

HLRE Holding Group

Report 1 February – 31 October 2022

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

Aug – Oct 2022 in short

- Q3 revenue equalled to EUR 40,4 million (EUR 40,3 million).
- Q3 gross profit increased by 3% to EUR 18,2 million (EUR 17,7 million).
- Q3 adjusted EBITDA decreased to EUR 6,9 million (EUR 7,2 million).
- Q3 operating profit was EUR 5,0 million (EUR 5,1 million).
- Q3 net cash from operating activities was EUR 7,1 million (EUR 9,5 million).

February – Oct 2022 in short

- Q1-Q3 revenue decreased by 2% to EUR 101,0 million (EUR 103,2 million).
- Q1-Q3 gross profit decreased by 4% to EUR 41,4 million (EUR 43,2 million).
- Q1-Q3 adjusted EBITDA decreased to EUR 10,5 million (EUR 12,2 million).
- Q1-Q3 operating profit was EUR 4,2 million (EUR 4,8 million).
- Q1-Q3 net cash from operating activities was EUR 4,8 million (EUR 11,1 million).

Key Figures

HLRE HOLDING GROUP IN MEUR					
IFRS	Aug-Oct 2022	Aug-Oct 2021	Feb-Oct 2022	Feb-Oct 2021	Feb 2021-Jan 2022
Revenue	40,4	40,3	101,0	103,2	130,4
Gross profit	18,2	17,7	41,4	43,2	55,3
Gross margin	45,1%	43,9%	41,0%	41,9%	42,4%
Adjusted EBITDA	6,9	7,2	10,5	12,2	13,8
EBIT	5,0	5,1	4,2	4,8	4,4
Net cash from operating activities	7,1	9,5	4,8	11,1	7,3

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.

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.

Management Overview of the third quarter

Group's business environment continued to be challenging on the third quarter due to the increased geopolitical risks related to the crisis in Ukraine and the high inflation especially in building materials and energy. Increasing general uncertainty influenced on the demand for the Vesivek's services both in Finland and Sweden in Q3. Group balanced inventory levels between decreasing demand and uncertainty on short-term material availability during Q3 and total inventory levels ended up on downtrend at the end of Q3. However, Group is still likely to continue to hold somewhat higher inventory levels compared to normal levels in order to ensure delivery capability and is at the same time regularly investigating all information available on the market demand.

Third quarter 2022

The Q3 revenue equaled to EUR 40,4 million (40,3 million) and gross profit increased to EUR 18,2 million (17,7 million). Reported EBITDA was EUR 6,8 million (7,1 million) and adjusted EBITDA was EUR 6,9 million (7,2 million). Reported adjustments totaled to EUR 0,1 million (EUR 0,1 million) in Q3 including legal and leadership development project costs. Impacts of the adjustments to the operating cashflow in Q3 amounted to EUR 0,1 million (EUR 0,1 million). Q3 net cash from operating activities was EUR 7,1 million (9,5 million).

Q1-Q3 2022

The Q1-Q3 revenue decreased to EUR 101,0 million (103,4 million) and gross profit decreased to EUR 41,4 million (43,2 million). Reported EBITDA decreased to EUR 10,0 million (10,7 million). Adjusted EBITDA decreased to EUR 10,5 million (12,2 million). Reported adjustments totaled to EUR 0,6 million (EUR 1,5 million) in Q1-Q3 including legal and financial advisory costs for the bond listing to Stockholm stock exchange in February 2022 of EUR 0,15 million, other legal costs of EUR 0,2 million and a leadership development project cost of EUR 0,25 million. Impact of the adjustments to the operating cashflow in Q1-Q3 amounted to EUR 0,6 million (EUR 0,5 million). Net cash from operating activities decreased compared to the same period previous year and was EUR 4,8 million (11,0 million) due to the cash flow effect of the weaker business performance especially on the roof and roof product renovations in Finland and the negative working capital changes compared to Q1-Q3 2021, EUR -2,3 million (1,7 million), and the higher net finance and tax expenses.

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

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

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

	1.8.-31.10.2022	1.2.2022-31.10.2022	1.8.-31.10.2021	1.2.2021-31.10.2021	1.2.2021-31.1.2022
REVENUE	40 362	101 039	40 276	103 158	130 352
Other operating income	249	878	279	745	1 063
Material and services	-14 849	-37 527	-14 314	-36 792	-45 375
Employee benefits expense	-12 831	-37 002	-13 522	-38 701	-50 257
Depreciation and amortisation	-1 890	-5 764	-1 970	-5 890	-7 855
Other operating expenses	-6 070	-17 428	-5 600	-17 756	-23 572
OPERATING PROFIT	4 970	4 196	5 148	4 764	4 356
Finance income	1 049	1 076	-111	449	1 146
Finance cost	-1 053	-2 999	-1 389	-3 171	-4 148
Finance cost - net	-4	-1 923	-1 500	-2 722	-3 003
PROFIT/LOSS BEFORE TAX	4 966	2 273	3 648	2 042	1 353
Income tax expense	-805	-566	-604	-455	-663
PROFIT/LOSS FOR THE PERIOD	4 161	1 708	3 044	1 587	691
Profit attributable to:					
Owners of the parent company	3 769	1 411	2 787	1 437	623
Non-controlling interests	392	296	258	150	68
	4 161	1 708	3 044	1 587	691
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations	-88	-79	28	22	-54
	-88	-79	28	22	-54
TOTAL COMPREHENSIVE INCOME	4 073	1 628	3 072	1 608	637
Total comprehensive income attributable to:					
Owners of the parent company	3 688	1 339	2 811	1 456	574
Non-controlling interests	385	289	260	152	63
	4 073	1 628	3 072	1 608	637

Consolidated Statement of Financial Position
1000 EUR

	31.10.2022	31.10.2021	31.1.2022
ASSETS			
NON-CURRENT ASSETS			
Goodwill	40 304	40 304	40 304
Intangible assets	858	723	657
Property, plant, equipment	25 952	25 769	27 188
Other non-current financial assets	48	48	48
Loan receivables	22	18	7
Other non-current receivables	0	39	26
Deferred tax assets	168	406	169
NON-CURRENT ASSETS	67 352	67 308	68 400
CURRENT ASSETS			
Inventories	17 137	13 416	15 464
Trade receivables and other receivables	13 031	12 880	9 859
Cash and cash equivalents	5 342	11 307	5 201
CURRENT ASSETS	35 509	37 603	30 524
ASSETS	102 861	104 911	98 923
EQUITY AND LIABILITIES			
Owners of the parent company	29 372	28 868	26 227
Non-controlling interests	252	52	-37
EQUITY	29 625	28 919	27 963
NON-CURRENT LIABILITIES			
Non-current liabilities, interest-bearing	50 538	51 752	51 197
Non-current interest-free liabilities	422	389	422
Deferred tax liabilities	106	117	216
NON-CURRENT LIABILITIES	51 066	52 258	51 834
CURRENT LIABILITIES			
Current interest-bearing liabilities	4 755	4 269	4 633
Current interest-free liabilities	17 415	19 465	14 494
CURRENT LIABILITIES	22 170	23 735	19 126
Liabilities	73 236	75 992	70 960
EQUITY AND LIABILITIES	102 861	104 911	98 923

Consolidated Statement of Cash Flows, indirect

1000 EUR	1.8.2022-31.10.2022	1.8.2021-31.10.2021	1.2.2022-31.10.2022	1.2.2021-31.10.2021	1.2.2021-31.1.2022
Cash flows from operating activities					
PROFIT/LOSS FOR THE PERIOD	4 161	3 044	1 708	1 587	691
Adjustments to the profit/loss for the period	2 678	3 744	8 184	10 038	12 566
Working capital changes	1 170	3 287	-2 264	1 716	-2 382
Cash flow from operating activities before finance and tax	8 008	10 075	7 628	13 341	10 874
Finance income and expense	-749	-424	-2 089	-1 831	-2 880
Income taxes paid	-137	-183	-747	-472	-661
Net cash from operating activities	7 122	9 468	4 792	11 038	7 333
Cash flows from investing activities					
Purchase of tangible and intangible assets	-707	-771	-1 445	-1 590	-3 160
Proceeds from sale of tangible and intangible assets	59	186	277	330	326
Acquisition of subsidiaries, net of cash acquired	0	0	0	-194	-201
Addition / deduction of loan receivables	-13	-65	-9	195	273
Addition / deduction of cash equivalents	-21	10	-21	10	0
Net cash used in investing activities	-681	-640	-1 190	-1 249	-2 762
Cash flows from financing activities					
Proceeds from issue of share capital	0	0	0	0	0
Capital investment by non-controlling interests	0	0	0	0	0
Purchase of treasury shares	0	0	0	0	-28
Proceeds from sale of treasury shares	9	0	9	78	78
Proceeds from current borrowings	-411	0	0	0	0
Repayment of current borrowings	0	-3	-6	-25 817	-25 820
Addition / deduction of current borrowings	3	-1	-7	0	8
Proceeds from non-current borrowings	72	0	210	28 781	29 045
Repayment of non-current borrowings	2	-125	1	17	29
Payment of lease liabilities	-1 251	-1 123	-3 668	-3 758	-4 900
Net cash used in financing activities	-1 576	-1 252	-3 461	-701	-1 588
Net change in cash and cash equivalents	4 865	7 576	141	9 088	2 982
Cash and cash equivalents, opening amount	477	3 731	5 201	2 219	2 219
Net increase/decrease in cash and cash equivalents	4 865	7 576	141	9 088	2 982
Effects of exchange rate fluctuations on cash held	0	0	0	0	0
Cash and cash equivalents	5 342	11 307	5 342	11 307	5 201
Cash and cash equivalents, other arrangements	0	0	0	0	0

Consolidated Statement of Changes in Equity Attributable to owners of the Company

1000 EUR	Share capital	Reserve for invested unrestricted equity	Translation differences	Accumulated earnings	Total	Non-controlling interests	Total equity
EQUITY 1 Feb 2022	80	18 002	-17	9 935	28 000	-37	27 963
Adjusted equity	80	18 002	-17	9 935	28 000	-37	27 963
Comprehensive income							
Profit/loss for the period				1 411	1 411	296	1 708
Other comprehensive income:							
Translation differences	0	0	-97	25	-72	-7	-79
TOTAL COMPREHENSIVE INCOME	0	0	-97	1 436	1 339	289	1 628
Transactions with owners							
Other changes	0	0	0	15	15	5	20
Total transactions with owners	0	0	0	15	15	8	23
TOTAL EQUITY 31 Oct 2022	80	18 002	-114	11 395	29 381	252	29 633

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

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