HLRE Holding Oy
Financial statements
1 February 2020–31 January 2021

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Report of the Board of Directors

FINANCIAL PERIOD 1 FEBRUARY 2020–31 JANUARY 2021

GENERAL

The HLRE Holding Group (commonly known as “the Vesivek Group” in customer and marketing communications) is a rapidly growing and developing group focusing on roof renovations of single-family and terraced homes and the product development, manufacture, sales and installations of rainwater systems and roof safety products. The Group operates in Finland and Sweden under the Vesivek brand.

In January 2021, the HLRE Holding Group operated in 17 (18) locations in Finland and 3 (3) in Sweden. The Hämeenlinna location was closed in summer 2020. The Group’s head office and sheet metal roofing factory are in Pirkkala, Finland, and the product development and manufacture of rainwater systems and roof safety products and corporate sales function in Orimattila, Finland. The Group’s customers include consumers, housing companies, construction companies and public-sector organisations.

In the consumer business, the Vesivek Group is the leading service company in the industry in Finland, delivering roofs with accessories and installation services from its own factory. The Group’s service offering includes the customer promise “Weather protection in just one day,” which is made possible by the in-house supply chain from product development to installation and the conceptualised business model.

The Nesco Group that designs, develops, manufactures, and sells roof and roof safety products includes the companies Nesco Invest Oy, Nesco Oy and Tuusulan Peltikeskus Oy. Nesco Oy is a Finnish company that designs, manufactures, and sells rainwater systems and roof safety products. Tuusulan Peltikeskus Oy is a Finnish company that sells rainwater systems and roof safety and sheet metal products to consumers and construction companies, operating in the municipality of Tuusula in the Greater Helsinki region.

KEY INDICATORS

1000 eur	**1.2.2020-31.1.2021**	**1.2.2019-31.1.2020**	**1.2.2018-31.1.2019**
Turnover	107 263,0	101 027,4	93 760,8
EBITDA	10 231,9	11 308,2	7 407,5
Profit/loss for the period	160,2	1 054,1	-997,7
Equity ratio %	30,6 %	29,1 %	24,4 %
Cash flow from operating activities	7 414,8	11 921,3	2 040,7
Average personnel	755	687	638
Gross investment	-1 685,4	-2 143,4	-5 917,5

MAJOR EVENTS DURING THE FINANCIAL PERIOD

The Group's turnover increased from EUR 101.1 million to EUR 107.3 million (approx. 6.2%) year-on-year. In particular, the Swedish company's new base and finishing groups established in Uppsala and Flen and growth in product sales of roof safety products and rainwater systems in Finland contributed to the growth in turnover. In Finland, the roof, roof safety and rainwater system renovation business remained at same level as in previous year.

The Group company installing roof renovations in Finland, Vesivek Oy, moved to mainly scaffolding-based roofing installations already during the financial year 2019. Scaffolding, or work platforms, around a building function as fall protection as well as improve occupational safety, ergonomics, and installation efficiency, as the work can be performed from the correct height without reaching. The scaffolding also protects the yard and access routes from any materials falling from the roof. During the financial year 2019, scaffolding work was mainly subcontracted, whereas in financial year 2020, Vesivek Oy insourced scaffolding work at eight units in Finland and insourced scaffolding work in three more units in Finland units during the financial year 2021. At the beginning of the financial year 2022, only three units in Finland outsource all scaffolding work, and the plan is to gradually insource scaffolding work in the remaining Finnish units within one or two years.

Vesivek Oy's unit engaged in rainwater system and roof safety product installations in Hämeenlinna was closed in summer 2020. Some of the salespersons and installers were transferred to other roof renovation units in Finland.

In spring 2020, the COVID-19 pandemic rapidly erupted, and its social and economic impacts have been significant in places, with increasing uncertainty and decreased visibility. The Group took immediate action in Finland and Sweden to safeguard the adequacy of the companies' cash reserves, operating prerequisites, and business. All locations improved safety by adopting guidelines, updating the operating models, and discontinuing common morning meetings and coffee breaks to minimise physical encounters.

In Finland, the pandemic has had a bigger impact on the company's sales than installation operations. The company adjusted its sales function and processes to better suit the world of COVID-19 during the financial year with reasonable success. There were few infections in the Finnish companies during the financial year, with a moderate number of exposures and thereby quarantines imposed by the authorities.

Even though the pandemic situation was more challenging in Sweden than Finland, in part due to the Swedish government's different COVID-19 strategy, Vesivek Sverige AB coped with the impacts of the pandemic reasonably during the financial year, considering the circumstances. However, the pandemic had a bigger impact on installation operations besides sales in the Swedish company than in Finland. There were more infections in the Swedish company than in Finland during the financial year, and the same applies to the number of exposures and thereby quarantines imposed by the authorities. However, Vesivek Sverige AB did not have local mass infections, and therefore no units had to be completely closed because of the pandemic.

The Group's bank loan with covenants is fully classified in current financial liabilities in the financial statements of 31 January 2021, with the loans maturing on 22 February 2021. During the financial year, the Group commenced the reorganisation of financing, which was completed after the end of the reporting period on 12 February 2021.

CHANGES IN GROUP STRUCTURE

There were no changes in the group structure during the financial year.

ESTIMATE OF MAJOR RISKS AND UNCERTAINTIES

The HLRE Holding Group assesses risks annually with the aim of minimising risks and better foreseeing them.

The Group's growth and development are strongly linked with the growth and development of sales and success in internationalisation, and failure in them might have direct or indirect impacts on the Group's business and growth opportunities or development of its profitability. In addition to the above, the Group's business operations are exposed to personnel-related risks, such as risks relating to the recruitment and retention of skilled personnel. The Group's business is exposed to occupational safety risks at the construction sites, which also includes a risk of potential procedures by the authorities or legal proceedings.

The Group's business is exposed to seasonality which can be balanced by a service portfolio comprised of different product categories and extensive geographical distribution in Finland and through internationalisation. Moreover, the most significant business uncertainties are associated with risks relating to partners, such as the most significant suppliers, opening of new locations and their development, success in concept development and maintaining the concept.

Expansion into other countries involves several risks associated with foreseeing consumer needs, preferences, and behaviour in the target markets, among other factors. Expansion into other countries involves the risk of the company's conceptualised business model not establishing a position in the market and securing an established customer base. The company's conceptualised business model can also be non-compliant with the local building regulations, customs, or prevailing practices. Any failure in launching new concepts would incur costs and have substantial negative impacts on the company's brand, financial position, and operating result.

At the end of the financial year 2021, the balance sheet of the HLRE Holding Group included EUR 39.5 million of goodwill. The HLRE Holding Group annually, and quarterly if necessary, tests that the carrying value of goodwill does not exceed its fair value. During the financial year, HLRE Holding did not observe indications of not being able to recover the amount corresponding to the book value. Should there be negative changes in the profit and growth development of the HLRE Holding Group, this could lead to impairment of goodwill, which could have an unfavourable impact on the operating result and equity of the HLRE Holding Group.

The well-being of customers, partners and employees has been important to the Group also during the COVID-19 pandemic. The Group complies with the guidelines issued by the local health authorities in all its locations to mitigate the pandemic. The Group has taken special measures according to its plan to ensure the safety of its customers and personnel and the continuity of its production and services in the exceptional situation caused by COVID-19.

If the COVID-19 pandemic is prolonged and spreads, vaccinations are delayed or new variants of the coronavirus impair the effectiveness of vaccines, the pandemic's impact on the Group companies' business in Finland and Sweden is difficult to foresee. The COVID-19 pandemic increases uncertainty regarding business forecasts, for instance. The Group has prepared plans for reacting and adjusting operations to each situation in the above-mentioned scenarios.

In addition to the above and other normal business risks, the Group is not aware of material risks affecting its operations. The Group's turnover for the financial year 1 February 2021–31 January

2022 is expected to increase and profitability to improve compared to the financial year ended 31 January 2021. The Group's growth will be generated from the increased efficiency of Vesivek Oy's existing locations in Finland and the acquisition of Salaojakympit Oy (currently operating as Vesivek Salaojat Oy) in February 2021. Moreover, growth in the Swedish subsidiary is believed to accelerate the growth of the Group during the financial year.

RISK MANAGEMENT

In its risk management, the HLRE Holding Group aims to be as systematic as possible as part of normal business processes. The Group has a risk management policy approved and followed up by the management team, supporting the achievement of strategic objectives and ensuring the continuity of business operations. The Group's risk management policy focuses on managing both risks associated with business opportunities and risks threatening the achievement of the Group's objectives. The management team analyses and assesses the most essential risks in terms of their probability and significance.

The review of business risks is part of the HLRE Holding Group's management system. Risks are classified into strategic, operational, financial and damage risks. Strategic business risks are associated with customer relationships, competitors' actions, political risks, brand, product and concept development, as well as investments. Operational risks are associated with shortcomings or errors in the company's operations or systems or external risks, such as legislation or unexpected decisions or policies of the legal system or authorities, or changes in raw material prices or supply issues. Financial risks are associated with changes in the interest and foreign exchange markets, refinancing and counterparty and trade receivable risks. Damage risks can cause accidents, property damage, interruptions in production, environmental impacts or liability for damages.

The risk management process aims to identify and assess the risks, after which measures are planned and implemented with regard to each risk. The measures can include avoiding the risk, mitigating it by different means, transferring the risk through insurance policies or contractually, or taking the risk in a managed and conscious manner. Control functions or measures refer to verifying procedures that mitigate risks and ensure that risk management measures are taken.

The HLRE Holding Group does not have a separate risk management function, but the associated responsibilities follow the organisational distribution of responsibilities. The company's management team regularly reviews the risks. The company's Board of Directors and its Audit Committee review the most significant risks and related measures at least once a year in conjunction with the strategy process.

PERSONNEL

At the end of the financial year, the personnel numbered 780 (679), an increase of 101 employees that is 14.9 per cent. The Group personnel averaged 755 (687) FTE, an increase of 68 employees that is 9.9 per cent. The Group's employee benefits expenses totaled EUR 41.0 (38.1) million, an increase of EUR 2.9 million that is 7.6 per cent. The increase in the number of personnel was mainly attributable to organic growth in Finland and Sweden and the expansion of existing locations.

BOARD OF DIRECTORS

In accordance with article 10 of the Articles of Association of the Group's parent company HLRE Holding Oy, the company's administration and appropriate organisation of operations is seen to by a Board of Directors with a minimum of three (3) and a maximum of ten (10) ordinary members according to the resolution of a general meeting of shareholders. The term of office of the Board members expires at the close of the next Annual General Meeting after their election.

The company's Annual General Meeting of 26 March 2020 re-elected Pentti Tuunala, Kimmo Riihimäki, Ari Haapakoski, Timo Pirskanen and Anu Syrmä as Board members. Mika Uotila was elected as a new Board member. In its first meeting on 26 March 2020, the Board of Directors elected Pentti Tuunala as its Chair.

In its meeting on 25 November 2020, the Board of Directors elected an Audit Committee from among its number and appointed Timo Pirskanen as the Chair of the Audit Committee. Pentti Tuunala and Mika Uotila were elected as other members of the Audit Committee.

During the financial year 1 February 2020–31 January 2021, the Board of Directors convened 11 times. The attendance rate of the Board members was 99%. During the financial year, particularly risk analyses relating to the COVID-19 pandemic and associated follow-up were on the Board's agenda.

REMUNERATION OF BOARD MEMBERS

The Annual General Meeting of the Group's parent company HLRE Holding Oy resolved on 26 March 2020 that EUR 1,000.00 per month be paid as compensation to each Board member independent of the company and its major shareholders. If a Board member is employed by a company belonging to the HLRE Holding group of companies or by Sentica Partners Oy, they are not paid compensation for Board membership. No separate fee is paid for Board or committee meetings.

Furthermore, the Annual General Meeting resolved that each Board member will be compensated for reasonable travel expenses against receipts in accordance with the practices of the HLRE Holding Group.

MANAGEMENT TEAM

The Board of Directors confirmed the following five persons as members of the company's management team on 22 November 2018: Kimmo Riihimäki, CEO; Hanne Keidasto, Deputy CEO; Jari Raudanpää, CFO; Jari Lehtola, sales and marketing director (Managing Director of subsidiary Vesivek Oy as of 7 January 2021); and Jari Pohja, technical director. The management team convenes regularly.

AUDITING

The Annual General Meeting of 31 March 2020 resolved to appoint PricewaterhouseCoopers Oy as the company's auditor for the financial year 1 February 2020–31 January 2021, with Markku Launis, Authorised Public Accountant, as the auditor with main responsibility.

COMPANY STRUCTURE AND SHAREHOLDING

The Group's parent company HLRE Holding Oy is owned by funds managed by the Finnish private equity company Sentica Partners Oy and key personnel of the Group.

The share capital of HLRE Holding Oy entered in the Trade Register was EUR 2,500 at the end of the financial year. At the end of the financial year, the total number of shares in HLRE Holding Oy is 16,626,723. The company has one series of shares, and each share confers one vote at a general meeting. All shares confer equal rights to dividends and other distribution of assets. At the end of the financial year, the company had a total of 36 shareholders. During the financial year, the company transferred a total of 30,000 treasury shares to the Group's key employees. At the end of the financial year, the company had a total of 77,550 treasury shares.

The Board of Directors has no valid authorisations granted by the general meeting to repurchase shares or issue shares or grant other special rights entitling to shares referred to in chapter 10, section 1 of the Limited Liability Companies Act.

BOARD OF DIRECTORS' PROPOSAL CONCERNING THE USE OF THE COMPANY'S NON-RESTRICTED SHAREHOLDERS' EQUITY

The result of the Group's parent company HLRE Holding Oy for the financial year was EUR 105,808.29 at a profit. The Board of Directors proposes that the profit for the financial year be recognised as a change in retained earnings, after which its distributable funds amount to EUR 19,021,635.44. The Board of Directors' proposal to the general meeting is that no dividends be distributed.

MAJOR EVENTS AFTER THE FINANCIAL PERIOD

The Group's operating environment is subject to uncertainty caused by the COVID-19 pandemic and its development. The pandemic affects consumers' lives, and it has impacts on disposable income, purchase choices and consumer behaviour, among other things. These can present both challenges and opportunities to the development of the Group's business.

COVID-19 infections and thereby situations resulting in exposures have accelerated in both Finland and Sweden after the reporting period. For the time being, this has not increased the rate of infections among the Group companies' employees. Nevertheless, the Group has tightened its COVID-19 guidelines further in relation to use of break rooms at the units and use of face masks indoors, receiving visitors in the company's premises and internal meetings. In addition, the Group has prepared plans for reacting and adjusting operations to adapt to different COVID-19 scenarios.

After the end of the financial period, HLRE Holding Oy transferred 77,550 treasury shares to the Group's key employees.

The five-year secured loan agreement amounting to EUR 46,000,000 signed by the Group with Danske Bank A/S Finland Branch on 22 February 2016 matured on 22 February 2021 in accordance with its terms. During the financial year, the company continued negotiations on rearranging its financing, and the reorganisation of financing was implemented after the end of the financial year on 12 February 2021. In connection with the reorganisation of financing, the Group's parent company HLRE Holding Oy issued a senior 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 Company repaid the loans associated with the bank loan agreed with Danske Bank A/S Finland Branch with interest and expenses and redeemed the equipment included in the sale and leaseback agreement signed with Danske Finance Oy on 12 April 2019 at the agreed residual value with the funds borrowed with the bond. The bond is a non-amortising bullet loan, and it involves a leverage covenant (ratio of net debt to EBITDA), which the company met at the time of signing the financial statements. The bond has been listed on the Open Market segment of the Frankfurt Stock Exchange since February 2021.

In conjunction with the reoganisation of financing, the Group company Vesivek Oy acquired a 71.63% holding in Salaojakympit Oy, which is a company controlled by the company's CEO, in February 2021. The company's CEO acquired a holding of 71.63% in Salaojakympit Oy on 28 February 2020. Salaojakympit Oy was renamed as Vesivek Salaojat Oy after the end of the financial year. Vesivek Salaojat Oy is a company engaged in installing underdrains, and the regions of Ostrobothnia, Vaasa region, Central Ostrobothnia, Central Finland, Pirkanmaa, Kuopio and Uusimaa generate a significant share of its turrnover.

Vesivek Oy granted a total of EUR 340 thousand of loans to Salaojakympit Oy during the financial year and a total of EUR 200 thousand after the end of the financial year on 15 March 2021. The interest on the loans is 4.00–6.60% p.a. A total of EUR 340 thousand of the loans was converted into capital (subordinated) loans as referred to in chapter 12, section 1 of the Limited Liability Companies Act. In February 2021, Vesivek Oy converted EUR 99 thousand of Salaojakympit Oy's trade payables into a subordinated loan to strengthen its capital structure.

The purchase price of Salaojakympit Oy was EUR 400 thousand, and there is no earn-out associated with the transaction. The acquisition of the company was contingent on the financing arrangement in which the company issued a senior secured three-year bond on 12 February 2021. In addition to the company's CEO, there are representatives of the HLRE Holding Group among the members of the Board of Directors of Salaojakympit Oy. The initial accounting treatment of the acquisition was still in progress at the time of preparing the financial statements, and additional information about the acquisition will be disclosed in the financial statements for the financial year ending on 31 January 2022. The acquisition of Salaojakympit Oy from the CEO and granting loans to a company over which he has control are related party transactions, and further information about them is presented in Note 22.

Consolidated statement of comprehensive income

1000 EUR	Note	1.2.2020-31.1.2021	1.2.2019-31.1.2020
REVENUE	4	**107 263**	**101 027**
Other operating income	5	1 080	841
Materials and services	6	-36 755	-35 659
Employee benefit expenses	7	-41 006	-38 128
Depreciation, amortisation and impairments	6	-7 611	-7 391
Other operating expenses	6	-20 349	-16 774
OPERATING PROFIT		**2 621**	**3 917**
Finance income	16	345	91
Finance costs	16	-2 436	-2 499
Finance costs - net		-2 091	-2 407
PROFIT/LOSS BEFORE TAX		**530**	**1 510**
Income tax expense	21	-370	-456
PROFIT/LOSS FOR THE PERIOD		**160**	**1 054**
Profit attributable to:			
Owners of the parent company		117	1 021
Non-controlling interests		43	33
		160	**1 054**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange rate differences on translating foreign operations		45	-7
		45	**-7**
TOTAL COMPREHENSIVE INCOME		**205**	**1 047**
Total comprehensive income attributable to:			
Owners of the parent company		158	1 015
Non-controlling interests		47	32
		205	**1 047**

Emoyhtiön osakkeenomistajille kuuluvasta voitosta laskettu osakekohtainen tulos	**1.2.2020-31.1.2021**	**1.2.2019-31.1.2020**
Emoyrityksen omistajille kuuluva voitto/tappio (euroa)	158 055	1 014 568
Osakemäärän painotettu keskiarvo (kpl)	15 777 507	12 119 200
Laimentamaton ja laimennusvaikutuksella oikaistu osakekohtainen tulos	**0,01**	**0,08**

Consolidated balance sheet

1000 EUR	Note	31.1.2021	31.1.2020
ASSETS			
NON-CURRENT ASSETS			
Goodwill	9	39 437	39 437
Intangible assets	9	1 000	890
Property, plant and equipment	10	26 632	29 461
Other non-current financial assets		48	45
Non-current loan receivables	16	9	14
Other non-current receivables	14	0	4
Deferred tax assets	20	7	27
NON-CURRENT ASSETS		**67 133**	**69 878**
CURRENT ASSETS			
Inventories	11	11 105	10 147
Trade and other receivables	12	9 494	8 617
Loan receivables	15	625	54
Income tax receivable		0	5
Cash and cash equivalents		2 219	5 711
CURRENT ASSETS		**23 443**	**24 535**
ASSETS		**90 576**	**94 413**
EQUITY AND LIABILITIES			
Owners of the parent company			
Share capital	18	3	3
Reserve for invested unrestricted equity	18	18 079	18 079
Translation differences	18	31	-10
Retained earnings	18	9 479	9 333
Owners of the parent company		**27 592**	**27 404**
Non-controlling interests		**93**	**45**
EQUITY		**27 685**	**27 449**
NON-CURRENT LIABILITIES			
Finance and lease liabilities	15	21 445	45 111
Employee benefit obligation	23	389	359
Deferred tax liabilities	21	395	287
NON-CURRENT LIABILITIES		**22 229**	**45 757**
CURRENT LIABILITIES			
Finance and lease liabilities	15	29 809	11 183
Other current liabilities	13	10 590	9 718
Derivatives	15	34	142
Income tax liabilities		229	164
CURRENT LIABILITIES		**40 662**	**21 207**
Liabilities		**62 891**	**66 964**
EQUITY AND LIABILITIES		**90 576**	**94 413**

Consolidated statement of changes in equity

1000 EUR	Note	Share capital	Reserve for invested unrestricted equity	Translation differences	Accumulated earnings	Total	Non-controlling interests	Total equity
	18							
EQUITY 1.2.2020		**3**	**18 079**	**-10**	**9 333**	**27 404**	**45**	**27 449**
Comprehensive income								
Profit/loss for the period					117	117	43	160
Other comprehensive income:								
Translation differences		0	0	42	0	42	4	46
TOTAL COMPREHENSIVE INCOME		**0**	**0**	**42**	**117**	**159**	**47**	**206**
Transactions with owners								
Sale of treasury shares		0	0	0	30	30	0	30
Total transactions with owners		**0**	**0**	**0**	**30**	**30**	**0**	**30**
TOTAL EQUITY 31.1.2021		**3**	**18 079**	**32**	**9 479**	**27 593**	**93**	**27 685**

1000 EUR	Note	Share capital	Reserve for invested unrestricted equity	Translation differences	Accumulated earnings	Total	Non-controlling interests	Total equity
EQUITY 1.2.2019	18	**3**	**13 579**	**-3**	**8 413**	**21 991**	**13**	**22 004**
Comprehensive income								
Profit/loss for the period					1 021	1 021	33	1 054
Other comprehensive income:								
Translation differences		0	0	-7	**0**	-7	-1	-7
TOTAL COMPREHENSIVE INCOME		**0**	**0**	**-7**	**1 022**	**1 015**	**32**	**1 047**
Transactions with owners								
Rights issue		0	4 500	0	0	4 500	0	4 500
Acquisition of treasury shares		0	0	0	-102	-102	0	-102
Total transactions with owners		**0**	**4 500**	**0**	**-102**	**4 398**	**0**	**4 398**
TOTAL EQUITY 31.1.2020		**3**	**18 079**	**-10**	**9 333**	**27 404**	**45**	**27 449**

Consolidated cash flow statement

1000 EUR		1.2.2020-31.1.2021	1.2.2019-31.1.2020
Cash flows from operating activities			
PROFIT/LOSS FOR THE PERIOD		160	1 054
Adjustments to the profit/loss for the period			
Depreciation, amortisation and impairment	6	7 611	7 391
Financial income and expenses	16	2 257	2 399
Income tax expenses	21	370	456
Other adjustments		-360	77
Adjustments total		9 878	10 323
Working capital changes			
Increase / decrease in inventories	11	-918	2 505
Increase/decrease in trade and other receivables	12	-825	-2 015
Increase/decrease in trade payables	13	1 111	2 132
Interest paid	16	-1 706	-1 666
Dividends received	16	0	3
Interest received	16	16	22
Other financial items	16	-121	-218
Income taxes paid	21	-180	-218
Net cash from operating activities		**7 415**	**11 921**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	9,10	-1 816	-2 143
Proceeds from sale of property, plant and equipment and intangible assets	9,10	91	21
Purchase of other financial assets	9,17	-3	0
Proceeds from sale of other financial assets		0	9
Loans granted to related parties		-590	0
Loans granted		-31	-22
Proceeds from repayments of loans		56	96
Net cash used in investing activities		**-2 291**	**-2 039**
Cash flows from financing activities			
Proceeds from share issue		0	4 500
Purchase of treasury shares		0	-102
Proceeds from sale of treasury shares		30	0
Repayment of current borrowings	15	-2 050	-4 609
Addition / deduction of current borrowings		3	1
Proceeds from non-current borrowings	15	0	2 183
Repayment of non-current borrowings	15	-2 596	-2 050
Payment of lease liabilities		-4 003	-4 337
Net cash used in financing activities		**-8 616**	**-4 414**
Net change in cash and cash equivalents		**-3 492**	**5 468**
Cash and cash equivalents, opening amount	15	5 711	244
Net increase/decrease in cash and cash equivalents		-3 492	5 468
Effects of exchange rate fluctuations on cash held		0	-2
Cash and cash equivalents	15	2 219	5 711

Notes to the consolidated financial statements

INFORMATION ABOUT THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements are the financial statements of a group of companies comprised of HLRE Holding Oy, 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. A copy of the financial statements is available from the address Jasperintie 273, FI-33960 Pirkkala, Finland.

These consolidated financial statements include the consolidated statement of comprehensive income, consolidated balance sheet, consolidated cash flow statement and consolidated statement of changes in equity for the financial years ended 31 January 2021 and 31 January 2020 and notes thereto. The Company’s Board of Directors approved the consolidated financial statements for publication on 14 April 2021.

In accordance with the Finnish Limited Liability Companies Act, shareholders can adopt or reject the financial statements at a general meeting of shareholders held after their publication. The general meeting has the right to amend the consolidated financial statements.

1. Accounting principles

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations published by the IFRS Interpretations Committee (IFRS IC) applied by companies reporting under the IFRS standards as approved for application in the European Union. The notes to the financial statements also meet the requirements of the Finnish accounting and companies acts which supplement the IFRS.

The measurement of assets and liabilities is based on cost, except for certain financial assets and liabilities (derivative instruments and financial assets at fair value through profit and loss), which are measured at fair value.

The consolidated financial statements are presented in 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. The operating currency of the Company is the euro, which is also the reporting currency of the Company and Group. The assets included in the financial statements of the subsidiaries included in the Group are measured in the currency of the primary operating environment of each subsidiary.

Translation of items denominated in foreign currencies

Transactions denominated in foreign currencies are translated into EUR at the exchange rates of the transaction dates, or if the items have been re-measured, at the exchange rates of the measurement dates.

Foreign exchange gains and losses arising from sales and purchase payments associated with actual business operations are recognised above operating profit, and financing-related exchange rate differences are recognised in financial items in the income statement.

The assets and liabilities of the Swedish subsidiary are translated into EUR at the exchange rate of the closing date. The income and expenses of the Swedish subsidiary are translated into EUR at the average exchange rate for the financial year. Translation differences arising from the translation of a subsidiary's financial statements are recognised in other comprehensive income, and they are accumulated in a separate Translation differences item under shareholders' equity.

In its financial statements, the HLRE Holding Group focuses on information that it considered to be relevant to its stakeholders and other readers of the financial statements. The notes to the consolidated financial statements are divided into six sections, with each section containing the related relevant accounting principles. These sections are information about the consolidated financial statements, key information relating to income statement, personnel, assets, and liabilities used in business operations, capital structure and financing, and other notes. The purpose of this presentation method is to provide the reader with a clear idea of the Group's financial position and result and the chosen accounting principles.

2. Management judgement and sources of uncertainty

Preparing the consolidated financial statement requires the management to use estimates and assumptions that have impacts on applying the accounting principles and amounts of assets, liabilities, income and expenses recognised in the financial statements. Significant estimates or management judgements are reviewed in the following notes:

- impairment of goodwill, note 9
- leases, note 10
- measurement of inventories, note 11
- impairment of trade receivables, note 16
- accounting treatment of the acquisition of Salaojakympit Oy, note 22

The estimates and management judgements are continuously reviewed. They are based on prior experience and other factors, such as expectations of future events with potential financial impacts on the company and which are considered to be reasonable under the circumstances in question.

In spring 2020, the COVID-19 pandemic rapidly erupted, and its social and economic impacts have been significant in places, with increasing uncertainty and decreased visibility. The Group took immediate action in Finland and Sweden to safeguard the adequacy of the companies' cash reserves, operating prerequisites and business. All locations improved safety by adopting guidelines, updating the operating models and discontinuing common morning meetings and coffee breaks to minimise physical encounters.

In Finland, the pandemic has had a bigger impact on the company's sales than installation operations. The company adjusted its sales function and processes to better suit the world of COVID-19 during the financial year with reasonable success. There were few infections in the Finnish companies during the financial year, with a moderate number of exposures and thereby quarantines imposed by the authorities.

Even though the pandemic situation was more challenging in Sweden than Finland, in part due to the Swedish government's different COVID-19 strategy, Vesivek Sverige AB coped with the impacts of the pandemic reasonably during the financial year, considering the circumstances. However, the pandemic had a bigger impact on installation operations besides sales in the Swedish company than in Finland.

There were more infections in the Swedish company than in Finland during the financial year, and the same applies to the number of exposures and thereby quarantines imposed by the authorities. However, Vesivek Sverige AB did not have local mass infections, and therefore no units had to be completely closed because of the pandemic.

At the end of the financial year 2021, the balance sheet of the HLRE Holding Group included EUR 39.5 million of goodwill. The HLRE Holding Group annually, and quarterly if necessary, tests that the value of goodwill carried on the balance sheet does not exceed its fair value. During the financial year, HLRE Holding did not observe indications of not being able to recover the amount corresponding to the book value. Should there be negative changes in the profit and growth development of the HLRE Holding Group, this could lead to impairment of goodwill, which could have an unfavourable impact on the operating result and equity of the HLRE Holding Group.

If the COVID-19 pandemic is prolonged and spreads, vaccinations are delayed or new variants of the coronavirus impair the effectiveness of vaccines, the pandemic will have an impact that is difficult to foresee on the Group companies' business in Finland and Sweden. The COVID-19 pandemic increases uncertainty regarding business forecasts, for instance. The Group has prepared plans for reacting and adjusting operations to each situation in the above-mentioned scenarios.

KEY INFORMATION RELATING TO INCOME STATEMENT

This section discloses information that is relevant to understanding the Group's profit/loss for the financial period and performance.

3. Segment information

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 reporting segment.

The profitability of the business is estimated internally in accordance with the Finnish Accounting Standards (FAS) based on turnover, EBITDA and operating profit. In FAS-compliant internal reporting, EBITDA is defined as operating profit before depreciation, amortisation and impairment.

EUR 1,000	**FAS**	Adjustments	**IFRS**	
Consolidated income statement	1 February 2020–31 January 2021		1 February 2020–31 January 2021	**Consolidated statement of comprehensive income**

Turnover	107263		107263	Revenue
EBITDA (*)	4973			
Depreciation, amortisation and impairment	-2635	-4976	-7611	Depreciation, amortisation and impairment
Operating profit	2338	283	2621	**Operating profit**
			-2091	Financial income and expenses
			530	Profit/loss before tax
			-370	Income tax expenses
			160	Profit/loss for the period

	FAS	Adjustments	**IFRS**	
Consolidated income statement	1 February 2019–31 January 2020		1 February 2019–31 January 2020	**Consolidated statement of comprehensive income**
Turnover	101027		101027	Revenue
EBITDA (*)	5413			
Depreciation, amortisation and impairment	-2684	-4707	-7391	Depreciation, amortisation and impairment
Operating profit	2729	1188	3917	**Operating profit**
			-2407	Financial income and expenses
			1510	Profit/loss before tax
			-456	Income tax expenses
			1054	Profit/loss for the period

(*) FAS EBITDA = FAS operating profit + FAS depreciation, amortisation and impairment

The most significant differences between the Group's net result reported internally in accordance with FAS and HLRE's profit and loss for the financial period reported according to IFRS are comprised of the following item:

- The Group's depreciation, amortisation and impairment reported according to FAS does not include the amortisation of right-of-use assets included in the reported depreciation, amortisation and impairment. The depreciation and amortisation in internal FAS-compliant reporting does not include amortisation of goodwill.

4. Revenue

The revenue of the HLRE Holding Group is primarily generated by roofing and roof product installations 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 "Weather protection in just one day" installation for a single-family home pursuant to the service concept is realised in two days in the best-case scenario. A two-day roofing renovation is made possible by skilled installation assisted by a crane, in which each work phase is planned and assigned in advance and the work phases have been prepared, as well as by a own steel profile production factory.

Accounts payable from roofing and roof product installations pursuant to the consumer service concept in Finland are primarily forwarded to a Laatutili credit facility. Laatutili is a renovation loan granted by the OP bank. Using a Laatutili loan, the customer can pay for the roofing renovation in a single interest-free and expense-free instalment with a term of payment of 30 days or over a longer repayment period as monthly instalments agreed separately with the OP bank. The term of payment for installations not realised under the Laatutili facility is 10 days. In roof safety and rainwater systems direct sales, the term of payment varies from 14 to 30 days, depending on the customer.

The Group's IFRS-compliant principles of revenue recognition are described in more detail under "Revenue: Accounting principle" on page 20 of these financial statements.

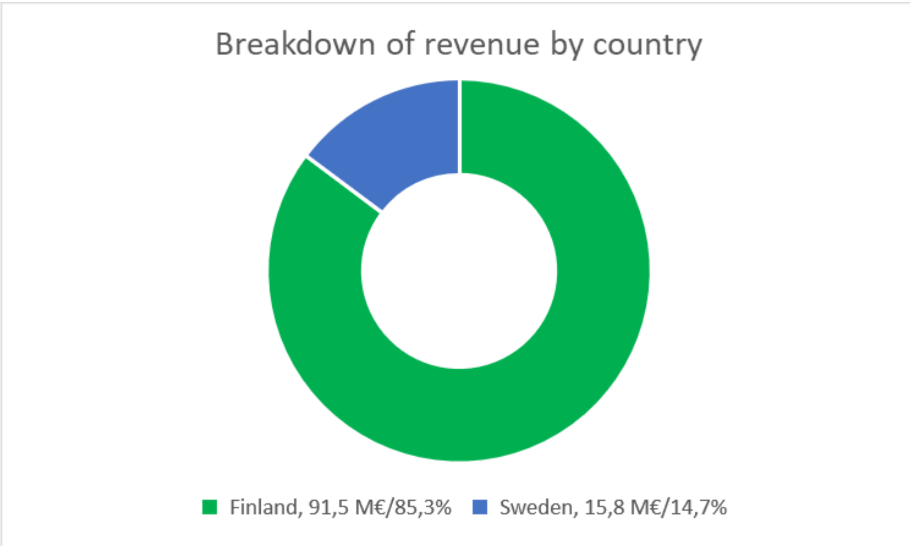
Breakdown of revenue by country for the financial year ended 31 January 2021

During the financial year ended 31 January 2021, the HLRE Holding Group operated in Finland and Sweden. The Swedish roofing renovation business was launched in the Stockholm region in 2016, and the Company's second Swedish location was opened in the summer of 2018. The third location in Sweden was opened in Flen in the Stockholm region in the spring of 2019.

Of the Group's revenue for the financial year 1 February 2020–31 January 2021, Finland accounted for approximately 85% (89%) and Sweden for approximately 15% (11%). The Swedish business grew significantly during the financial year, and its share of the Group's revenue also increased.

The Group's non-current assets totalled EUR 67.1 million (EUR 69.9 million) on 31 January 2021, of which Sweden accounted for EUR 3.0 million (EUR 2.9 million) in euros.

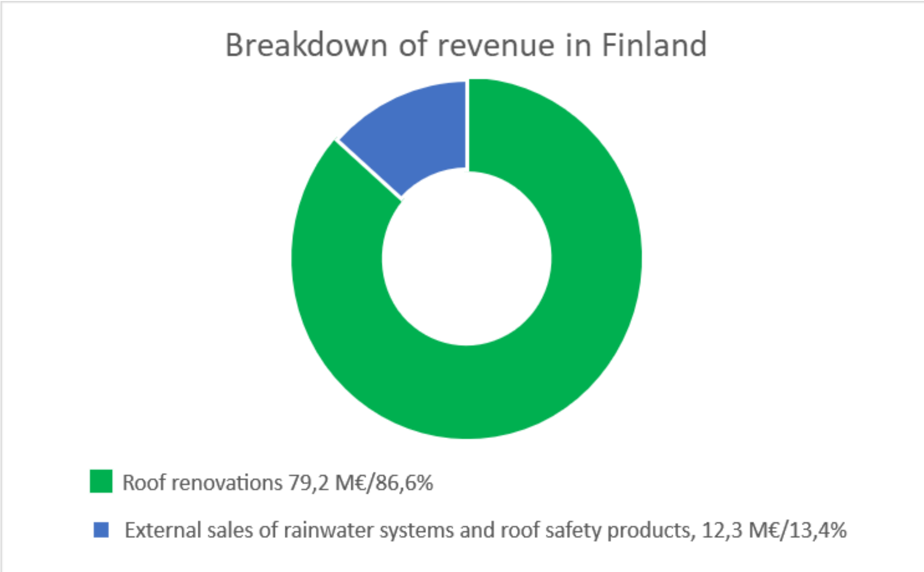
The Group’s revenue of EUR 107.3 million was broken down by country as follows:



Breakdown of revenue in Finland for the financial year ended 31 January 2021

The Group’s business operations in Finland were divided into installation business (installation of roofing and roof products) and direct sales of rainwater systems and roof safety products during the financial year ended 31 January 2021. The Swedish revenue was generated exclusively by roofing and roof product installations.

The installation business accounted for approximately 87% (87%) of the Group’s revenue in Finland for the financial year ended 31 January 2021 and product sales for approximately 13% (13%). The Group’s revenue in Finland was broken down as follows for the financial year 1 February 2020–31 January 2021:



Assets and liabilities based on contracts with customers

The trade and other receivables on the balance sheet include EUR 509 (906) thousand of non-invoiced revenue recognised based on the percentage of completion of roof renovations. The trade and other payables include EUR 29 (4) thousand of liabilities based on volume discounts and EUR 36 (5) thousand of advance payments from customers.

Accounting principle

The revenue of the HLRE Group was primarily generated from the sales of roofing, rainwater systems and roof safety products and their installations during the financial year, and performance obligations are readily identifiable from customer agreements and orders.

IFRS 15 Revenue from Contracts with Customers includes a five-step guideline on the recognition of revenue which determines the amount and timing of recognising revenue. Revenue is recognised based on the transfer of control, either over time or at a point in time. When calculating revenue, sales income is adjusted for indirect taxes and discounts.

Roofing and roof product installations include the products and their installation service. Typically, the products are customised based on the customer's needs, such as the dimensions of roofs, in conjunction with the installation. The customer has ordered turnkey delivery of a functional roof solution from the Company, which constitutes a single performance obligation. Control over these performance obligations is transferred over time, because the obligation becomes an asset with control over it transferred to the customer as the installation work progresses. The installation takes place very quickly, usually over a few days, and the corresponding sale is recognised once the turnkey delivery has been made. The account receivable is recognised after delivery, because the Company is entitled to a payment that is only conditional on the passage of time.

With regard to product sales, individual products constitute a performance obligation, and the sale is recognised as revenue at a single point in time when control is transferred to the customer. Typically, this takes place at the time of delivery when the significant risks and benefits associated with ownership have been passed on to the buyer and the HLRE Holding Group does not have factual control over the sold goods and when receiving consideration is probable. The account receivable is recognised in connection with revenue recognition of the sale, because the Company is thereafter entitled to a payment that is only conditional on the passage of time. Because the performance obligations are fulfilled over a very short period or at a single point in time when control is transferred as described above, the Company makes use of the exemption allowed by the standard to not report the transaction price allocated to the remaining performance obligations.

The terms of payment of sold products are primarily less than 30 days.

5. Other operating income

1000 eur	1.2.2020-31.1.2021	1.2.2019-31.1.2020
Gain on disposal of property, plant and equipment and intangible assets	138	62
Rental income	103	72
Provision income	438	312
Other operating income	401	396
	1 080	**841**

Other operating income is comprised of rent income from owned premises leased to external parties, insurance indemnities received, sales of recycling materials and bank commissions from Laatutili customer financing.

6. Operating expenses

Materials and services

1000 eur	1.2.2020-31.1.2021	1.2.2019-31.1.2020
Purchases during the period	-31 034	-25 929
Change in inventories of finished goods and work in progress	-130	-246
Work performed for own purposes and capitalised	32	83
Change in inventories of materials	1 045	-2 254
External services	-6 668	-7 313
Material and services	-36 755	-35 659

External services are comprised of scaffolding subcontracting expenses to a significant extent. During the financial year 2020, Vesivek Oy insourced scaffolding work at eight units in Finland and did so in three more units in Finland during the financial year 2021. With regard to the remaining units, the company is preparing the insourcing of scaffolding work gradually during the next two to three years.

The company grants roof installations a fixed five-year installation warranty. Because the costs relating to repairs under warranty have not been significant, the company has not recognised a related provision.

Depreciation, amortisation and impairment

EUR 1,000

	1 February 2020–31 January 2021	1 February 2019–31 January 2020
Amortisation according to plan		
Development expenses	-5	-6

Intangible rights	-169	-149
Other intangible assets	-5	-7
	-179	**-162**
Impairment of goodwill on consolidation	**0**	**-35**
Depreciation according to plan		
Buildings and structures	-2,692	-2,686
Machinery and equipment	-4,718	-4,477
Other tangible assets	-23	-31
	-7,432	**-7,194**

Other operating expenses

1000 eur	**1.2.2020-31.1.2021**	**1.2.2019-31.1.2020**
Costs for premises	-1 150	-993
Costs for machinery and equipment	-5 603	-5 127
Marketing costs	-3 319	-2 484
Other operating costs	-10 277	-8 169
	-20 349	**-16 774**

The other biggest unspecified items are optional personnel expenses of EUR 1,805 (1,497) thousand and kilometre allowances and per diems of EUR 1,863 (1,665) thousand.

Auditors' fees

1000 eur	**1.2.2020-31.1.2021**	**1.2.2019-31.1.2020**
Statutory auditing	-70	-102
To auditor: Other fees and services	0	-60

PERSONNEL

This section provides information about how the HLRE Holding Group rewards its personnel and key managers. The section includes information about employee benefits and related party information relating to the key personnel as follows:

- Employee benefit expenses
- Information about key managers

7. Employee benefit expenses

The employee benefit expenses and other personnel expenses are as follows:

1000 eur	1.2.2020-31.1.2021	1.2.2019-31.1.2020
Salaries and fees	33 583	30 127
Pension expenses, defined contribution plans	4 632	5 338
Other employee benefit	2 791	2 664
	41 006	**38 128**

Wages and salaries are mainly comprised of monthly salaries, hourly wages and performance bonuses paid to the employees. The employees are entitled to extensive occupational health care services, and some of the employees have company cars and phone benefits. In addition to statutory insurance, the employees are covered by leisure-time accident insurance.

In spring 2020, the Finnish government decided to lower the employment pension contributions of employers temporarily by 2.6 percentage points due to the COVID-19 pandemic. The decrease was in force from 1 May to 31 December 2020 with regard to employer's statutory insurance contributions ("TyEL") paid between May and December 2020. The decrease will be compensated for by increasing the employer's pension contribution share in 2022–2025.

In Sweden, the government compensated employers for a certain proportion of sick pay starting from April 2020 in conjunction with the COVID-19 pandemic. The compensation has been a certain proportion of actual costs of sick leave, depending on their amount. In the financial year 2021, the compensation received totalled approximately EUR 55 thousand in euros.

Other social security contributions mainly include other social security expenses apart from pension expenses.

The Group has a reward scheme based on years of service. In accordance with the rewards for years of service, employees are paid a lump-sum reward for having worked a certain number of years as follows.

PERSONNEL REWARDS

The new structure concerning the entire Group:

5 years	**1 week salary**
10 years	**1,5 weeks salary**
15 years	**2 weeks salary**
20 years	**2 weeks salary**
25 years	**2 weeks salary**
30 years	**3 weeks salary**
35 years	**3 weeks salary**

Liability and expense calculations relating to rewards for years of service pursuant to IAS 19 as Note 23. The calculations also include a forecast for the next financial year.

Accounting principle

Short-term benefits

Short-term employee benefits include wages and salaries, including fringe benefits and annual holiday pay to be paid within 12 months, and bonus and performance rewards connected to profit or personal performance. Short-term employee benefits are recognised in other liabilities with regard to work performed by the closing date and measured at the value expected to be paid once the liabilities are settled.

Post-employment benefits

The pension arrangements of the HLRE Holding Group are defined contribution plans. A defined contribution plan is a pension arrangement under which the Group makes fixed payments to a separate unit and has no legal or factual obligation to make additional payments if the said unit does not have adequate funds for paying all benefits relating to work performed during the current and previous financial years to all employees. Payments made to defined contribution plans are recognised directly through comprehensive income for the period to which the payments are connected.

Other long-term benefits

Other long-term employee benefits include leaves associated with long service or sabbaticals, anniversary benefits or other benefits relating to long service and long-term unemployment benefits.

8. Information about key management personnel (incl. key management's shareholdings) and share-based payment schemes

Remuneration of key management personnel

The Company's Board of Directors appoints the CEO and the Deputy CEO and decides on the terms and conditions of their employment. The Board of Directors confirms the wages and other benefits paid to the management team based on the CEO's proposal and the principles of remuneration of the Company's other senior management.

The salaries and other taxable benefits paid to the CEO and rest of the Group's management team for the financial year ended 31 January 2021 are presented below. The compensation paid is comprised of fixed monthly salary and fringe benefits.

EUR 1,000	**1 February 2020–31 January 2021**	**1 February 2019–31 January 2020**
Remuneration of the CEO		
Salary, other remuneration and benefits	128	133
Pension expenses - defined contribution plans	6	6
Total	134	139
Remuneration of the Group management team (excluding the CEO)		
Salary, other remuneration and benefits	502	503
Pension expenses - defined contribution plans	75	93
Total	577	596
Remuneration of Board members	27	64

Key management and Board of Directors total	738	799

The employment contract of CEO Kimmo Riihimäki can be terminated with a period of notice of three (3) months by either party. If the Company terminates the contract, the Company pays the CEO an amount corresponding to the total wages for three (3) months as a lump-sum compensation.

Kimmo Riihimäki is subject to a 24-month non-competition and non-solicitation clause, with a related contractual penalty of EUR 100,000 for each breach by the CEO. If the losses incurred by the Company exceed the above-mentioned contractual penalty, the CEO must compensate the amount of the loss in full.

The CEO contract will expire at the latest upon the retirement of Kimmo Riihimäki. The CEO's retirement age is 65.

The members of the Group management team have periods of notice of three or six months. They are entitled to severance pay. In addition, the members of the management team are bound by non-competition and non-solicitation clauses with contractual penalties.

HLRE Holding Oy directed share issues and transferred treasury shares at the Group's key management personnel and other key employees in 2014–2021. At the end of the financial year 1 February 2020–31 January 2021, the Company decided on a directed transfer of treasury shares, wherein the company's key management personnel and other key employees were offered a total of 107,550 treasury shares to purchase at a price of EUR 1 per share. The purchase price of the shares is considered to be equal to the fair value of the shares at the time of purchase. Of the shares, 15,000 were offered to a person who is a related party and 92,550 to other key employees of the Group. The Company's key employees purchased a total of 30,000 company shares during the financial year and a total of 77,500 company shares after the end of the financial year, of which a related party purchased 15,000 shares.

Because the key employees' share purchases took place at fair value and at the same price as the share subscriptions of the Company's other shareholders, the schemes do not include a benefit pursuant to IFRS 2 and no expense has been recognised for them.

The key employees' shareholdings include an obligation to work. The Company has the right, but not an obligation, to redeem the shares at the lower of original subscription prices of the share issues or fair value as specified in the shareholders' agreement in case of resignations of the key employees. During the comparative period, the Company exercised its redemption right and redeemed a total of 100,050 shares at a subscription price of EUR 1 per share from a key employee.

Because HLRE Holding Oy or its subsidiary have no contractual obligation or prior established practice to redeem shares from leavers, the arrangement is classified as an equity-settled arrangement under IFRS.

A share-based payment scheme has also been realised with the key personnel of Vesivek Sverige AB so that three key persons at Vesivek Sverige AB have holdings in Vesivek Sverige AB.

The shareholdings of Board members, the CEO and members of the management team in the Group's parent company HLRE Holding Oy on 31 January 2021 are presented in the table below:

Management shareholdings

The management held shares on 31 January 2021 as follows:

	31 January 2021	31 January 2020

Management shareholdings	Shares	% holding		% holding
Other Board members besides the CEO	0		34,361	
CEO	5,497,826	33	5,497,826	33
Other management team members	111,767	1	111,767	1

ASSETS AND LIABILITIES USED IN BUSINESS OPERATIONS

This section provides information about the assets used in business operations and liabilities incurred due to the Group's business operations.

- Goodwill and other intangible assets, including impairment testing
- Property, plant and equipment
- Trade and other receivables
- Trade and other payables

9. Goodwill and other intangible assets, including impairment testing

The table below presents changes in goodwill and other intangible assets:

1000 EUR	Development costs	Immaterial rights	Other intangible assets	Advance payments for intangible assets	Goodwill	Total
Cost 1.2.2020	75	1 359	21	148	39 472	41 053
Additions	0	38	0	255	0	293
Disposals	0	-4	0	0	0	-4
Reclassifications	69	228	0	-297	0	0
Cost 31.1.2021	144	1 620	21	107	39 472	41 342
Cumulative amortisation and impairment 1.2.2020	-57	-644	-12		-35	-736
Amortisation	-5	-169	-5		0	-174
Cumulative amortisation and impairment 31.1.2021	-62	-812	-17		-35	-909
Carrying amount 1.2.2020	17	716	10	148	39 437	40 327
Carrying amount 31.1.2021	**81**	**808**	**4**	**107**	**39 437**	**40 437**

1000 EUR	Development costs	Immaterial rights	Other intangible assets	Advance payments for intangible assets	Goodwill	Total
Cost 1.2.2019	59	1 427	21	41	39 472	40 999
Additions	0	8	0	145	0	153
Disposals	0	-98	0	0	0	-98
Reclassifications	15	23	0	-38	0	0
Cost 31.1.2020	75	1 359	21	148	39 472	41 053
Cumulative amortisation and impairment 1.2.2019	-51	-593	-5		0	-644
Cumulative amortisation on disposals and reclassificati	0	98	0		0	98
Amortisation	-6	-149	-7		-35	-190
Cumulative amortisation and impairment 31.1.2020	-57	-644	-12		0	-701
Carrying amount 1.2.2019	8	835	17	41	39 472	40 355
Carrying amount 31.1.2020	**17**	**716**	**10**	**148**	**39 437**	**40 327**

Intangible rights and other intangible assets are comprised of information systems and patents, trademarks and design rights applied for by group companies. Of the goodwill on the consolidated balance sheet, the majority arose in conjunction with the acquisition of Hämeen Laaturemontti Oy in 2014, when a fund managed by Sentica Partners Oy acquired a majority holding in what was then Hämeen Laaturemontti Oy, the current Vesivek Oy. The goodwill increased when HLRE Group Oy acquired the shares in the Nesco Invest group of companies in 2016.

Accounting principle

Goodwill

Goodwill arises from the acquisition of subsidiaries, and it corresponds to the amount by which the acquisition cost exceeds the Group's share of the net fair value of the assets acquired and liabilities assumed. For impairment testing, goodwill is allocated to cash-generating units or groups of units which are expected to benefit from the acquisition of the businesses resulting in the goodwill. Goodwill is tested for impairment annually or more frequently, if events or changes in circumstances indicate any impairment. The book value of the cash-generating unit with goodwill is compared to its recoverable amount, which is the higher of value in use or fair value less costs of disposal. Any impairment loss is firstly allocated to goodwill and secondarily to other assets proportionally. Goodwill impairment losses recognised through profit or loss are not reversed.

Other intangible assets

Other intangible assets are recognised on the balance sheet when the asset is in the Company's control, it is expected to yield future economic benefit to the Company and the acquisition cost of the asset can be reliably determined. The intangible asset is initially recognised at cost, which includes the purchase price and any direct expenses incurred due to the asset. Intangible assets are reported on the balance sheet at cost less accumulated amortisation and impairment. Intangible assets are amortised using the straight-line method over the economic useful life of the asset. The appropriateness of the amortisation times the methods is assessed at each closing date.

Research and development costs are recognised as expenses when internally developed intangible assets do not meet the criteria for capitalisation. An intangible asset resulting from development activities is capitalised when the product development project is likely to generate future economic benefits to the company and the products are estimated to be technically feasible and commercially viable.

The economic useful lives of the Company's intangible assets are as follows:

In the HLRE Holding Group, information systems are amortised over 5 years and patents/trademarks over 10 years, while development expenses are amortised over 5 years.

Goodwill impairment testing

Key management judgements and estimates

Key assumptions used in testing goodwill for impairment

The management makes significant estimates and management judgements 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 (roofing and roof safety product installations in Finland), which is a cash-generating unit in Finland, and at the level of the Nesco subgroup (manufacturing of rainwater 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 management tests the impacts of changes in significant assumptions by making sensitivity analyses as described below in this note. In these IFRS financial statements, goodwill is reported for the most recent balance sheet date and the one preceding it, 31 January 2021 and 31 January 2020.

The table below presents the allocation of goodwill to the Group's cash-generating units:

Thousands of euros	31.1.2021	31.1.2020
Installation of roof and rainwater systems in Finland	34567	34567
Production of rainwater systems and roof safety products	4870	4870

The key assumptions used in the value in use calculations are as follows:

2021	EBITDA in 5 years period of time, %	Long term EBITDA, %	Discount rate before taxes, %	Long term growth factor, %
Installation of roof and rainwater systems in Finland	8,8	10,0	9,6	2,0
Production of rainwater systems and roof safety products	14,8	14,5	9,6	2,0

2020	EBITDA in 5 years period of time, %	Long term EBITDA, %	Discount rate before taxes, %	Long term growth factor, %
Installation of roof and rainwater systems in Finland	10,8	12,0	9,4	2,0
Production of rainwater systems and roof safety products	14,4	14,5	9,4	2,0

Sensitivity analysis

No impairment loss was recognised for the reported financial years as a result of the tests for impairment. The recoverable amount exceeded the book value on 31 January 2021 by EUR 28 million with regard to roofing and roof safety product installations in Finland and by EUR 18 million with regard to the manufacturing of rainwater systems and roof safety products (31 January 2020: by EUR 52 million with regard to roofing and roof safety product installations in Finland and by EUR 19 million with regard to the manufacturing of rainwater systems and roof safety products).

The management has prepared sensitivity analyses of the key assumptions, and based on the analyses, the recoverable amounts equal the book value if the assumptions change one by one:

	31.1.2021	31.1.2020
Installation of roof and rainwater systems in Finland		
Change in discount rate, percentage points	2,7 %	4,9 %
Decrease in EBITDA, percentage points	-3,2 %	-5,7 %
Production of rainwater systems and roof safety products		
Change in discount rate, percentage points	6,8 %	6,7 %
Decrease in EBITDA, percentage points	-7,7 %	-7,7 %

10. Property, plant and equipment and leases

1000 EUR	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Cost 1.2.2020	319	19 254	34 447	313	739	55 071
Translation differences	0	89	193	0	0	282
Additions	0	1 655	2 497	3	582	4 737
Disposals	0	-137	-1 852	0	0	-1 989
Changes in lease-contracts	0	0	0	0	0	0
Reclassifications	0	0	781	0	-781	0
Cost 31.1.2021	319	20 860	36 067	316	539	58 101
Cumulative amortisation and impairment 1.2.2020	0	-7 923	-17 424	-263		-25 610
Translation differences	0	-48	-74	0		-122
Cumulative amortisation on disposals and reclassifications	0	94	1 601	0		1 695
Amortisation	0	-2 692	-4 718	-23		-7 432
Cumulative amortisation and impairment 31.1.2021	0	-10 569	-20 615	-286		-31 469
Carrying amount 1.2.2020	319	11 331	17 023	50	739	29 461
Carrying amount 31.1.2021	**319**	**10 292**	**15 452**	**30**	**539**	**26 632**

1000 EUR	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Cost 1.2.2019	319	17 504	30 877	313	430	49 443
Translation differences	0	-31	-66	0	0	-98
Additions	0	2 015	4 440	0	933	7 388
Disposals	0	-185	-1 429	0	0	-1 614
Changes in lease-contracts	0	-49	0	0	0	-49
Reclassifications	0	0	625	0	-625	0
Cost 31.1.2020	319	19 254	34 447	313	739	55 071
Cumulative amortisation and impairment 1.2.2019	0	-5 391	-14 224	-232		-19 847
Translation differences	0	11	14	0		26
Cumulative amortisation on disposals and reclassifications	0	142	1 262	0		1 405
Amortisation	0	-2 686	-4 477	-31		-7 194
Cumulative amortisation and impairment 31.1.2020	0	-7 923	-17 424	-263		-25 610
Carrying amount 1.2.2019	319	12 113	16 653	81	430	29 596
Carrying amount 31.1.2020	**319**	**11 331**	**17 023**	**50**	**739**	**29 461**

Accounting principle

Property, plant and equipment is initially recognised at original cost, which includes the purchase price and other direct costs of acquisition needed to bring the asset into operating condition and the place where it functions as intended. The assets are recognised on the balance sheet at cost less accumulated amortisation and impairment. Leased tangible assets are treated in the same way as purchased assets in accounting. Repair and maintenance costs are expensed as they are incurred.

Depreciation and amortisation is recognised using the straight-line method by allocating the cost to the estimated economic useful lives of the assets. The economic useful lives of assets are reviewed on each closing date and amended, as necessary.

Depreciation and amortisation times by asset category:

Buildings and structures	10–40 years
Machinery and equipment	3–12 years
Other tangible assets	5–10 years

Capital gains and losses on the sale of property, plant and equipment are included in other operating income or expenses on the statement of comprehensive income.

Leases

1000 eur	**31.1.2021**	**31.1.2020**
Right of use -assets*		
Buildings	7 320	8 133
Vehicles	4 082	4 445
	11 402	12 578

* included in balance sheet item Property, plant and equipment

Lease liabilities*		
Current	4 005	3 908
Non-current	7 380	8 529
	11 385	12 437

* included in balance sheet items current and non-current finance and lease liabilities

Changes in right-of-use assets during the financial year:

1000 eur	Buildings and structures, right-of-use	Machinery and equipment, right-of-use	Total
Cost 1.2.2020	13 840	7 076	20 916
Translation differences	89	86	175
Additions	1 626	1 719	3 345
Disposals	-137	-1 358	-1 495
Revaluation	0	0	0
Cost 31.1.2021	15 418	7 523	22 941
Cumulative amortisation and impairment 1.2.2020	-5 707	-2 631	-8 338
Translation differences	-48	-36	-84
Cumulative amortisation on disposals and reclassificati	94	1 148	1 242
Amortisation	-2 437	-1 923	-4 359
Cumulative amortisation and impairment 31.1.2021	-8 098	-3 441	-11 540
Carrying amount 1.2.2020	8 133	4 445	12 578
Carrying amount 31.1.2021	**7 320**	**4 082**	**11 402**

1000 EUR	Buildings and structures, right-of-use	Machinery and equipment, right-of-use	Total
Cost 1.2.2019	12 089	4 484	16 573
Translation differences	-31	-15	-46
Additions	2 015	3 383	5 397
Disposals	-182	-776	-959
Revaluation	-49	0	-49
Cost 31.1.2020	13 840	7 076	20 916
Cumulative amortisation and impairment 1.2.2019	-3 428	-1 713	-5 141
Translation differences	11	4	16
Cumulative amortisation on disposals and reclassificati	140	776	917
Amortisation	-2 431	-1 698	-4 130
Cumulative amortisation and impairment 31.1.2020	-5 707	-2 631	-8 338
Carrying amount 1.2.2019	8 661	2 771	11 431
Carrying amount 31.1.2020	**8 133**	**4 445**	**12 578**

Included in profit and loss statement	1.2.2012-31.1.2021	1.2.2019-31.1.2020
1000 eur		
Depreciation of right-of-use assets		
Buildings	-2 437	-2 431
Vehicles	-1 923	-1 698
Interest expense (included in finance cost)	-418	-270
Expense relating to short-term leases (included in other expenses)	-2 316	-1 691
Expense relating to leases of low-value assets that are not short-term leases (included in other expenses)	79	-18

Cash outflow for lease agreements during the financial year 2021 totaled to EUR 7,968 (6,727) thousand.

Non-current assets pledged as collateral

Information about the Group's non-current assets pledged as collateral is provided in note 15.

Accounting principle

The Group has leased diverse properties and vehicles. Leases on properties are usually made for a fixed term of 3 or 5 years, in which case the lease cannot be cancelled, including an option to extend the lease for a corresponding period of 3 or 5 years. The terms and conditions of the leases are negotiated on a case-by-case basis, and they involve various conditions. The lease agreements include no covenants, but the leased assets may not be used as collateral for loans. Leases on vehicles usually have a term of three years.

A right-of-use asset and corresponding lease liability are recognised for leases when the leased asset is available to the Group to use. The right-of-use asset is comprised of the amount of the lease liability at the original value and rents paid by the start of the lease less incentives received in associated with the lease, initial direct expenses and any restoration expenses. Paid rents are divided into liabilities and financial expenses. The financial expense is recognised through profit or loss over the lease term so that the interest rate of the remaining liability balance is the same for each period. The right-of-use asset is amortised using the straight-line method over the shorter of its economic useful life or lease term.

Payments associated with short-term leases or leases of low-value assets are expensed in equal instalments. Leases with a maximum lease term of 12 months are considered to be short-term. Short-term leases primarily concern scaffolding and machines or lifting equipment used occasionally in production. Low-value assets are primarily comprised of office equipment.

Key management judgements and estimates

The duration of leases on business premises are annually assessed at the management group level. The Group's strategy is defined for a period of three years, and the management team estimates whether the leased business premises will be suitable for the Group's use for the entire coming strategy period. With regard to leases valid until further notice, the property's lease term in calculating lease liabilities is considered to be the strategy period of 3 years or any shorter period if moving out of the current premises before the end of the strategy period is considered to be necessary. Any extension periods of fixed-term leases based on options are only taken into account if using them involves economic benefits or if exercising the extension option is otherwise reasonably certain.

In discounting the current value of rents, the interest rate used is the actual interest rate on additional credit using the Group's overdraft facility.

11. Inventories

1000 eur	31.1.2021	31.1.2020
Raw materials and consumables	7 279	6 782
Work in progress	774	430
Finished goods	3 052	2 930
Other inventories	0	6
	11 105	**10 147**

Accounting principle

Materials and supplies, work in progress and finished products are recognised at the lesser of cost or net realisable value. The cost of inventories includes all purchase costs, costs of production and other expenses incurred due to bringing the inventories to their current location and condition. Purchase costs include purchase price, import duties and other taxes, transport and handling costs and other expenses directly caused by the procurement of finished products, materials and services. The costs of production of inventories include direct expenses incurred due to materials and labour and appropriate share of variable and fixed overhead expenses, the latter of which are allocated based on normal operating capacity. The measurement of acquisition cost is based on the FIFO method.

Key management judgements and estimates

The measurement of inventories requires the management to make estimates and management judgements associated particularly with obsolescence and recognition of inventories at net realisable value based on expected selling prices, in addition to which the management estimates the general development of prices in the Company's key markets. The net realisable value is the estimated actual selling price in ordinary business less estimated expenses required to complete the goods and realise the sale.

12. Trade and other receivables

1000 eur	31.1.2021	31.1.2020
Trade receivables	6 824	6 801
Other receivables	87	164
Current prepayments and accrued income (from others)	2 583	1 652
	9 494	**8 617**

The maturity of trade receivables and impairment determination principles are presented in note 16, Management of financial risks.

Accrued income is mainly comprised of advance payments of social security contributions and uninvoiced revenue recognitions pursuant to the percentage of completion of roofing renovations for housing companies in progress.

The book values of current trade and other receivables are considered to approximate their fair values. This is due to their short-term nature.

Accounting principle

The receivables are amounts that the Group expects to receive from other parties. Trade receivables are generated by sales of goods and services in ordinary business operations. Trade and other receivables are initially measured at fair value pursuant to the invoice sent to the customer, after which they are measured at the amount considered to be received from the customer (amortised cost). After initial recognition, trade and other receivables are measured at amortised cost less impairment losses. A simplified model, described in note 16, is applied to trade receivables.

13. Other current liabilities

1000 eur	31.1.2021	31.1.2020
Current prepayments received	36	5
Trade payables	5 122	4 511
Other current liabilities	3 149	1 917
Current accrued liabilities	2 283	3 284
	10 590	**9 718**

Accrued charges are primarily comprised of accrued personnel expenses, interest liabilities and allocated purchases.

The book values of other current liabilities are considered to approximate their fair values because the liabilities are short-term by nature.

Accounting principle

Trade payables are obligations to make a payment for goods or services procured from suppliers or service providers as part of ordinary business operations. Trade payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

CAPITAL STRUCTURE AND FINANCING

This section includes information about how the Group manages its capital structure and financing and exposure to risks:

- Net debt
- Loans
- Financial assets
- Derivative instruments
- Financial income and expenses
- Management of financial risks and capital
- Shareholders’ equity

14. Net debt

1000 eur	31.1.2021	31.1.2020
Non-current interest-bearing liabilities	18 169	45 111
Current interest-bearing liabilities	29 809	8 524
Cash and cash equivalents	-2 219	-5 711
	45 760	**47 924**

	Cash and cash equivalents	Lease liability within one year	Lease liability after one year	Loan repayments within one year	Loan repayments after one year	Total
Net debt 1.2.2020	5 711	-3 908	-8 529	-4 616	-36 582	-47 924
Cash flow	-3 492	4 003		4 646		5 157
Increase		-548	-2 683			-3 231
Exchange rate adjustments	0	-83				-83
Other changes		-3 469	3 832	-25 835	25 793	321
Net debt 31.1.2021	2 219	-4 005	-7 380	-25 805	-10 789	-45 760

	Cash and cash equivalents	Lease liability within one year	Lease liability after one year	Loan repayments within one year	Loan repayments after one year	Total
Net debt 1.2.2019	244	-3 452	-7 991	-35 174	-10 821	-57 194
Cash flow	5 468	4 337		4 609	2 050	16 464
Increase		-5 490	-1 786			-7 276
Exchange rate adjustments	-2	28				26
Other changes		162		26 456	-26 563	55
Net debt 31.1.2020	5 711	-4 415	-9 777	-4 109	-35 334	-47 924

The Group's bank loan with covenants is fully classified in current financial liabilities in the financial statements of 31 January 2021, with the loans maturing on 22 February 2021.

15. Loans and financial assets

1000 eur	31.1.2021	31.1.2020
Non-current loans from financial institutions	0	25 771
Non-current instalment liabilities	0	23
Non-current loans to related parties	10 789	10 789
Non-current lease liability	7 380	8 529
Capitalised interests	3 276	0
Non-current liabilities, interest-bearing	**21 445**	**45 111**
Current loans from financial institutions	25 805	4 607
Current instalment liabilities	0	9
Current lease liability	4 005	3 908
Peridiozed interest liabilities	0	2 659
Current interest-bearing liabilities	**29 809**	**11 183**

Loans from financial institutions and other financing

The Company signed a secured five-year loan agreement amounting to EUR 46,000,000 with Danske Bank A/S Finland Branch on 22 February 2016. The agreement is comprised of two loans of EUR 20,500,000, one of which is repaid twice a year (EUR 2,050,000 per instalment) and the second bullet loan is repaid in full at the end of the loan period, and an overdraft facility totalling EUR 5,000,000. The overdraft facility was not in use on 31 January 2021.

The Company's loan agreement with Danske Bank A/S Finland Branch has a variable interest rate, with the interest period being 3 months or 6 months according to the Company's notification. During the financial year 1 February 2020–31 January 2021, the interest period was 3 months. Changes in the interest margin are pegged to the ratio of net debt to EBITDA (leverage). Shares in Group companies, business and property mortgages and intra-Group loans and Group bank accounts have been pledged as collateral for the loan granted by Danske Bank A/S Finland Branch.

The Company agreed on a loan totalling EUR 2,183,451.30 relating to the sale and leaseback of equipment with Danske Finance Oy on 12 April 2019. The loan period is 3 years and the interest margin is 4%. The loan totalled EUR 1,209,279.46 on 31 January 2021. In addition to shares in Group companies, business and property mortgages and intra-Group loans and Group bank accounts, the Company's vehicles, equipment and cranes concerned by the sale and leaseback have been pledged as collateral for the loan.

The liabilities associated with the secured EUR 46,000,000 loan agreed by the Company with Danske Bank A/S Finland Branch on 22 February 2016 were repaid in full in conjunction with the reorganisation of financing after the end of the financial year on 12 February 2021. At the same time, the Company redeemed the equipment concerned by the sale and leaseback agreement with Danske Finance Oy in full at the residual value according to the leaseback agreement.

In connection with the reorganisation of financing, the Group's parent company HLRE Holding Oy issued a secured three-year SEK 300 million bond that includes an option of increasing the total loan by a maximum total of SEK 100 million to a maximum total of SEK 400 million in one or more tranches. The issuance of additional loans requires that the Group's ratio of net debt to adjusted EBITDA does not exceed 3.00/2.75/2.50 one/two/three years after the original issue of the bond. The bond is an amortisation-free bullet loan, and it includes a leverage covenant, according to which the Group's ratio of net debt to adjusted IFRS EBITDA must not exceed 5.0/4.5/4.0 one/two/three years after the issue of the bond. The Company met the terms and conditions of the financing covenant at the time of signing the financial statements. The interest rate on the bond is variable 3-month STIBOR + 6.60%, with the reference interest rate limited to 0.00%. The bond has been listed on the Open Market segment of the Frankfurt Stock Exchange since February 2021.

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, according to which the Group's ratio of net debt to adjusted IFRS EBITDA must not exceed 5.0/4.5/4.0 one/two/three years after the issue of the bond. The Company met the terms and conditions of the financing covenant at the time of signing the financial statements.

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 Oy to HLRE Group Oy totalling EUR 11,996,333

Loan granted by HLRE Holding Oy to Vesivek Oy totalling EUR 1,442,609

Loan granted by HLRE Holding Oy to Nesco Invest Oy totalling EUR 8,446.71

Loan granted by HLRE Holding Oy to Nesco Oy totalling 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 57,200,000
Vesivek Oy	EUR 57,200,000
Nesco Invest Oy	EUR 57,200,000
Nesco Oy	EUR 57,200,000
Vesivek Sverige AB	SEK 20,000,000

The following real estate mortgages have been pledged as collateral for the bond and overdraft facility:

Nesco Oy Orimattila production plant	EUR 13,673,200
Vesivek Oy industrial hall in Lieto	EUR 46,800,000

Shareholder loan

The Group has shareholder loans from the parent company's shareholders. At the end of the financial year 2021, the amount of shareholder loans was EUR 10.8 million. The interest accrued on the loans totalled EUR 3.3 million pursuant to the coupon rate of 6.00% p.a. The terms and conditions of the shareholder loan were renegotiated during the financial year so that interest will be paid together with the principal at the latest when the bond issued after the financial year matures. Therefore, the interest was reclassified from accrued charges to non-current liabilities.

The shareholder loans are subordinated to the Group's bank loans and other loans with regard to repayment and interest. The shareholder loans have no collateral.

Accounting principle

The Group's financial liabilities are classified as financial liabilities at amortised cost or financial liabilities at fair value through profit or loss. A financial liability is presented as current unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date. The financial liability is derecognised when the liability has ceased to exist, i.e. when the obligation specified in the agreement has been fulfilled or revoked or its validity has expired.

The loans taken out by the Group are classified as financial liabilities measured at amortised cost. They are initially measured at fair value less transaction costs. After initial recognition, the loans are measured at amortised cost using the effective interest method. The book value of bank loans is considered to be equal to their fair value because the interest level is considered to match the market interest level.

Financial assets

1000 eur	31.1.2021	31.1.2020
Non-current		
Other non-current financial assets	48	45
Loan receivables	9	14
	58	60
Current		
Loan receivables	625	54
Cash and cash equivalents	2 219	5 711
	2 844	5 765

Loan receivables are comprised of loans granted by the Company to its employees, loan granted to the Group's CEO and loans granted to Vesivek Salaojat Oy (formerly Salaojakympit Oy). Loan receivables are measured at amortised cost. Related party loans are described in more detail in note 22.

Other investments include the company's investments in other companies (both listed and unlisted shares).

Accounting principle

The Group's financial assets are classified into the following categories: financial assets at amortised cost and financial assets at fair value through profit or loss. The classification of financial assets is based on their cash flow properties and business models used for their management, and recognised on the value date.

Loan receivables are measured at amortised cost using the effective interest method. The expected credit losses of these items are estimated on a case by case basis. Losses are recognised in expected credit losses over 12 months or expected credit losses over the entire life, based on whether the credit risk has significantly increased.

Trade and other receivables are described in more detail in note 12, and they are measured at amortised cost. The associated credit risk and impairment matrix used in determining credit losses are described in note 16.

Investments are measured at fair value. Realised and unrealised changes in fair value are recognised in financial income and expenses.

Cash and cash equivalents are comprised of cash and demand deposits.

Derivative instruments

The Group's derivatives are comprised of interest swaps taken out to hedge the bank loan of EUR 20,500,000. The term of the agreement is 5 years and its expiry date is 24 February 2021. The fair value on 31 January 2021 was EU -33.7 (correspondingly EUR -142.2 thousand on 31 January 2020).

Accounting principle

All derivate instruments are classified as financial assets and liabilities measured at fair value through profit or loss. Derivatives are measured at fair value. Both realised and unrealised gains and losses from the measurement of derivatives at fair value are recognised in financial income and expenses in the statement of comprehensive income. Hedge accounting is not applied to derivatives.

Measurement of fair value

Financial instruments measured at fair value 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). These instruments measured at fair value include financial assets and liabilities measured at fair value through profit or loss.

The price of listed shares is based on their quoted price (Level 1) and of unlisted shares on the measurement method (Level 3). The price of derivative instruments is based on discounted cash flows, and they are included in fair value hierarchy level 2.

16. Finance income and costs

1000 eur	**1.2.2020-31.1.2021**	**1.2.2019-31.1.2020**
Dividend income	0	3
Unrealised gain at fair value, derivatives	109	0
Interest income	28	22
Foreign exchange gain	208	60
Other financial income	0	6
Finance income	**345**	**91**
Interest on borrowings from others	-1 746	-2 107
Interest expenses on lease	-418	-270
Unrealised loss at fair value, derivatives	0	22
Foreign exchange loss	-130	-83
Other financial cost	-142	-61
Finance costs	**-2 436**	**-2 499**

Accounting principle

Finance costs are comprised of interest expenses on bank loans, overdraft facilities and other loans and lease liabilities, exchange rate differences in financial activities and realised and unrealised changes in the values of interest rate swaps.

Loan-related transaction costs are expensed to the income statement using the effective interest method. The effective interest is the interest rate using which the estimated payments during the loan period are discounted to the net book value of the financial liability. The calculation takes into account all fees and transaction costs paid by the contracting parties.

Interest income is recognised using the effective interest method. If a loan receivable has become credit- on account of a credit event, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).. Foreign exchange gains and losses from financing activities are reported in financial income or expenses.

17. Management of financial risks

The Group has a risk management policy approved by the Board of Directors and management team that is monitored by the Board of Directors and its Audit Committee. The risk management process aims to identify and assess the risks, after which measures are planned and implemented. The measures can include avoiding the risk, mitigating it by different means, transferring the risk through insurance policies or contractually, or taking the risk in a managed and conscious manner. The Company's Board of Directors and its Audit Committee review the most significant risks and related measures annually in conjunction with the strategy process.

The management of the HLRE Holding Group's financial risks is seen to by the Group's treasury functions in co-operation with the persons responsible for purchasing and other business functions. The Group's treasury function is comprised of the CEO, Deputy CEO, CFO and controller, and it has operated in accordance with instructions given by the Board of Directors and Audit Committee. The operational management of the Group's treasury functions is centralised with the Group's financial administration. The purpose of the treasury function is to ensure that the Company has adequate funds for engaging in business activities at all times without restrictions and to minimise financing costs.

The treasury function of HLRE Holding Group is responsible for the monitoring and operational management of the Group's treasury functions and general financial position associated with financing, including each subsidiary's financial risk exposures. The management of each subsidiary is responsible for managing their respective treasuries in accordance with the instructions laid down in the financial policy. Ultimately, the Board of Directors of HLRE Holding Oy also co-ordinates financial matters pursuant to the financial policy.

Liquidity risk

The Group's business operations have been developed into year-round operations in recent years. However, it is not possible to completely get rid of the seasonality of the business, which can cause short-term liquidity risks. The treasury function controls the Group's liquidity risk by foreseeing the Group's need for financing and thereby aims to ensure the flexibility, availability and temporal balance of financing. At the same time, adequate unused overdraft facilities are continuously maintained to avoid the Group from breaching any withdrawal limits or covenants associated with its overdraft facility.

The liquidity reserve is comprised of the Group's cash and cash equivalents and unused overdraft facilities. The financial administration of the HLRE Holding Group manages the Group's liquidity instruments.

The cash and cash equivalents of HLRE Holding Group totalled EUR 2,219.1 thousand on 31 January 2021 (31 January 2020: EUR 5,710.9 thousand). Furthermore, the HLRE Holding Group had binding overdraft facilities on 31 January 2021 with a total unused credit of EUR 5,000 thousand. The overdraft facilities are continuously available.

After the end of the financial year, the Company issued a three-year secured non-amortising bond of SEK 300 million on 12 February 2021. The Company repaid the bank loans agreed with Danske Bank A/S Finland Branch together with interest and costs and redeemed the equipment included in the leaseback agreement signed with Danske Finance Oy in 2019 with the funds borrowed with the bond. The bond will be repaid in one instalment on its date of maturity. The amortisation-free loan makes it easier to manage the liquidity of seasonal business compared to a regularly amortised loan, because instalments are not paid; only the interest specified in the bond is paid on a quarterly basis. In addition, the Company agreed on a secured EUR 2,000,000 overdraft facility with Danske Bank A/S Finland Branch on 12 February 2021, replacing the previous EUR 5,000,000 overdraft facility. The bond and overdraft facility involve financial covenants, which are described in note 15. Additional information about the bond and overdraft facility is provided in note 15.

The tables below present the Group's financial liabilities broken down into categories based on the remaining contractual maturities. The loans include both interest-bearing loans and the overdraft facility:

Maturities of contracts of financial liabilities 31.1.2021 (1000 EUR)

	1-6 months	7-12 months	1-2 years	2-5 years	over 5 years	Total	Book value
Accounts payables	5122					5122	5122
Lease liabilities	2291	1946	3522	3862	177	11798	11385
Loans from financial institutions	25108	283	797			26187	25805
Shareholder loans				16067			13490

Maturities of contracts of financial liabilities 31.1.2020 (1000 EUR)

	1-6 months	7-12 months	1-2 years	2-5 years	over 5 years	Total	Book value
Accounts payables	4511					4511	4511
Lease liabilities	2144	2016	4172	4399	256	12986	12436
Loans from financial institutions	2815	2652	25190	730		31386	30377
Shareholder loans			14 123				14082

The management monitors the covenants and reports on them to the creditor on a quarterly basis. A breach of the covenants can result in increased financial expenses or the calling-in of the bank loans and overdraft facilities.

Credit risk and counterparty risk

Cash and cash equivalents as well as unpaid receivables from customers involve credit risk. The credit risk associated with cash and cash equivalents is insignificant, because the counterparties are banks with high credit ratings from international rating agencies.

The Group's credit loss policy defines the creditworthiness requirements for customers. The Group only grants credit to companies with appropriate credit ratings, and consumer customers in Finland are primarily directed to use the Laatutili service.

Vesivek Oy offers its consumer customers the Laatutili facility granted by the OP bank. Laatutili is a renovation loan. Using a Laatutili loan, the customer can pay for the roofing renovation in a single interest-free and expense-free instalment with a term of payment of 30 days or over a longer repayment period as separately agreed monthly instalments. The loan is granted by OP cooperative banks, and after payment is received from the bank, the Company no longer has interest in the receivable. The bank only grants a Laatutili loan if the customer's credit rating is in order.

With regard to trade receivables and contractual assets, a simplified model in which the estimated amount of credit losses is based on the expected credit losses over the life of the receivables is used. Examples of events leading to impairment include severe financial problems of the debtor, the debtor's probable bankruptcy or other financial arrangement.

The HLRE Holding Group applies a simplified procedure for recognising an impairment concerning expected credit losses, according to which the impairment is based on lifetime expected credit losses for all trade receivables. For determining the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and past due status. The impairment concerning the loss on 31 January is determined as a combination of a statistical model and case-specific analysis. The share of Laatutili (receivable from the OP bank) is deducted from the balance of trade receivables in the calculation because the associated credit risk is insignificant.

31.1.2021 1000 eur	Not due	Up to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Over 120 days	Total
Expected loss rate	0,07 %	0,76 %	1,40 %	20,00 %	40,00 %	70,00 %	
Gross carrying amount	6 236	430	316	44	86	70	7 181
Loss allowance provision, VAT 0%	4	3	4	7	28	39	84

31.1.2020 1000 eur	Not due	Up to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Over 120 days	Total
Expected loss rate	0,19 %	1,58 %	3,06 %	20,00 %	40,00 %	70,00 %	
Gross carrying amount	5 019	306	165	6	123	148	5 766
Loss allowance provision, VAT 0%	8	4	4	1	40	84	140

Credit losses, 1000eur	2021	2020
At 1 February	140	41
Increase in loss allowance recognised in profit or loss during the	8	286
Receivables written off during the period as uncollectible	-66	-187
At 31 January	82	140

Key managment judgements and estimates

The management has applied judgement and made assumptions in assessing whether the value of overdue receivables has been impaired. In its estimates, the management has aimed to also take macroeconomic factors into consideration, including the impacts of COVID-19.

Market risk – interest rates

Interest rate risk is defined as an uncertainty associated with the result of the HLRE Group caused by fluctuation in interest rates. Therefore, HLRE's exposure to interest rate risk is due to its interest-bearing loans, which are variable-rate (with the exception of lease liabilities). The goal pursuant to the financial policy is to minimise the impact of changes in interest rates on the Group's annual result and financial position while aiming to optimise net financing within the defined risk limits.

The company has interest rate swaps with which 50% of the Company's bank loans have been effectively converted into fixed-rate.

Interest income from cash and cash equivalents and interest expenses on bank loans increase or decrease following changes in interest rates, which has impacts on profit or loss. Likewise, the fair value of derivative instruments changes as a result of changes in interest rates, thereby having effects on the income statement, which partially offsets the impact on interest expenses. Had interest rates been 2 percentage points higher in 2020, the profit for the financial year would have been EUR 0.2 million higher, partially due to the net impact of interest rate derivatives (EUR 0.1 million).

Foreign exchange risk

The Group engages in business activities in Finland and Sweden. The Group is exposed to SEK-related transaction and translation risk. The transaction risk associated with the Swedish subsidiary is primarily comprised of trade receivables and payables emerging in its operational business activities. Translation risk arises when the parent company's investments in the Swedish subsidiary are converted into euros.

Transaction risk

Transaction risk emerges from the commercial transactions and payments of the subsidiaries denominated in currencies other than the unit's operating currency and when the associated incoming and outgoing cash flows differ in terms of amounts or timing.

The Swedish subsidiary primarily purchases the goods associated with installation activities in euros, internally profile production steel sheets, rainwater systems, externally timber and other supplies included in the concept. During the financial year ended 31 January 2021, approximately EUR 3.1 million of the Swedish subsidiary's purchases of approximately EUR 4.2 million were made in euros.

The SEK-denominated trade payables and other current liabilities in the financial statements amounted to SEK 24 million (SEK 34 million), trade and other current receivables to SEK 25 million (SEK 28 million) and cash and cash equivalents to SEK 0.0 million (SEK 0.0 million). Had the SEK/EUR exchange rate been 10% weaker during the financial year, the profit for the financial year would have been EUR 0.3 million lower (EUR 0.2 million lower).

Vesivek Oy's Oulu unit sells and installs roofing and rainwater systems to Northern Sweden, and the said sales/receivables are denominated in SEK. Vesivek Oy also has a SEK-denominated bank account. The other Group companies do not have significant external purchases, sales, receivables or liabilities in currencies other than the operating currency in each country.

The HLRE Group did not have any currency derivative contracts outstanding on 31 January 2021 or 31 January 2020.

1000 eur		
Foreign exchage gain and loss	**1.2.2020-31.1.2021**	**1.2.2019-31.1.2020**
Foreign exchnage gain, realized	209	61
Foreign exchange loss, realized	-121	-129
	88	-68

Translation risk

Translation risk covers the effects caused by the conversion of the Swedish subsidiary's figures into EUR-denominated figures for consolidation purposes. Sweden accounted for approximately 15 per cent of the

Group's business operations for the most recent financial year. Approximately 90 per cent of the Group's cash flows are denominated in EUR, which is the home currency of the parent company and other subsidiaries engaged in business activities than the Swedish subsidiary.

Commodity risk

The COVID-19 pandemic has increased the risk relating to the availability and delivery times of commodities, mainly steel. This has been managed by forecasting future purchase needs with suppliers and increasing the Group's inventories of certain critical products. With regard to steel, price risk has been managed by fixing purchase prices quarterly for the next 3 months, and a mention of an increase in selling prices due to increases in raw material costs has been added to the Group's sales agreements.

The HLRE Holding Group did not have commodity derivatives.

18. Shareholders' equity

Shareholders:

Sentica Buyout IV -funds	8 783 695	52,8 %
Kimmo Riihimäki	5 497 826	33,1 %
Other key persons	2 267 652	13,6 %
Own shares	77 550	0,5 %
	16 626 723	100 %

During the financial year 2020, the reserve for invested unrestricted equity increased by EUR 4,500 thousand in a directed share issue and the number of shares increased by 4,500,023 shares. The share issue did not incur transaction costs. The total number of shares in HLRE Holding Oy did not change during the financial year 1 February 2020–31 January 2021.

Share capital

The share capital is comprised of ordinary shares. The parent company has one series of shares, and all shares confer equal rights to dividends. Each share confers one vote at a general meeting. All shares issued by the parent company have been paid in full. The shares have no nominal value.

Reserve for invested unrestricted equity

In accordance with the Finnish Limited Liability Companies Act, the subscription price for new shares is recognised in share capital, unless the decision on the share issue orders it to be recognised in full or part in the reserve for invested unrestricted equity. The reserve for invested unrestricted equity can also be accumulated without a share issue.

Dividends

The Board of Directors' proposal to the general meeting is that no dividends be distributed for the financial year. No dividends were distributed for the comparison period.

Translation differences

Translation differences resulting from the translation of the financial statements of a foreign subsidiary are recognised in other comprehensive income and accumulated in the separate shareholders' equity reserve as described in note 19. The accumulated amount is recognised through profit or loss when the net investment is divested.

Accounting principle

The Group's shareholders' equity is comprised of share capital, invested non-restricted equity reserve, translation difference and retained earnings. Changes in treasury shares are recognised in retained earnings. Expenses incurred directly due to the issue of new shares are reported less taxes in shareholders' equity as a decrease in income from share issue.

19. Capital risk management

The Group monitors the shareholders' equity and net debt on the consolidated balance sheet. Net debt is calculated by deducting cash and cash equivalents from current and non-current interest-bearing liabilities, as calculated in note 13. The Group aims to grow further both in Finland and internationally in the next couple of years and maintain a flexible capital structure, which makes it possible to implement the growth strategy. The investments required by growth and seasonal fluctuations in business and thereby changes in liquidity and net working capital require flexible financing solutions and active liquidity management.

The most important monitored external capital indicator is the ratio of interest-bearing net debt to rolling 12-month EBITDA (leverage). As a result of the financing negotiations with Danske Bank that ended in Q1/2019, the interest margin on loans varies depending on the ratio of interest-bearing net debt to EBITDA on the reporting date. If the ratio is 5.00 or higher, additional annual interest is accrued based on a two-step model in addition to the above. The Group's leverage has been under 5.0 during the financial year.

After the end of the financial year, the Company issued a three-year secured non-amortising bond of SEK 300 million on 12 February 2021. In addition, the Company agreed on a secured EUR 2,000,000 overdraft facility with Danske Bank. Additional information about the bond and overdraft facility is provided in note 15.

OTHER NOTES

This section includes information that the Group has to disclose to comply with the financial standards but are not considered to be significant from the point of view of understanding the Group's financial position and result:

- Group structure and preparation of the consolidated financial statements
- Taxes
- Related party transactions
- Commitments and contingent liabilities
- New reporting standards and reporting standards that will enter into force at a later date
- Events after the reporting date

20. Group structure

The Group's subsidiaries are as follows:

Name on entity	Place of business	Ownership interest held by the group % 31.1.2021	Ownership interest held by the group % 31.1.2020	Principal activities
HLRE Group Oy	Pirkkala	100	100	Administration and financial services
Vesivek Oy	Pirkkala	100	100	Roof renovations
Vesivek Sverige AB	Ruotsi	91	91	Roof renovations
Nesco Invest Oy	Orimattila	100	100	Other technical services
Nesco Oy	Orimattila	100	100	Manufacture of rainwater management systems and roof safety products
Tuusulan Peltikeskus Oy	Tuusula	100	100	Sheet metal work

The share capital of the subsidiaries is exclusively comprised of ordinary shares held by the Group, and the holding corresponds with the voting rights held by the Group. The companies' country of registration is also their primary operating country.

Accounting principle

Subsidiaries are consolidated into the consolidated financial statements in full starting from the time of acquisition, which is the date on which HLRE obtains control, and consolidation continues until control ceases to exist. HLRE has control if it is exposed or entitled to variable income by being a party to the investment and can influence this income by exercising its power over the investment.

HLRE uses the acquisition method in consolidating business operations. Intra-Group transactions, balances and unrealised gains from transactions between Group companies are eliminated. Also unrealised losses are eliminated, unless the transaction provides evidence of impairment of the value of the transferred asset.

Subsidiaries' results and shareholders' equity attributable to non-controlling interests are reported as a separate income in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet.

Transactions realised with non-controlling interests which do not lead to losing control are treated as transactions with owners. A change in holding leads to an adjustment of the book values of the holdings of the Group and non-controlling interests. The difference between the adjustment of non-controlling interests and consideration paid or received is recognised in a separate reserve under shareholders' equity attributable to owners.

21. Taxes

Income tax expenses are comprised of tax expense based on the taxable income for the period and deferred tax expenses.

1000 eur	1.2.2020-31.1.2021	1.2.2019-31.1.2020
Tax on income from operations	-234	-212
Tax for previous accounting periods	-14	-4
Deferred taxes	-122	-240
Income tax	-370	-456

The reconciliation of the tax expense entered in the consolidated income statement and taxes calculated using the Finnish tax rate (20% for all financial years) is as follows:

1000 eur	**1.2.2020-31.1.2021**	**1.2.2019-31.1.2020**
Accounting profit before taxes	530	1 510
Tax calculated at the parent company's tax rate of 20%	-106	-302
Effect of different tax rates in foreign subsidiaries	-9	-7
Tax-free income included in the accounting profit	1	34
Non-deductible expenses included in the accounting profit	-176	-172
Tax for previous accounting periods	-14	-4
Losses for which no deferred tax asset is recognised	-66	-5
Tax expense on profit and loss statement	-370	-456

1000 EUR	**1.2.2020**	**Translation differences +/-**	**Changes through income statement**	**31.1.2021**
Deferred tax asset				
Inventories, internal margin	197	1	-22	177
Provision for credit losses	28	0	-11	17
Other items	144	0	0	144
Total	**369**	**1**	**-33**	**337**

1000 EUR	**1.2.2020**	**Translation differences +/-**	**Changes through income statement**	**31.1.2021**
Deferred tax liability				
Property, plant and equipment	389	0	93	482
Other items	245	0	-4	241
Total	**634**	**0**	**89**	**723**

Deferred tax on balance sheet	
Deferred tax asset	7
Deferred tax liability	395
Net deferred tax liability	388

1000 EUR	1.2.2019	Translation differences +/-	Changes through income statement	31.1.2020
Deferred tax asset				
Inventories, internal margin	213	0	-16	197
Provision for credit losses	8	0	20	28
Unused tax loss	161	0	-161	0
Other items	136	0	8	144
Total	**519**	**-1**	**-149**	**369**

1000 EUR	1.2.2019	Translation differences +/-	Changes through income statement	31.1.2020
Deferred tax liability				
Property, plant and equipment	494	0	-105	389
Other items	43	-1	203	245
Total	**537**	**-1**	**98**	**634**
Deferred tax on balance sheet				
Deferred tax asset				27
Deferred tax liability				294
Net deferred tax liability				267

On 31 January 2021, the Group had confirmed tax losses carried forward of EUR 1,378,097.32 for which no deferred tax assets have been recognised because the Group is not likely to accumulate taxable income against which the losses could be utilised. These losses will expire in 2025.

On 31 January 2021, the Group had related party interest carryforwards of EUR 2,653,874 for which no deferred tax assets have been recognised because the Group is not, for the time being, considered to be likely that such carryforwards will be utilised.

Accounting principle

The income taxes for the financial year include taxes based on the taxable income for the period and deferred taxes. The taxes based on the taxable income for the period concern the financial year under review and they are based on tax rates prescribed or practically enacted by the closing date. The calculation of taxes based on the taxable income for the period is based on valid tax regulations in the countries in which the Company operates and accrues taxable income. The tax based on the taxable income for the period also includes adjustments concerning previous periods.

Deferred taxes are measured based on the tax rates (and legislation) prescribed or practically enabled by the closing date and which are expected to be applied when the deferred tax asset in question is realised or the deferred tax liability is paid.

A deferred tax liability is recognised in full for all taxable temporary differences, unless the Group can order the time of cancellation of the temporary difference and the temporary difference is not likely to be cancelled in the foreseeable future. Deferred tax assets are recognised for tax-deductible temporary differences only to the amount that it is probable that the temporary difference will be cancelled in the future and there is taxable income available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are offset against each other when the Group has a legally enforceable right to offset the tax assets and liabilities based on the taxable income for the period and when the deferred tax assets and liabilities are connected to income taxes charged by the same taxation authority from the same taxable entity or different taxable entities when the asset and liability are to be realised on a net basis.

22. Related party transactions

The related parties of the HLRE Holding Group include the Group's parent company and subsidiaries. The related parties also include 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 subsidiaries are described in note 20 Group structure and remuneration of the key management is disclosed in note 8 Information about key management personnel.

The following transactions have been realised with related parties:

1000 eur		
With entities controlled by key management	**31.1.2021**	**31.1.2020**
Sales of goods and services	86	
Purchases of goods and services	287	271
Repayment of lease liability	1167	1107
Interest expense on lease liability	91	164
Loan receivables	340	0
Trade receivables	328	0
Interest receivables	12	0
With shareholders and key management	**31.1.2021**	**31.1.2020**
Loan receivables	250	
Non-current liabilities	14 065	10 789
Interest liabilities	0	2 946
Interest expense	649	647

Vesivek Oy granted a total of EUR 340 thousand of loans to Salaojakympit Oy and a total of EUR 250 thousand to the CEO during the financial year. In addition, after the end of the financial year on 15 March 2021, Vesivek Oy granted loans to Vesivek Salaojat Oy (formerly Salaojakympit Oy) totaling EUR 200 thousand. The loan granted to the CEO will fall due for payment in full on 31 July 2021. The coupon rate of the loans granted to Salaojakympit Oy is 4.00–6.60% p.a. The loan granted to the CEO is bears nointerest.

The Group company Vesivek Oy acquired a 71.63% holding in Salaojakympit Oy from the Company's CEO in February 2021 at a purchase price of EUR 400 thousand. There is no earn-out associated with the transaction. Further information about the acquisition is provided in note 22.

The remuneration of key managers is reported in note 8 Information about key managers.

Shareholder loans included in non-current liabilities are reported in note 15. Loans and financial assets

23. Long-term employee benefits

The Vesivek Group has a years of service reward scheme according to which an employee is entitled to additional pay amounting to pay for 1–3 weeks when the years of service pursuant to the reward scheme are fulfilled. The accumulated benefits are determined annually based on calculations by actuaries. Any actuarial gains and losses are recognised through profit or loss in employee benefit expenses.

1000 eur	**31.1.2021**	**31.1.2020**
Employee benefit obligation		
Balance sheet:		
Defined benefit obligation	311	287
Statutory employee benefit expense	78	72
Employee benefit obligation	**389**	**359**
Opening net balance sheet liability	287	284
Items recognized in operating profit:		
Expense (+)/income (-) recognised in Profit or Loss	111	64
Interest expense	0	2
Actuarial gains (-) or losses (+)	0	0
Contributions paid	-87	-63
Net defined benefit liability in balance sheet	**311**	**287**
Assummptions and census data statistics		
Discount rate	0,0 %	0,0 %
Rate of inflation	1,1 %	1,2 %
Rate of salary increase	1,7 %	1,7 %
Employee turnover	15,0 %	15,0 %

The Group anticipates that it will pay EUR 94 thousand relating to years of service benefits during the financial year ending on 31 January 2022.

24. Commitments and contingent liabilities

Guarantees given and contingent liabilities

Accounting principle

A contingent liability is a possible obligation arising due to previous events, the existence of which is only confirmed when an event beyond the control of the Group is realised. Also an obligation that probably does not require fulfilling a payment obligation or the amount of which cannot be reliably determined is considered to be a contingent liability.

25. New IFRS-standards and standards that will enter into force at a later date

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, according to which a consistent definition of “material” will be applied in all IFRS standards and the conceptual framework of financial reporting, it is clarified when information is material and include guidelines on immaterial information.

The IASB has also amended the hedge accounting requirements included in IFRS 9, IFRS 7 and IAS 39 to alleviate the impacts of the uncertainty associated with the reform of inter-bank offered rates (IBOR) on hedging relationships, which are directly influenced by the uncertainty associated with the IBOR reform. The amendment also increases the requirements for notes concerning the hedging relationships impacted by the IBOR reform.

As a result of the COVID-19 pandemic, IASB made amendments to IFRS 16 Leases in May 2020, granting lessees an optional practical expedient.

IASB has amended the IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 standards so that companies can easier take the changes resulting from the IBOR reform in financial statements reporting.

The said amendments will enter into force for financial periods beginning on or after 1 January 2020.

According to the Group’s current estimate, the amendments will not have impacts on the Group’s future financial statements, and it will continue its assessment of the impact of the amendments.

26. Events after the reporting date

The Group’s operating environment is subject to uncertainty caused by the COVID-19 pandemic and its development. The pandemic affects consumers’ lives, and it has impacts on disposable income, purchase choices and consumer behaviour, among other things. These can present both challenges and opportunities to the development of the Group’s business.

COVID-19 infections and thereby situations resulting in exposures have accelerated in both Finland and Sweden after the reporting period. For the time being, this has not increased the rate of infections among the Group companies’ employees. Nevertheless, the Group has tightened its COVID-19 guidelines further in relation to use of break rooms at the units and use of face masks indoors, receiving visitors in the company’s premises and internal meetings. In addition, the Group has prepared plans for reacting and adjusting operations to suit different COVID-19 scenarios.

After the end of the financial period, HLRE Holding Oy transferred 77,550 treasury shares to the Group’s key employees.

The five-year secured loan agreement amounting to EUR 46,000,000 signed by the Group with Danske Bank A/S Finland Branch on 22 February 2016 matured on 22 February 2021 in accordance with its terms. During the financial year, the Company continued negotiations on rearranging its financing, and the reorganisation of financing was implemented after the end of the financial year on 12 February 2021. In connection with the reorganisation of financing, the Group’s parent company HLRE Holding Oy 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 Company repaid the loans associated with the bank loan agreed with Danske Bank A/S Finland Branch together with interest and expenses and redeemed the equipment included 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. The bond is a non-amortising bullet loan, and it involves a leverage covenant (ratio of net debt to EBITDA), which the company met at the time of signing the financial statements. The bond has been listed on the Open Market segment of the Frankfurt Stock Exchange since February 2021.

In conjunction with the reoganisation of financing, the Group company Vesivek Oy acquired a 71.63% holding in Salaojakympit Oy, which is a company controlled by the Company's CEO, in February 2021. The Company's CEO acquired a holding of 71.63% in Salaojakympit Oy on 28 February 2020. Salaojakympit Oy was renamed as Vesivek Salaojat Oy after the end of the financial year. Vesivek Salaojat Oy is a company engaged in installing underdrains, and the regions of Ostrobothnia, Vaasa region, Central Ostrobothnia, Central Finland, Pirkanmaa, Kuopio and Uusimaa generate a significant share of its revenue.

Vesivek Oy granted a total of EUR 340 thousand of loans to Salaojakympit Oy during the financial year and a total of EUR 200 thousand after the end of the financial year on 15 March 2021. The interest on the loans is 4.00–6.60% p.a. A total of EUR 340 thousand of the loans was converted into capital (subordinated) loans as referred to in chapter 12, section 1 of the Limited Liability Companies Act. In February 2021, Vesivek Oy converted EUR 99 thousand of Salaojakympit Oy's trade payables into a subordinated loan to strengthen its capital structure.

The purchase price of Salaojakympit Oy was EUR 400 thousand, and there is no earn-out associated with the transaction. The acquisition of the company was contingent on the financing arrangement in which the company issued a secured three-year bond on 12 February 2021. In addition to the company's CEO, there are representatives of the HLRE Holding Group among the members of the Board of Directors of Salaojakympit Oy. The initial accounting treatment of the acquisition was still in progress at the time of preparing the financial statements, and additional information about the acquisition will be disclosed in the financial statements for the financial year ending on 31 January 2022. The acquisition of Salaojakympit Oy from the CEO and granting loans to a company over which he has control are related party transactions, and further information about them is presented in Note 22.

Key management judgements and estimates

The management has exercised significant judgement concerning the accounting treatment of the acquisition, and its view is that Salaojakympit Oy was factually acquired after the end of the financial year, because the completion of the acquisition was contingent on the financing arrangement. Furthermore, the management's view is that the company has not exercised actual control over the acquisition during the financial year, and therefore Salaojakympit Oy is consolidated only starting from 1 February 2021.

Parent company’s financial statements, FAS

Parent company’s income statement

EUR 1,000	Note	1 February 2020–31 January 2021	1 February 2019–31 January 2020
TURNOVER		**285**	**412**
Employee benefit expenses	1	-176	-208
Depreciation, amortisation and impairment		-24	-21
Other operating expenses	~~2~~	-68	-129
OPERATING PROFIT (LOSS)		**17**	**55**
Financial income and expenses	3		
Financial income		772	770
Financial expenses		-657	-649
PROFIT (LOSS) BEFORE TAXES		**132**	**176**
Direct taxes	4	-26	-35
Profit or loss for the financial year		**106**	**141**

Parent company’s balance sheet

EUR 1,000	Note	31 January 2021	31 January 2020
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	5	70	94
Investments	6	19,803	19,803
		19,872	19,896
CURRENT ASSETS			
Non-current receivables	7	7,700	7,700
Current receivables	8	5,642	4,930
Cash and cash equivalents		141	161
		13,483	12,791
ASSETS		**33,355**	**32,687**
SHAREHOLDERS’ EQUITY AND LIABILITIES			
SHAREHOLDERS’ EQUITY			
Share capital		3	3
Other reserves			
Invested non-restricted equity reserve		18,079	18,079
Retained earnings		837	666
Profit or loss for the financial year		106	141
SHAREHOLDERS’ EQUITY	9	**19,024**	**18,888**
LIABILITIES			
Non-current liabilities	10	10,989	10,789
Current liabilities	11	3,341	3,009
LIABILITIES		14,331	13,799
SHAREHOLDERS’ EQUITY AND LIABILITIES		**33,355**	**32,687**

Parent company's notes

The financial statements of HLRE Holding Oy have been prepared in accordance with the Finnish Accounting Act. The Group adopted reporting pursuant to the International Financial Reporting Standards (IFRS) on 1 February 2018.

1. Notes concerning the personnel and members of governing organs

EUR 1,000

Personnel expenses	**1 February 2020–31 January 2021**	**1 February 2019–31 January 2020**
Wages, salaries and fees	-161	-191
Pension expenses	-12	-6
Other social security contributions	-3	-10
Total	-176	-208
Management salaries, fees and fringe benefits		
CEO	128	133
Board members	27	59
Total	155	192
Number of personnel		
Average during the financial year	1	1

2. Other operating expenses and auditors' fees

EUR 1,000	**1 February 2020–31 January 2021**	**1 February 2019–31 January 2020**
Financial administration services	-11	-46
To the auditor: actual audit	-15	-35
To the auditor: other expert services	0	-12
Other operating expenses	-42	-62
	-68	-129

3. Financial income and expenses

EUR 1,000	1 February 2020–31 January 2021	1 February 2019–31 January 2020
Interest income from Group companies	772	770
Interest expenses from liabilities to Group companies	-7	-1
Interest expenses from liabilities to others	-649	-647
Other financial expenses from liabilities to others	0	0
Total financial income and expenses	116	121

4. Direct taxes

EUR 1,000	1 February 2020–31 January 2021	1 February 2019–31 January 2020
Income taxes on actual operations	-26	-35
	-26	-35

5. Intangible assets

EUR 1,000	Intangible rights	Advance payments for intangible assets	Total
Cost 1 February 2020	115.74	0.00	115.74
Increase	0.00	0.00	0.00
Transfers between items	0.00	0.00	0.00
Cost 31 January 2021	115.74	0.00	115.74
Accumulated depreciation, amortisation and impairment 1 February 2020	-22.09		-22.09
Depreciation and amortisation	-23.91		-23.91
Accumulated depreciation, amortisation and impairment 31 January 2021	-46.00		-46.00
Book value 31 January 2021	**69.75**	**0.00**	**69.75**
Book value 31 January 2020	93.66	0.00	93.66

6. Investments

EUR 1,000	Participations in Group companies	Total
Cost 1 February 2020	19,803	19,803
Cost 31 January 2021	19,803	19,803
Book value 31 January 2021	**19,803**	**19,803**
Book value 31 January 2020	19,803	19,803

7. Non-current receivables

EUR 1,000	31 January 2021	31 January 2020
Non-current intra-Group loan receivables	7,700	7,700

8. Current receivables

EUR 1,000	31 January 2021	31 January 2020
Receivables from Group companies		
Intra-group trade receivables	-87	0
Interest receivables on intra-Group loans	5,678	4,906
Receivables from others		
Other receivables	34	7
Accrued income	17	17
	5,642	**4,930**

9. Shareholders' equity

EUR 1,000

Restricted shareholders' equity	31 January 2021	31 January 2020
Share capital	3	3
Total restricted equity at the end of the financial year	3	3
Non-restricted shareholders' equity		
Invested non-restricted equity reserve	18,079	18,079
Retained earnings, at the beginning of the period	807	767

Repurchase of shares	0	-102
Sales of treasury shares	30	0
Profit or loss for the financial year	106	141
Total non-restricted shareholders' equity at the end of the financial year	**19,022**	**18,886**

<u>Distributable non-restricted shareholders' equity</u>		
Retained earnings	837	666
Profit or loss for the financial year	106	141
Invested non-restricted equity reserve	18,079	18,079
Total distributable funds	19,022	18,886

10. Non-current liabilities

EUR 1,000	**31 January 2021**	**31 January 2020**
Liabilities to related parties	10,789	10,789

11. Current liabilities

EUR 1,000	**31 January 2021**	**31 January 2020**
Liabilities to Group companies		
Trade payables	2	4
Interest liabilities	7	0
Liabilities to others		
Trade payables	24	20
Other liabilities	5	10
Interest liabilities	3,276	2,946
Other accrued charges	0	3
Deferred tax liability	26	25
	3,341	3,009

12. Guarantees and contingent liabilities

HLRE Holding Oy has pledged 2,500 shares in the subsidiary HLRE Group Oy as collateral for the secured financing arrangement of EUR 46,000,000 concerning the Group. The amount of the collateral is EUR 15,302,540. In addition, part of intra-Group receivables are pledged as collateral.

Calculation formulas for key figures

Equity ratio	100 * Shareholders' equity/Balance sheet total - Advance payments received
EBITDA	Operating profit + Depreciation, amortisation and impairment

Signatures to the financial statements and report of the Board of Directors

Pirkkala, 14 April 2021

Board of Directors of HLRE Holding Oy

Pentti Tuunala chair of the Board of Directors	Ari Haapakoski Board member
Timo Pirskanen Board member	Kimmo Riihimäki Board member/CEO
Anu Syrmä Board member	Mika Uotila Board member

Auditor’s note

A report on the audit performed has been issued today

Tampere 2021

PricewaterhouseCoopers Oy

Authorised Public Accountants

Markku Launis

Authorised Public Accountant (KHT)