 23</b>
<b>EUR Million</b>	<b>Q4</b>	<b>Q4</b>	<b>Q1-Q4</b>	<b>Q1-Q4</b>
Revenue	20,6	28,4	108,5	129,4
Gross profit	7,4	10,9	42,6	52,3
Gross margin,%	35,9 %	38,4 %	39,3 %	40,4 %
Adjusted EBITDA	-3,2	0,2	3,8	10,8
EBIT	-10,7	-1,7	-10,5	2,5
Net cash from operating activities	-6,1	-0,1	4,4	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 January 2024 and employs around 760 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 fourth quarter

Q4 financial performance in all business areas in Finland and Sweden were below forecasted. Low sales volumes in general and short order backlog in both countries led to inefficiency in installations and to weaker profitability.

Due to downturn and lower demand on installation businesses in Q4, Vesivek Oy and Vesivek Salaojat Oy in Finland continued on adapting its operations by change negotiations resulting dismissals and large-scale fixed-term lay-offs.

### Fourth quarter November 2023 - January 2024

Q4 revenue decreased by 27 % to EUR 20,6 Million (28,4 Million). Low sales volumes and short order backlog in roof installations in both Finland and Sweden and underground drain renovations in Finland, but also relatively extensive change negotiations ongoing around units in Finland had negative impact both on revenue and gross profit in Q4. Gross profit was EUR 7,4 million (10,9 Million) in Q4.

Q4 reported EBITDA decreased to EUR -3,9 Million (0,2 Million) and adjusted EBITDA to EUR -3,2 Million (0,2 Million). Reported adjustments totaled to EUR 0,7 Million including one-offs regarding restructuring costs in the businesses in Finland, EUR 0,3 Million and other non-recurring costs, EUR 0,4 Million. Impact of the adjustments to the operating cashflow in Q4 amounted to EUR 0,4 Million.

Q4 net cash from operating activities was EUR -6,1 Million (-0,1 Million) due to weak business performance in Q4 but also some negative net working capital changes.

### February 2023 - January 2024

Q1-Q4 revenue decreased by 16% to EUR 108,5 Million (EUR 129,4 Million). Q1-Q4 gross profit decreased to EUR 42,6 million (EUR 52,3 Million). Q1-Q4 reported EBITDA decreased to EUR 2,3 Million (10,2 Million) and adjusted EBITDA to EUR 3,8 Million (10,8 Million). Reported adjustments totaled to EUR 1,5 Million including one-offs regarding restructuring costs in the businesses in Finland of EUR 0,8 Million and other non-recurring costs of EUR 0,7 Million. Impact of the adjustments to the operating cashflow in Q1-Q4 amounted to EUR 0,9 Million.

Q1-Q4 net cash from operating activities was EUR 4,4 Million (4,7 Million).

### Goodwill impairment tests in January 2024

The management makes significant estimates and discretionary decisions in determining the level at which goodwill is tested and whether there are indications of the impairment of goodwill.

No impairment loss was recognized for the reported financial years as a result of the tests for impairment at the level of Nesco subgroup. Instead of at the level of Vesivek Oy and Vesivek Salaojat Oy it was recognized impairment loss for the reported financial years as a result of the tests for impairment worth EUR 5,0 Million. Grounds behind the results are specified on the notes of this bulletin.

### Events after reporting period

During Q4 2023, the Company initiated discussions with the majority holder of company's SEK 300 million senior secured bonds to find a long-term financing solution by amending certain provisions of the terms and conditions, including inter alia a three-year maturity extension. Company announced on March 8<sup>th</sup> about successful completion of the SEK 300 million bond written procedure and registered 13<sup>th</sup> March by Nasdaq Stockholm. Amendments of the bond are specified on the notes of this bulletin.

## 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**

	1.11.2023-31.1.2024	1.2.2023-31.1.2024	1.11.2022-31.1.2023	1.2.2022-31.1.2023
<b>REVENUE</b>	<b>20 620</b>	<b>108 458</b>	<b>28 416</b>	<b>129 455</b>
Other operating income	-139	1 330	185	1 064
Material and services	-8 261	-40 004	-10 175	-47 702
Employee benefits expense	-11 003	-46 487	-12 745	-49 747
Depreciation and amortisation	-6 806	-12 810	-1 993	-7 757
Other operating expenses	-5 087	-21 001	-5 416	-22 844
<b>OPERATING PROFIT</b>	<b>-10 676</b>	<b>-10 514</b>	<b>-1 728</b>	<b>2 469</b>
	0			
Finance income	-1 020	259	942	2 018
Finance cost	-1 150	-4 635	-1 451	-4 450
Finance income and cost	-2 170	-4 376	-509	-2 432
	0			
<b>PROFIT/LOSS BEFORE TAX</b>	<b>-12 846</b>	<b>-14 890</b>	<b>-2 237</b>	<b>36</b>
	0			
Tax on income from operations	1 386	1 736	191	-374
	0			
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>-11 459</b>	<b>-13 153</b>	<b>-2 045</b>	<b>-338</b>
	0			
<b>Profit attributable to:</b>	0			
Owners of the parent company	-11 186	-13 000	-1 872	-458
Non-controlling interests	-273	-153	-173	120
	-11 459	-13 153	-2 045	-338
<b>Other comprehensive income:</b>	0			
	0			
<b>Items that may be reclassified subsequently to profit or loss</b>	0			
Exchange differences on translating foreign operations	106	14	-68	-147
Items that may be reclassified subsequently to profit or loss	106	14	-68	-147
	0			
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>-11 353</b>	<b>-13 139</b>	<b>-2 112</b>	<b>-484</b>
	0			
<b>Total comprehensive income attributable to:</b>	0			
Owners of the parent company	-11 090	-12 987	-1 933	-591
Non-controlling interests	-264	-152		107
	-11 353	-13 139	-2 112	-484

**Consolidated Statement of Financial Position**

<b>1000 EUR</b>	<b>31.1.2024</b>	<b>31.1.2023</b>
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Goodwill	35 273	40 304
Intangible assets	782	976
Property, plant, equipment	26 263	26 261
Other non-current financial assets	48	48
Loan receivables	13	17
Non-current prepayments and accrued income (from others)	0	0
Deferred tax assets	1 940	235
<b>NON-CURRENT ASSETS</b>	<b>64 319</b>	<b>67 841</b>
<b>CURRENT ASSETS</b>		
Inventories	12 593	15 756
Trade and other receivables	6 563	9 870
Loan receivables	52	53
Income tax receivable	713	158
Cash and cash equivalents	2 574	3 557
<b>CURRENT ASSETS</b>	<b>22 495</b>	<b>29 394</b>
<b>ASSETS</b>	<b>86 814</b>	<b>97 235</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Owners of the parent company</b>		
Share capital	80	80
Reserve for invested unrestricted equity	18 002	18 002
Translation differences	-138	-151
Retained earnings	-3 574	9 511
<b>Owners of the parent company</b>	<b>14 459</b>	<b>27 442</b>
<b>Non-controlling interests</b>	<b>-80</b>	<b>71</b>
<b>EQUITY</b>	<b>14 380</b>	<b>27 512</b>
<b>NON-CURRENT LIABILITIES</b>		
Finance and lease liabilities	26 511	50 349
Employee benefit obligation	400	427
Deferred tax liabilities	138	150
<b>NON-CURRENT LIABILITIES</b>	<b>27 049</b>	<b>50 926</b>
<b>CURRENT LIABILITIES</b>		
Finance and lease liabilities	31 277	4 742
Other current liabilities	12 114	12 433
Derivatives	1 852	1 461
Income tax liabilities	143	161
<b>CURRENT LIABILITIES</b>	<b>45 386</b>	<b>18 797</b>
<b>Liabilities</b>	<b>72 434</b>	<b>69 722</b>
<b>EQUITY AND LIABILITIES</b>	<b>86 814</b>	<b>97 235</b>

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

	Nov 23-Jan 24 Q4	Nov 22-Jan 23 Q4	Feb 23 – Jan 24 Q1-Q4	Feb 22 – Jan 23 Q1-Q4
<b>Cash flows from operating activities</b>				
PROFIT/LOSS FOR THE PERIOD	-11 459	-2 046	-13 153	-338
Adjustments to the profit/loss for the period	7 684	2 333	15 063	10 517
Working capital changes	-1 456	508	5 929	-1 756
Cash flow from operating activities before finance and taxes	-5 231	795	7 839	8 423
Finance income and expenses	-730	-815	-2 850	-2 904
Income taxes paid	-112	-29	-551	-776
<b>Net cash from operating activities</b>	<b>-6 073</b>	<b>-49</b>	<b>4 438</b>	<b>4 743</b>
			0	
<b>Cash flows from investing activities</b>			0	
Purchase of tangible and intangible assets	-126	-542	-1 167	-1 987
Proceeds from sale of tangible and intangible assets	51	-24	567	253
Acquisition of subsidiaries, net of cash acquired	0	0	0	0
Addition/deduction of loan receivables	39	-18	-9	-18
Proceeds from repayments of loans	3	43	14	21
<b>Net cash used in investing activities</b>	<b>-33</b>	<b>-541</b>	<b>-595</b>	<b>-1 731</b>
	0		0	
<b>Cash flows from financing activities</b>	<b>0</b>		0	
Proceeds from share issue	0	0	0	0
Capital investment by non-controlling interests	0	0	0	0
Purchase of treasury shares	0	0	0	0
Proceeds from sale of treasury shares	0	0	0	9
Proceeds from current borrowings	0	0	0	0
Repayment of current borrowings	0	0	0	-6
Addition / deduction of current borrowings	0	7	0	0
Proceeds from non-current borrowings	0	73	0	283
Repayment of non-current borrowings	0	-1	0	0
Payment of lease liabilities	-1 210	-1 274	-4 826	-4 942
<b>Net cash used in financing activities</b>	<b>-1 210</b>	<b>-1 195</b>	<b>-4 826</b>	<b>-4 656</b>
	0			
<b>Net change in cash and cash equivalents</b>	<b>-7 316</b>	<b>-1 785</b>	<b>-983</b>	<b>-1 644</b>
	0			
Cash and cash equivalents, opening amount	9 890	5 342	3 557	5 201
Net increase/decrease in cash and cash equivalents	-7 316	-1 785	-983	-1 644
Effects of exchange rate fluctuations on cash held	0			
	0			
Cash and cash equivalents	2 574	3 557	2 574	3 557

## Consolidated statement of changes in equity

HLRE Holding Group

2611405-7

HLRE Holding Group

2611405-7

### Consolidated statement of changes in equity

	Share capital	Reserve for invested unrestricted equity	Other reserves	Translation differences	Accumulated earnings	Total	Non-controlling interests	Total equity
<b>EQUITY 1 Feb 2023</b>	<b>80</b>	<b>18002</b>		<b>-151</b>	<b>9510</b>	<b>27442</b>	<b>71</b>	<b>27512</b>
<b>Comprehensive income</b>								
Profit/loss for the period					-13000	-13000	-153	-13153
Other comprehensive income:								
Translation differences				13		13	1	14
<b>TOTAL COMPREHENSIVE INCOME</b>				<b>13</b>	<b>-13000</b>	<b>-12987</b>	<b>-152</b>	<b>-13139</b>
<b>Transactions with owners</b>								
<b>Acquisition of treasury shares</b>								
Sale of treasury shares								
Reclassifications				89	-89	0		0
Other changes					4	4	2	6
<b>Total transactions with owners</b>				<b>89</b>	<b>0</b>	<b>-85</b>	<b>4</b>	<b>2</b>
<b>Changes in ownership interests in subsidiaries</b>								
Changes of non-controlling interests without change in control								
Changes with change in control								
<b>TOTAL EQUITY 31 Jan 2024</b>	<b>80</b>	<b>18002</b>	<b>89</b>	<b>-138</b>	<b>-3574</b>	<b>14460</b>	<b>-80</b>	<b>14380</b>

1000 EUR

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

## **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 2023, 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.

The management has assessed the Company's ability to continue its operations as a going concern for the foreseeable future. In making this assessment, the Company's management has prepared forecasts for revenues, operating costs, and investments for the next twelve months. These forecasts are based on the assumption that the Company will continue its ongoing streamlining programme in Finland in order to rightsizing of the organization following the changed market situation.

As of 31 January 2024, the Company's cash and cash equivalents amounted to EUR 2,57 Million. The recent completion of a financing round has stabilised the Company's liquidity position. The management believes that the current cash balance is adequate to cover the Company's operational costs and investment plans for the next twelve months.

Looking ahead, the Company anticipates the improved LTM profitability and cash flow from Q22024 and on. Despite the inherent uncertainties, the management remains confident in the Company's ability to navigate challenges and capitalize on opportunities.

Taking into account the aforementioned factors and considerations, the financial statements have been prepared on a going concern basis. The management will continue to closely monitor the Company's financial performance and adapt its strategies as necessary to ensure long-term sustainability and growth.

### **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 and white-collar personnel in units in Finland and Group services.

#### 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 Vesivek Tuotteet Oy in Finland to Baltic countries and Sweden. The Swedish turnover was generated by roofing and roof product and solar panel installations and small-scale by direct sales of rainwater systems and roof safety products:

#### Breakdown of revenue by country

1000 EUR	Nov 23 – Jan 24 Q4	Feb 23 – Jan 24 Q1-Q4	Nov 22 – Jan 23 Q4	Feb 22 – Jan 23 Q1-Q4
Finland	17241	89376	23788	107387
Sweden	3237	18433	4489	21389
Baltic countries	142	649	142	679
<b>Total</b>	<b>20620</b>	<b>108458</b>	<b>28419</b>	<b>129455</b>

#### 5) Goodwill impairment

The management makes significant estimates and discretionary decisions in determining the level at which goodwill is tested and whether there are indications of the impairment of goodwill.

According to the management's view, the acquisition price exceeding the acquired net assets was paid for the business and business idea as a whole, and therefore it considers that the goodwill must be tested at the level of Vesivek Oy and Vesivek Salaojat Oy (roofing, roof safety and drainage product installations in Finland), which is a cash-generating unit in Finland, and at the level of the Nesco subgroup (manufacturing of rainwater management systems and roof safety products), which is managed as a separate operation and cash-generating entity.

Determining the recoverable amount of a cash-generating unit is based on value in use calculations, which require the use of estimates. The calculations use cash flow projections based on budgets and estimates approved by the management for a five-year period. The cash flow projections are based on the Group's actual results and the management's best estimates of future sales, development of costs, general market conditions and applicable tax rates. The years after the projected period are extrapolated using a growth estimate of 2%. The estimated future net cash flows are discounted to their present value when estimating the recoverable amount based on the pre-tax weighted average cost of capital. The weighted average cost of capital illustrates the current market view of the time value of money and risks associated with the tested units.

The market environment for roof and underground drain renovations has been increasingly challenging, which can be seen in a decline in demand from customers postponing necessary renovations as long as possible. Finnish consumer sentiment reached its low point in the last 15 years in 2023 and household disposable income has declined with 5% from October 2021 to March 2023. The intention to renovate one's apartment within the coming 12 months amongst Finnish consumers has dropped from 24% in November 2021 to 14% in August

2023. These factors combined with Company's relatively expensive product, which often is financed by loans, that are increasingly harder for consumers to obtain, presents a challenging prospect for consumers in a relatively high interest rate environment.

As a result of the tests for impairment at the level of Nesco subgroup no impairment loss was recognized for the reported financial years. The recoverable amount exceeded the book value on 31 January 2024 by EUR 6,6 Million.

Taking the current modest cash flow generation capability at the level of Vesivek Oy and Vesivek Salaojat Oy into consideration, it is justified the recoverable amount won't exceed the book value on 31 January 2024. At the level of Vesivek Oy and Vesivek Salaojat Oy it was recognized impairment loss for the reported financial years as a result of the tests for impairment worth EUR 5,0 Million.

After impairment total goodwill value as per 31<sup>st</sup> January 2024 is EUR 35,3 Million.

## 6) Financial liabilities

In February 2021, the Company rearranged its financing, and issued a secured three-year SEK 300 million bonds 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.

During Q42023, the Company failed to comply with the bond maintenance covenant. Q4 the Company initiated discussions with the majority holder of the bonds to find a long-term financing solution by amending certain provisions of the terms and conditions. The agreed amendments have an influence on shareholder loans alike, including inter alia the maturity extension. The final result of the bond negotiations are specified more detailed on this bulletin note "10) Events after reporting date".

### 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

### Maturities of contracts of financial liabilities 31 January 2023

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	5 431				5 431	5 431
Lease liabilities	5 013	3 883	4 593	414	13 904	13 387
Bonds	2 547	26 520			29 067	26 143
Shareholder loans		15 976			15 976	15 308
Derivatives					0	1 461

## 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	31 Jan 2024		31 Jan 2023	
		Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial liabilities</b>					
Loans from financial institutions	2	0	0	0	0
Bonds	2	26614	25633	26 143	25 702
Shareholder loans	2	15773	15741	15 308	15 045
Derivatives	2	1852	1852	1 461	1 461

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 Vesivek Tuotteet Oy (former 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 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  
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 Oyj. The Company's Board of Directors always decides on significant transactions with HLRE Holding Oyj and its related parties.

The following transactions have been realized with related parties:

## Related party transactions

1000 EUR		
With entities controlled by key management	31 Jan 2024	31 Jan 2023
Sales of goods and services	9	
Purchases of goods and services	565	484
Repayment of lease liability	0	710
Interest expense on lease liability	0	39
Loan receivables		
Trade receivables		
Interest receivables		
Trade payables	7	1

  

With shareholders and key management	31 Jan 2024	31 Jan 2023
Loan receivables		
Non-current liabilities	11039	10789
Interest liabilities	4984	4388
Interest costs	647	647

### 10) Events after the reporting date

During Q4 2023, the Company initiated discussions with the majority holder of company's SEK 300 million senior secured bonds to find a long-term financing solution by amending certain provisions of the terms and conditions, including inter alia a three-year maturity extension. Company announced on March 8<sup>th</sup> about successful completion of the SEK 300 million bond written procedure and registered 13<sup>th</sup> March by Nasdaq Stockholm.

The bond extended to mature 12 February 2027. Updated terms includes an increase of the floating rate margin to 7.85% (previous 6.60%), of which 30% may be deferred after the interest period ending 12 May 2025. Terms includes postponement of the payment of the floating rate margin otherwise payable on the Interest payment dates falling on 12 February 2024 to, and including, the Interest Payment Date falling on 12 May 2025. Postponed margin will be subordinated to the Equity injection. The amended and restated terms and conditions of the bond includes EUR three (3) Million convertible loan by the main owners of the issuer.

Amended terms and conditions have no leverage ratio covenant until July 2025, thereafter 5.0x until January 2026, 4.5x from February 2026 until July 2026 and 4.0x from August 2026 until the final maturity date. New liquidity covenant, EUR two (2) million included.

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

1000 EUR	Nov 23– Jan 24 Q4	Feb 23 – Jan 24 Q1-Q4	Nov 22– Jan 23 Q4	Feb 22 – Jan 23 Q1-Q4
<b>TURNOVER</b>	45	322	59	325
Personnel costs	-30	-63	-15	-148
Depreciation, amortisation and impairment	-4	-22	-6	-24
Other operating expenses	-70	-147	-27	-153
<b>OPERATING PROFIT/LOSS</b>	-59	90	11	0
Financial income and expenses	-1577	-1053	848	1863
<b>PROFIT/LOSS BEFORE TAX</b>	-1636	-963	859	1863
Group subsidy	0	0	-1500	-1500
Income taxes	135	0	129	-72
<b>PROFIT/LOSS FOR THE PERIOD</b>	-1501	-963	-512	291

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

1000 EUR	31 Jan 24	31 Jan 23
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Intangible assets	0	22
Investments	19 802	19 802
	19 802	19 824
<b>CURRENT ASSETS</b>		
Non-current receivables	33 888	33 888
Current receivables	9 226	9 521
Cash and cash equivalents	36	36
	43 150	43 444
<b>ASSETS</b>	<b>62 953</b>	<b>63 269</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	80	80
Other reserves	18 002	18 002
Retained earnings	1 281	990
Profit or loss for the financial year	-963	291
<b>SHAREHOLDERS' EQUITY</b>	<b>18 400</b>	<b>19 363</b>
<b>LIABILITIES</b>		
Non-current liabilities	10 789	37 226
Current liabilities	33 764	6 681
<b>LIABILITIES</b>	<b>44 553</b>	<b>43 906</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>62 953</b>	<b>63 269</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 = One-offs regarding restructuring costs and other non-recurring costs

