

# HLRE Holding Group

## Financial Report 1 February – 31 October 2024

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

### Brief Look at August - October 2024

- Q3 revenue decreased by 5% to EUR 33,6 EUR million (EUR 35,4 Million).
- Q3 gross profit decreased to EUR 14,0 million (EUR 14,3 Million).
- Q3 adjusted EBITDA was EUR 3,6 million (EUR 4,8 million).
- Q3 net cash from operating activities was EUR 4,2 million (EUR 8,5 Million).

### Brief Look at February – October 2024

- Q1-Q3 revenue decreased by 10% to EUR 79,3 EUR million (EUR 87,8 Million).
- Q1-Q3 gross profit decreased to EUR 31,6 million (EUR 35,2 Million).
- Q1-Q3 adjusted EBITDA was EUR 5,0 million (EUR 7,2 million).
- Q1-Q3 net cash from operating activities was EUR 1,6 million (EUR 10,5 Million).

### Key Figures

HLRE HOLDING GROUP	Aug– Oct 24	Aug– Oct 23	Feb- Oct 24	Feb– Oct 23	Feb 23 – Jan 24
EUR Million	Q3	Q3	Q1-Q3	Q1-Q3	Q1-Q4
Revenue	33,6	35,4	79,3	87,8	108,2
Gross profit	14,0	14,3	31,6	35,2	42,6
Gross margin,%	41,6 %	40,4 %	39,8 %	40,1 %	39,4 %
Adjusted EBITDA	3,6	4,8	5,0	7,2	3,8
EBIT	1,9	2,6	-0,6	0,2	-10,7
Net cash from operating activities	4,2	8,5	1,6	10,5	4,3

### 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 eight locations in Finland. The Group also develops, manufactures, and sells high quality rainwater systems and roof safety products.

HLRE Holding Group operates in 14 locations in Finland and three locations in Sweden in October 2024 and employs around 730 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 third quarter

In the third quarter of 2024, the Group's installation operations in Finland showed improvement compared to previous quarters but fell short of the set targets. Low sales volumes and short order backlogs in certain units resulted in installation inefficiencies, which were the primary contributors to the weaker overall performance.

In Sweden, the roof installation business demonstrated improvement; however, it also did not meet the defined targets. Meanwhile, direct product sales in Finland declined compared to the previous year, although profitability remained at a satisfactory level.

Short-term market growth expectations for installation business areas in both Finland and Sweden remain subdued. This outlook necessitates a focus on increasing market share across the Group, coupled with stringent cost control measures.

### Third quarter August - October 2024

Q3 revenue decreased by 5 % to EUR 33,6 Million (35,4 Million). Low sales volumes and short order backlog in some of the roof and underground drain installation units in Finland had negative impact both on revenue and profit in Q3. Gross profit was EUR 14,0 Million (14,3 Million) in Q3.

Q3 reported EBITDA was EUR 3,6 Million (4,8 Million) and adjusted EBITDA EUR 3,6 Million (4,8 Million). There were no reported adjustments in Q3.

Q3 net cash from operating activities was EUR 4,2 Million (8,5 Million) due to weaker business performance and some negative net working capital changes. Net change in cash and cash equivalents in Q3 was EUR 3,4 Million (7,1 Million).

### February-October 2024

Q1-Q3 revenue decreased by 10% to EUR 79,3 EUR Million (EUR 87,8 Million) and gross profit decreased to EUR 31,6 million (EUR 35,2 Million). Q1-Q3 reported EBITDA decreased to EUR 4,8 Million (6,2 Million) and adjusted EBITDA to EUR 5,0 Million (7,2 Million). Reported adjustments totaled to EUR 0,3 (1,0 Million) including one-offs regarding restructuring costs in the businesses in Finland, EUR 0,25 Million and other nonrecurring costs, EUR 0,05 Million. Impact of the adjustments to the operating cashflow in Q1-Q3 amounted to EUR 0,3 Million (0,75 Million).

Q1-Q3 net cash from operating activities was EUR 1,6 Million (10,5 Million) due to weaker business performance, some negative net working capital changes and other nonrecurring financial items. Net change in cash and cash equivalents in the period was EUR 2,6 Million (6,3 Million).

### Events after the reporting period

The Group companies HLRE Group Ltd, Vesivek Ltd, Vesivek Salaojat Ltd and Vesivek Tuotteet Ltd initiated a process for change negotiations regarding potential temporary layoffs of less than 90 days. These negotiations scheduled to take place on November 20th 2024 and concerned all employees of the group companies listed above. The payroll function within the HLRE Group Ltd. is excluded from these negotiations.

The negotiations officially commenced on November 26th, 2024.

The purpose of the change negotiations was to address plans for potential temporary adjustment measures and their possible personnel impacts. These measures were being considered in response to anticipated seasonal fluctuations that may result in a decline in volume, as well as to safeguard financial profitability during the Q4/Q1 financial periods. The negotiations will focus on the rationale for the proposed measures, their potential impacts, and possible alternative solutions.

## Outlook for the financial year 1 February 2024 – 31 January 2025

No outlook for the financial year 1 February 2024 – 31 January 2025.

## 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.-31.10.2024	1.2.2024-31.10.2024	1.8.-31.10.2023	1.2.2023-31.10.2023	1.2.2023-31.1.2024
<b>REVENUE</b>	<b>33 636</b>	<b>79 295</b>	<b>35 420</b>	<b>87 838</b>	<b>108 161</b>
Other operating income	-244	769	633	1 469	1 330
Material and services	-12 852	-29 877	-13 225	-31 743	-39 864
Employee benefits expense	-11 629	-31 092	-12 648	-35 484	-46 487
Depreciation and amortisation	-1 693	-5 265	-2 228	-6 004	-12 810
Other operating expenses	-5 319	-14 402	-5 349	-15 914	-21 001
<b>OPERATING PROFIT</b>	<b>1 900</b>	<b>-572</b>	<b>2 603</b>	<b>162</b>	<b>-10 671</b>
Finance income	18	931	41	1 279	259
Finance cost	-1 134	-3 526	-1 185	-3 485	-4 635
Finance income and expense	<b>-1 116</b>	<b>-2 595</b>	<b>-1 144</b>	<b>-2 206</b>	<b>-4 376</b>
<b>PROFIT/LOSS BEFORE TAX</b>	<b>783</b>	<b>-3 166</b>	<b>1 459</b>	<b>-2 044</b>	<b>-15 047</b>
Tax on income from operations	-203	357	-397	201	1 769
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>580</b>	<b>-2 810</b>	<b>1 061</b>	<b>-1 843</b>	<b>-13 278</b>
<b>Profit attributable to:</b>					
Owners of the parent company	489	-2 681	874	-1 960	-13 113
Non-controlling interests	91	-129	188	117	-165
	<b>580</b>	<b>-2 810</b>	<b>1 061</b>	<b>-1 843</b>	<b>-13 278</b>
<b>Other comprehensive income:</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Exchange differences on translating foreign operations	-11	-61	-58	-91	12
	<b>-11</b>	<b>-61</b>	<b>-58</b>	<b>-91</b>	<b>12</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>569</b>	<b>-2 870</b>	<b>1 003</b>	<b>-1 934</b>	<b>-13 266</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the parent company	479	-2 736	821	-2 043	-13 102
Non-controlling interests	90	-134	182	109	-164
	<b>569</b>	<b>-2 870</b>	<b>1 003</b>	<b>-1 934</b>	<b>-13 266</b>

**Consolidated Statement of Financial Position**  
1000 EUR

	31.10.2024	31.10.2023	31.1.2024
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Goodwill	35 273	40 304	35 273
Intangible assets	609	955	685
Property, plant, equipment	22 405	22 598	26 263
Other non-current financial assets	48	48	48
Loan receivables	6	15	13
Deferred tax assets	2 740	799	1 940
<b>NON-CURRENT ASSETS</b>	<b>61 080</b>	<b>64 720</b>	<b>64 221</b>
<b>CURRENT ASSETS</b>			
Inventories	11 855	13 802	12 833
Trade and other receivables	9 672	9 756	6 261
Loan receivables	49	52	52
Income tax receivable	756	393	713
Cash and cash equivalents	5 125	9 890	2 574
<b>CURRENT ASSETS</b>	<b>27 457</b>	<b>33 893</b>	<b>22 433</b>
<b>ASSETS</b>	<b>88 536</b>	<b>98 613</b>	<b>86 654</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Owners of the parent company</b>			
Share capital	80	80	80
Reserve for invested unrestricted equity	18 002	18 002	18 002
Translation differences	-193	-234	-140
Retained earnings	-6 355	7 471	-3 599
<b>Owners of the parent company</b>	<b>11 534</b>	<b>25 403</b>	<b>14 343</b>
<b>Non-controlling interests</b>	<b>-175</b>	<b>181</b>	<b>-91</b>
<b>EQUITY</b>	<b>11 358</b>	<b>25 584</b>	<b>14 252</b>
<b>NON-CURRENT LIABILITIES</b>			
Finance and lease liabilities	54 349	22 304	10 738
Employee benefit obligation	400	427	400
Deferred tax liabilities	253	226	105
<b>NON-CURRENT LIABILITIES</b>	<b>55 002</b>	<b>22 956</b>	<b>11 243</b>
<b>CURRENT LIABILITIES</b>			
Finance and lease liabilities	5 045	29 921	42 066
Other current liabilities	16 973	17 978	17 098
Derivatives	0	1 930	1 852
Income tax liabilities	158	244	143
<b>CURRENT LIABILITIES</b>	<b>22 176</b>	<b>50 073</b>	<b>61 159</b>
<b>Liabilities</b>	<b>77 178</b>	<b>73 029</b>	<b>72 401</b>
<b>EQUITY AND LIABILITIES</b>	<b>88 536</b>	<b>98 613</b>	<b>86 654</b>

**Consolidated Statement of Cash Flows, indirect**

1000 EUR	1.8.2024-31.10.2024	1.2.2024-31.10.2024	1.8.2023-31.10.2023	1.2.2023-31.10.2023	1.2.2023-31.1.2024
<b>Cash flows from operating activities</b>					
PROFIT/LOSS FOR THE PERIOD	580	-2 810	1 210	-1 694	-13 278
Adjustments to the profit/loss for the period					
Depreciation, amortisation and impairment	1 693	5 265	2 228	6 004	12 810
Financial income and expenses	1 150	3 435	960	2 836	3 801
Tax on income from operations	203	-357	248	-350	-1 769
Other adjustments	-70	-944	-211	-1 111	169
Adjustments total	2 976	7 399	3 226	7 379	15 011
	0				
Working capital changes	0				
Increase / decrease in inventories	1 160	918	370	1 894	2 947
Increase / decrease in trade and other receivables	-2 025	-3 484	-348	-14	3 584
Increase / decrease in trade payables	2 049	3 506	4 862	5 506	-541
	0		0		
Interest paid	-387	-1 216	-756	-2 220	-3 030
Interest received	39	116	53	115	192
Other financial items	-115	-2 482	-9	-14	-12
Income taxes paid	-88	-329	-88	-440	-551
<b>Net cash from operating activities</b>	<b>4 191</b>	<b>1 620</b>	<b>8 520</b>	<b>10 511</b>	<b>4 322</b>
<b>Cash flows from investing activities</b>					
Purchase of tangible and intangible assets	-144	-427	-273	-1 041	-999
Proceeds from sale of tangible and intangible assets	20	648	-347	516	587
Acquisition of subsidiaries, net of cash acquired	0	-2	0	0	0
Loans granted	0	-1	0	-9	-9
Proceeds from repayments of loans	3	11	4	11	14
Addition / deduction of cash equivalents	-19	-16	-44	-39	0
<b>Net cash used in investing activities</b>	<b>-139</b>	<b>213</b>	<b>-660</b>	<b>-562</b>	<b>-407</b>
<b>Cash flows from financing activities</b>					
Purchase of treasury shares	-4	-22	0	0	0
Proceeds from current borrowings	0	976	0	0	0
Proceeds from non-current borrowings	0	3 066	0	0	0
Payment of lease liabilities	-634	-3 302	-766	-3 616	-4 898
<b>Net cash used in financing activities</b>	<b>-638</b>	<b>718</b>	<b>-766</b>	<b>-3 616</b>	<b>-4 898</b>
<b>Net change in cash and cash equivalents</b>	<b>3 414</b>	<b>2 551</b>	<b>7 093</b>	<b>6 333</b>	<b>-983</b>
Cash and cash equivalents, opening amount	1 712	2 574	2 796	3 557	3 557
Net increase/decrease in cash and cash equivalents	3 414	2 551	7 093	6 333	-983
Cash and cash equivalents	5 125	5 125	9 890	9 890	2 574
Cash and cash equivalents, other arrangements	0	0	0	0	0

## Consolidated Statement of Changes in Equity

1000 EUR	No 18	Share capital	Attributable to owners of the Company					Non- controlling interests	Total equity
			Reserve for invested unrestricted equity	Translation differences	Retained earnings	Total			
<b>EQUITY 1.2.2024</b>		<b>80</b>	<b>18 002</b>	<b>-138</b>	<b>-3 601</b>	<b>14 343</b>	<b>-91</b>	<b>14 252</b>	
<b>Comprehensive income</b>									
Profit/loss for the period					-2 681	-2 681	-129	-2 810	
Other comprehensive income:									
Translation differences		0	0	-55	0	-55	-5	-61	
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>0</b>	<b>0</b>	<b>-55</b>	<b>-2 681</b>	<b>-2 736</b>	<b>-134</b>	<b>-2 870</b>	
<b>Transactions with owners</b>									
Acquisition of treasury shares		0	0	0	-22	-22	0	-22	
<b>Total transactions with owners</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>-22</b>	<b>-22</b>	<b>0</b>	<b>-22</b>	
<b>Changes in ownership interests in subsidiaries</b>									
Changes in ownership interest without loss of control					-52	-52	50	-2	
<b>TOTAL EQUITY 31.10.2024</b>		<b>80</b>	<b>18 002</b>	<b>-193</b>	<b>-6 355</b>	<b>11 534</b>	<b>-175</b>	<b>11 358</b>	

1000 EUR	No	Share capital	Attributable to owners of the Company					Non- controlling interests	Total equity
			Reserve for invested unrestricted equity	Translation differences	Retained earnings	Total			
<b>EQUITY 1.2.2023</b>	18	<b>80</b>	<b>18 002</b>	<b>-151</b>	<b>9 511</b>	<b>27 442</b>	<b>71</b>	<b>27 512</b>	
<b>Comprehensive income</b>									
Profit/loss for the period					-1 960	-1 960	117	-1 843	
Other comprehensive income:									
Translation differences		0	0	-84	1	-83	-8	-91	
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>0</b>	<b>0</b>	<b>-84</b>	<b>-1 959</b>	<b>-2 043</b>	<b>109</b>	<b>-1 934</b>	
Other changes		0	0	0	4	4	2	6	
<b>Total transactions with owners</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>-81</b>	<b>4</b>	<b>2</b>	<b>6</b>	
<b>Changes in ownership interests in subsidiaries</b>									
<b>TOTAL EQUITY 31.10.2023</b>		<b>80</b>	<b>18 002</b>	<b>-234</b>	<b>7 471</b>	<b>25 403</b>	<b>181</b>	<b>25 584</b>	

### 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



