

HLRE Holding Group

Report 1 February – 30 April 2024

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

Brief Look at February – April 2024

- Q1 revenue decreased by 21% to EUR 20,5 million (EUR 25,9 Million).
- Q1 gross profit decreased to EUR 8,5 million (EUR 9,8 Million).
- Q1 adjusted EBITDA was EUR 0,6 million (EUR 0,9 million).
- Q1 net cash from operating activities was EUR -3,1 million (EUR 1,4 Million).

Key Figures

HLRE HOLDING GROUP	Feb – April 24	Feb – April 23	Feb 23 – Jan 24
EUR Million	Q1	Q1	Q1-Q4
Revenue	20,5	25,9	108,5
Gross profit	8,5	9,8	42,6
Gross margin,%	41,5 %	37,8 %	39,3 %
Adjusted EBITDA	0,6	0,9	3,8
EBIT	-1,5	-1,9	-10,5
Net cash from operating activities	-3,1	1,4	4,4

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 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 April 2024 and employs around 700 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 first quarter

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

In addition, the terms and conditions of the bond included a five-year convertible bond of EUR 3 million issued by the Company's principal shareholders.

In the first quarter of 2024, the Group continued the organizational efficiency measures it initiated in 2023 in a few of Vesivek Oy's units. The negotiations resulted in the termination of employment of about 20 people during the first quarter of 2024.

Q1 financial performance in installation business areas in Finland were below forecasted. Low sales volumes and short order backlog led to inefficiency in installations in Finland and to weaker profitability.

First quarter February - April 2024

Q1 revenue decreased by 21 % to EUR 20,5 Million (25,9 Million). Low sales volumes and short order backlog in roof and underground drain installations in Finland, but also change negotiations concluded in Q1 around units in Finland had negative impact both on revenue and profit in Q1. Gross profit was EUR 8,5 million (9,8 Million) in Q1.

Q1 reported EBITDA was EUR 0,3 Million (0,1 Million) and adjusted EBITDA EUR 0,6 Million (0,9 Million). Reported adjustments totaled to EUR 0,3 Million including one-offs regarding restructuring costs in the businesses in Finland, EUR 0,25 Million and other non-recurring costs, EUR 0,05 Million. Impact of the adjustments to the operating cashflow in Q4 amounted to EUR 0,3 Million.

Q1 net cash from operating activities was EUR -3,1 Million (1,4 Million) due to weak business performance in Q1, some negative net working capital changes and net financial items regarding refinancing the SEK 300 Million bond. Net change in cash and cash equivalents in Q1 was EUR -0,15 Million.

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

	1.2.2024-30.4.2024	1.2.2023-30.4.2023	1.2.2023-31.1.2024
REVENUE	20 547	25 907	108 161
Other operating income	643	282	1 330
Material and services	-7 116	-9 259	-39 864
Employee benefits expense	-9 390	-11 185	-46 487
Depreciation and amortisation	-1 830	-1 922	-12 810
Other operating expenses	-4 399	-5 706	-21 001
OPERATING PROFIT	-1 545	-1 883	-10 671
Finance income	1 193	83	259
Finance cost	-1 259	-1 073	-4 635
Finance and income expense	-66	-990	-4 376
PROFIT/LOSS BEFORE TAX	-1 611	-2 874	-15 047
Tax on income from operations	243	473	1 769
PROFIT/LOSS FOR THE PERIOD	-1 367	-2 400	-13 278
Profit attributable to:			
Owners of the parent company	-1 253	-2 362	-13 113
Non-controlling interests	-115	-39	-165
	-1 367	-2 400	-13 278
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	-79	1	12
	-79	1	12
TOTAL COMPREHENSIVE INCOME	-1 447	-2 400	-13 266
Total comprehensive income attributable to:			
Owners of the parent company	-1 325	-2 361	-13 102
Non-controlling interests	-121	-39	-164
	-1 447	-2 400	-13 266

Consolidated Statement of Financial Position

1000 EUR	30.4.2024	30.4.2023	31.1.2024
ASSETS			
NON-CURRENT ASSETS			
Goodwill	35 273	40 304	35 273
Intangible assets	651	764	685
Property, plant, equipment	25 109	25 036	26 263
Other non-current financial assets	48	48	48
Loan receivables	10	23	13
Deferred tax assets	2 195	632	1 940
NON-CURRENT ASSETS	63 286	66 807	64 221
CURRENT ASSETS			
Inventories	13 274	15 351	12 833
Trade and other receivables	8 084	10 375	9 494
Loan receivables	51	53	625
Income tax receivable	831	475	713
Cash and cash equivalents	2 423	3 514	2 574
CURRENT ASSETS	24 663	29 767	22 433
ASSETS	87 949	96 574	86 654
EQUITY AND LIABILITIES			
Owners of the parent company			
Share capital	80	80	80
Reserve for invested unrestricted equity	18 002	18 002	18 002
Translation differences	-208	-150	-140
Retained earnings	-4 860	7 152	-3 599
Owners of the parent company	13 013	25 084	14 343
Non-controlling interests	-213	33	-91
EQUITY	12 801	25 117	14 252
NON-CURRENT LIABILITIES			
Finance and lease liabilities	54 427	23 831	10 738
Employee benefit obligation	400	427	400
Deferred tax liabilities	101	102	105
NON-CURRENT LIABILITIES	54 929	24 359	11 243
CURRENT LIABILITIES			
Finance and lease liabilities	5 411	30 563	42 066
Other current liabilities	14 672	14 716	17 098
Derivatives	0	1 572	1 852
Income tax liabilities	137	246	143
CURRENT LIABILITIES	20 219	47 098	61 159
Liabilities	75 148	71 457	72 401
EQUITY AND LIABILITIES	87 949	96 574	86 654

Consolidated Statement of Cash Flows, indirect

1000 EUR	1.2.2024-30.4.2024	1.2.2023-30.4.2023	1.2.2023-31.1.2024
Cash flows from operating activities			
PROFIT/LOSS FOR THE PERIOD	-1 367	-2 400	-13 278
Adjustments to the profit/loss for the period			
Depreciation, amortisation and impairment	1 830	1 922	12 810
Financial income and expenses	1 175	915	3 801
Tax on income from operations	-243	-473	-1 769
Other adjustments	-1 392	226	169
Adjustments total	1 369	2 590	15 011
Working capital changes			
Increase / decrease in inventories	-524	405	2 947
Increase / decrease in trade and other receivables	-1 888	-538	3 584
Increase / decrease in trade payables	2 169	2 195	-541
Interest paid	-379	-675	-3 030
Interest received	43	29	192
Other financial items	-2 369	-2	-12
Income taxes paid	-146	-204	-551
Net cash from operating activities	-3 091	1 399	4 322
Cash flows from investing activities			
Purchase of tangible and intangible assets	-84	-308	-999
Proceeds from sale of tangible and intangible assets	48	112	587
Disposal of subsidiaries	0	0	0
Loans granted	-1	-10	-9
Proceeds from repayments of loans	4	4	14
Addition / deduction of cash equivalents	-12	1	0
Net cash used in investing activities	-45	-201	-407
Cash flows from financing activities			
Purchase of treasury shares	-5	0	0
Proceeds from current borrowings	976	0	0
Proceeds from non-current borrowings	3 000	0	0
Payment of lease liabilities	-987	-1 242	-4 898
Net cash used in financing activities	2 984	-1 242	-4 898
Net change in cash and cash equivalents	-152	-43	-983
Cash and cash equivalents, opening amount	2 574	3 557	3 557
Net increase/decrease in cash and cash equivalents	-152	-43	-983
Cash and cash equivalents	2 423	3 514	2 574
Cash and cash equivalents, other arrangements	0	0	0

Consolidated statement of changes in equity

HLRE Holding Group

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1000 EUR	Note	Share capital	Reserve for invested		Retained earnings	Total	Non-controlling interests	Total equity
			unrestricted equity	Translation differences				
EQUITY 1.2.2024	18	80	18 002	-136	-3 602	14 343	-91	14 252
Comprehensive income								
Profit/loss for the period					-1 253	-1 253	-115	-1 367
Other comprehensive income:								
Translation differences		0	0	-72	0	-72	-7	-79
TOTAL COMPREHENSIVE INCOME		0	0	-72	-1 253	-1 325	-121	-1 447
Transfer of fair value reserve upon disposal of equity investments designated as at FVTOCI						0	0	0
Transactions with owners								
Acquisition of treasury shares		0	0	0	-5	-5	0	-5
TOTAL EQUITY 30.4.2024		80	18 002	-208	-4 860	13 013	-213	12 801

1000 EUR	Note	Share capital	Reserve for invested		Retained earnings	Total	Non-controlling interests	Total equity
			unrestricted equity	Translation differences				
EQUITY 1.2.2023	18	80	18 002	-151	9 511	27 442	71	27 512
Comprehensive income								
Profit/loss for the period					-2 368	-2 368	-39	-2 407
Other comprehensive income:								
Translation differences		0	0	1	0	1	0	1
TOTAL COMPREHENSIVE INCOME		0	0	1	-2 368	-2 368	-39	-2 407
Other changes		0	0	0	3	3	1	5
Total transactions with owners		0	0	0	3	3	1	4
Changes in ownership interests in subsidiaries								
TOTAL EQUITY 30.4.2023		80	18 002	-150	7 146	25 077	33	25 110

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

