HLRE Holding Oyj
Financial statements
1 February 2022–31 January 2023

Contents

Report of the Board of Directors

FINANCIAL PERIOD 1 FEBRUARY 2022–31 JANUARY 2023

GENERAL

The HLRE Holding Group (commonly referred to as the Vesivek Group in customer and marketing communications) is a company focusing on roof and drainage renovation of single-family and terraced homes and the product development, manufacture, sales and installations of rainwater management systems and roof safety products. The Group operates in Finland and Sweden under the Vesivek brand.

In January 2023, the HLRE Holding Group operated in 17 (17) locations in Finland and 3 (3) in Sweden. 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 one day," which is made possible by the in-house supply chain from product development to installation and the conceptualised business model. The majority share of a company engaged in the drainage business in Finland, acquired as part of the Group, strengthens the Group's service offering in the market for the renovation of single-family houses.

The Nesco Group that designs, develops, fabricates and sells roof and roof safety products includes the companies Nesco Invest Oy, Vesivek Tuotteet Oy (formerly Nesco Oy) and Tuusulan Peltikeskus Oy. Vesivek Tuotteet Oy is a Finnish company that designs, manufactures and sells rainwater management 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.

EUR 1,000	**1 February 2022–31 January 2023**	**1 February 2021–31 January 2022**	Change
Turnover	129,455.0	130,351.5	-0.7%
EBITDA	10,225.5	12,210.9	-16.3%
Profit or loss for the financial year	-337.5	690.5	-148.9%
Equity ratio	28.3%	28.3%	0.1%
Cash flow from operating activities	4,743.1	7,332.4	-35.3%
Personnel on average	836	850	-1.6%
Gross capital expenditure	-1,987.4	-4011.0	-50.5%

MAJOR EVENTS DURING THE FINANCIAL PERIOD

The Group’s turnover decreased slightly year-on-year from EUR 130.4 million to EUR 129.5 million (-0.7%).

During the financial period, Vesivek Salaojat Oy expanded its business operations to two new units, Vaasa and Oulu. The units operate as a separate business in connection with the Vesivek Oy unit.

At the beginning of January 2023, Vesivek Oy announced that it will start restructuring negotiations at its Lohja unit. In the proposed plan, the roofing business of the unit would be discontinued and the unit would only focus on the rainwater systems and roof safety business. The change negotiations of the Lohja unit were completed at the end of January 2023. As a result of the negotiations, the roofing business in the unit will be discontinued and the unit will continue in the rainwater system and roof safety business.

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 and 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.

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. In particular, the first quarter of the reported financial year was challenging in terms of the pandemic in Finland and Sweden. The downsizing of the installation units was continued and in many respects the units operated understaffed at the beginning of the financial year. The units had to react very quickly to unplanned changes due to sick leaves and act quickly according to the updated instructions and plans.

In February 2022, Russia’s war of aggression against Ukraine further increased uncertainty and general instability in Europe. During 2022, energy prices and the general increase in cost levels and interest rates also contributed to increasing lack of consumer confidence. The Group continued measures in Finland and Sweden to safeguard the adequacy of the companies’ cash reserves, operating prerequisites and business.

CHANGES IN GROUP STRUCTURE

There were no changes in the company structure during the financial period.

BUSINESS CONTINUITY

The financial statements for the financial period 1 February 2022–31 January 2023 have been prepared based on the going concern principle, assuming that the Company will be able to liquidate its assets and settle its liabilities as part of normal business operations in the foreseeable future.

The Group’s loss for the financial year ended 31 January 2023 was EUR 0.3 million, cash flow from operating activities EUR 5.0 million and net debt EUR 52 million. The SEK 300 million bond issued by the Company in February 2021 will fall due for payment in February 2024. The Company’s management has prepared financial forecasts of the development of turnover, expenses and investments from the balance sheet date until February 2024. The Company’s current liquid assets and projected operating cash flow are insufficient to cover the repayment of the SEK 300 million bond due in February 2024 without additional funding. There is a risk that the Company will not be able to refinance the bond.

Since there are still no binding decisions on additional funding by the date of approval of the financial statements, the adequacy of the funding constitutes an essential uncertainty factor that can give significant reason to doubt the company's ability to continue its operations. If the company is unable to obtain additional financing and the assumption of continuity of operations would therefore no longer be valid, the situation might require the assets to be valued at the recoverable amount and any additional liabilities to be recorded.

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. In addition, the Group is exposed to international price fluctuations and production bottlenecks for the commodities it uses in its business, such as steel, aluminium and wood. In the procurement of raw materials, the company uses several reliable and committed raw material suppliers. Cooperation with raw material suppliers is an ongoing cooperation process.

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. The possible failure of the launch of new concepts, such as the drainage business concept, would incur costs to the company and have a material adverse impact on the company’s brand, financial position and business performance.

At the end of the financial year 2023, the balance sheet of the HLRE Holding Group included EUR 40.3 million of goodwill. Each year, the HLRE Holding Group tests goodwill for impairment and, if necessary, whenever there are indications that the value of the assets does not exceed their goodwill. 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 also been a priority for the Group in the prolonged 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.

During the financial year, COVID-19 continued to cause challenges to the Group's business operations, and the first quarter of the financial year in particular was challenging in terms of infections in Finland and Sweden. The units had to react to unplanned changes due to sick leaves and they complied with updated and revised instructions, plans and regional regulations issued by the authorities.

In addition to the above and other normal business risks, the Group is not aware of material risks affecting its operations. The Group's revenue for the financial period from 1 February 2023 to 31 January 2024 is expected to grow moderately and profitability to remain at least at the level of the financial period ended on 31 January 2023. The Group's growth in Finland will be generated from the increased efficiency of Vesivek Salaojat Oy's existing locations. 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 835 (821), an increase of 14 employees that is 1.7 per cent. The Group personnel averaged 836 (850) FTE, a decrease of 14 employees, or -1.6 per cent. The Group’s employee benefits expenses totalled EUR 49.7 (50.3) million, a decrease of EUR 0.6 million, or -1.2 per cent.

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) actual 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.

At the company's Annual General Meeting on 28 April 2022, Pentti Tuunala, Kimmo Riihimäki, Ari Haapakoski, Timo Pirskanen, Mika Uotila and Anu Syrmä were re-elected as members of the Board of Directors. In its first meeting on 28 April 2022, the Board of Directors elected Pentti Tuunala as its Chair. In its meeting on 28 April 2022, the Board of Directors decided to elect Timo Pirskanen, Pentti Tuunala and Mika Uotila from among its number to continue as members of the Audit Committee and elected Timo Pirskanen as the Chair of the Audit Committee.

During the financial year 1 February 2022–31 January 2023, the Board of Directors convened 12 times. The attendance rate of the Board members was 99%. The Audit Committee convened 3 times during the financial period 1 February 2022–31 January 2023 with an attendance rate of 100%.

REMUNERATION OF BOARD MEMBERS

The Annual General Meeting of the Group’s parent company HLRE Holding Oy resolved on 28 April 2022 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 following changes occurred in the Group’s Management Team, which has been operating since October 2021: Hanna Rinne was appointed as the Group’s interim HR Director and a member of the Group’s Management Team in August 2022, Juha Höyhtyä was appointed as the Managing Director of Vesivek Oy and Vesivek Salaojat Oy. At the end of the financial year, the composition of the Company’s Management Team was as follows: Kimmo Riihimäki, CEO; Hanna Rinne, interim HR Director; Jari Raudanpää, CFO; Juha Höyhtyä, Managing Director of Vesivek Oy and Vesivek Salaojat Oy; Pasi Heikkonen, Managing Director of Vesivek Tuotteet Oy; Jani Jylhä, Managing Director of Vesivek Sverige AB. The Management Team convenes regularly.

AUDITING

The Annual General Meeting of 28 April 2022 resolved to appoint PricewaterhouseCoopers Oy as the company’s auditor for the financial year 1 February 2022–31 January 2023, with Markku Launis, Authorised Public Accountant, as the auditor with main responsibility.

COMPANY STRUCTURE AND SHAREHOLDING

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

At the end of the financial period, HLRE Holding Oyj’s share capital entered in the Trade Register amounted to EUR 80,000. At the end of the financial year, the number of HLRE Holding Oyj shares was 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 40 shareholders. At the end of the financial period, the company held 27,550 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 Group's parent company HLRE Holding Oyj’s profit for the financial year was EUR 291,309.67. The Board of Directors proposes that the profit for the financial year be recognized as a change in retained earnings, after which its distributable funds amount to EUR 19,282,857.04. 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 impairment of the general security situation in Europe and continued increase in raw material and energy prices and general costs. The rising costs and uncertainty have impacts on disposable income, purchase choices and consumer behavior, among other things. These can present both challenges and opportunities to the development of the Group’s business.

On 7 February 2023, the Group announced in its subsidiary, Vesivek Oy, that it would start employee cooperation negotiations in its Lahti unit. The negotiations were completed in March 2023, as a result of which the Company decided to discontinue the roofing business of the Lahti unit and to only continue the rainwater system and roof safety business in the area in connection with the premises of Vesivek Tuotteet Oy.

At the beginning of April 2023, the Board of Directors of the Company issued a change negotiation proposal concerning the entire Kuopio unit of Vesivek Oy and Vesivek Salaojat Oy. The change negotiation will address the plan according to which the Kuopio unit will focus on the gutter and roof safety business and the drainage business in the future. With regard to the roofing business, the plan is to partially implement sites in the area from other nearest units (Jyväskylä, Joensuu, Mikkeli).

HLRE Holding Oy’s responsibility report as part of the Board of Directors' report

Vesivek business model

Vesivek Group is Finland’s leading provider of rainwater systems, roof and drainage renovations for single-family and terraced homes and Sweden’s leading provider of roof renovations for single-family and terraced homes. The company carries out more than 5,000 roof renovations nationwide every year in Finland and more than 1,000 roof renovations in Sweden in the Stockholm and Northern Sweden Kalix areas, as well as approximately 700–800 drainage renovations around Finland. In addition to roof and drainage renovations, Vesivek manufactures, installs and sells more than 15,000 rainwater systems and roof safety products annually.

The company’s business model has been conceptualised and its replicability has enabled organic expansion in Finland and Sweden in the roof renovation of single-family and terraced homes and, through an acquisition, the expansion of the service range into drainage renovations.

With its services, the company creates value for people and society, resulting in safer, more comfortable and longer-lasting properties. In addition, the Company takes minor individual measures related to responsibility. For example, to compensate for the carbon footprint of its employees, the Company annually plants trees in Finnish forests. The company has also established a tradition of an annual Christmas concert, in which the collected funds are directed to mental health work for children and young people in Finland.

Sustainable development

Sustainable development is increasingly important to Vesivek’s customers and stakeholders, and Vesivek wants to be a market pioneer by seeking and providing solutions. With decades of expertise in building a foundation for a better life, Vesivek’s goal is to make housing and living more sustainable and healthier for people, businesses and society. Vesivek’s services extend the life cycle of buildings and thus the well-being of society and people. Through its own choices and actions, the company wants to mitigate climate change and conduct responsible business every day.

Vesivek’s sustainability work is based on our values: Attitude, Together, Results. Corporate responsibility is part of the company’s strategy, and responsibility is part of our day-to-day operations.

<u>Risks</u>

- Environmental aspects

  The increase in extreme weather events related to climate change, in the form of heavy rainfall and snowstorms, makes roof and drainage installation more difficult and increases the risk of occupational accidents.

  The weather risk is managed, for example, through scaffolding installation adopted in the Group’s roof installations in 2018, which has significantly reduced the annual number of occupational accidents.

Changes in legislation due to climate change may affect the Company's business operations in the short term. In order to minimize the risk, the Company strives to proactively identify changes in legislation and customer preferences.

- Social affairs and personnel

  The Group's ability to maintain and grow its roofing and drainage business in Finland and Sweden is largely dependent on its ability to recruit, train and motivate a sufficient number of skilled personnel at the Group level and in the business units.

  The Group has invested in the occupational safety of its personnel in roof installations through crane-assisted installation and scaffolding. The aim is to create a safe working and living environment for all parties.

  The Group organises regular internal and external training for its employees and strives to build career paths in sales, installation and administration.

  Respect for human rights, anti-corruption and anti-bribery

  The Group does not have any cases of human rights violations, corruption or bribery in progress or in the course of its history. The Group has a written Code of Conduct and ethical guidelines for door-to-door sales. The Group organises internal training for all its employees, emphasising zero tolerance for unethical behaviour.

  The Group's sales function is entirely in-house. This ensures uniform operating methods of the function.

Guiding principles

The Vesivek Group operates in accordance with sustainable development, the Code of Conduct and a working atmosphere of high morale. At the core of the Code of Conduct are the company's values: "Attitude, Together, Results". The values are printed as a separate value board in the break rooms of each unit and can be found on the Company's intranet.

The objective of the Code of Conduct is to define common operating methods for personnel in their day-to-day work and business decision-making. Its areas include equality and non-discrimination, occupational safety, careful processing of personal data and corporate responsibility. The Company does not tolerate discrimination, corruption, bribery, harassment in the workplace or other illegal activities. The processes related to these operating principles are described in the company's Code of Conduct. The Code of Conduct is part of the induction programme for new employees and the company's training.

The purpose of the Vesivek Code of Conduct and guidelines is to detect unethical activities, misconduct and prevent inappropriate or illegal activities. Any deviations and breaches can be reported anonymously through internal or external reporting channels. The Vesivek Group uses an ethical reporting ("Whistleblowing") channel to ensure fairness and transparency as well as compliance with laws and operating principles. Notifications are processed in accordance with the EU Whistleblower Directive and confidentially using a third-party notification channel. A link to the Whistleblower channel is available on Vesivek's website.

The Group's biggest sustainability risks are related to, for example, HR, reputation and brand risks and customer management. Damage risks can cause accidents, property damage, interruptions in production, environmental impacts or liability for damages. The Group's 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 safeguarding and verifying procedures that mitigate risks and ensure that risk management measures are taken.

Environment

The Vesivek Group's operations are guided by principles that aim to manage the environmental impacts of business operations and to comply with legislation and official regulations to protect the environment. The Company complies with environmental laws, regulations and recommendations in its operations.

Vesivek's services influence the environmental burden of properties by controlling the waters of residential and other low-rise properties efficiently and ecologically. This, together with the Company's roof safety services, increases living comfort, safety and the lifecycle of buildings.

The most important materials for installation work are stainless steel and wood. Vesivek buys all the materials it needs for its business operations in Finland, except for aluminium, bought from Italy due to the lack of its domestic availability. Vesivek only operates with reliable material and service suppliers. The continuity of suppliers' appropriate and reliable practices is ensured through annual cooperation meetings. Vesivek aims to reduce the risks related to the availability of the material through long-term supplier partnerships and the maintenance of alternative procurement channels.

Vesivek takes care of its environment both at the renovation worksite and in the waste management of its locations. Efficient logistics and recycling play a key role in managing the environmental impacts of business. In the implementation of each roof renovation, it is ensured that all construction material is delivered to the site at once and demolition waste is sorted and taken away for recycling.

At its own sorting centre in Pirkkala, Vesivek utilises wood waste directly as wood chips to fuel its thermal power for thermal energy. The heat production of Vesivek's Pirkkala property and the plant's profile production takes place entirely using the property's own heating plant with demolition wood and wood chips from renovation sites. The share of renewable energy in the electricity of Vesivek's Pirkkala property is increased by solar panels installed on the property. In 2022, 29.3 MWh of electricity produced by the solar panels was sold to the national grid, 100.53 MWh of electricity produced by solar panels was used in-house and 454.08 MWh of electricity was purchased externally. This means that approximately 18% of the total annual consumption of 554.6 MWh of electricity at the Pirkkala property was covered with solar panels installed in the property, in addition to which 29.3 MWh of electricity produced with solar panels was sold to the national grid. With the solar panels, the company was able to reduce its CO_2 emissions by 70,914 kilogrammes in 2022.

The following is a description of the recycling concept for waste material from roof renovations in Finland:

In Finland, Vesivek has AN ISO 9001:2015 quality management certificate validated by Bureau Veritas and environmental practices audited and validated by Rakentamisen Laatu Rala ry.

Personnel

During the financial year, Vesivek Group had 836 full-time employees. Nearly two-thirds of the personnel work in installation or production tasks. The key focus areas of Vesivek's personnel strategy are enabling a healthy and safe working environment, attracting, developing and committing talent, and investing in the employer image.

At Vesivek, new employees receive internal occupational safety training as a mandatory part of the induction process. The occupational safety culture and related risk management are developed at Vesivek based on the principle of continuous improvement. Proactive investment in safety through active monitoring, reporting and risk analysis in order to prevent risk situations is essential in improving occupational safety. One of the key measures taken to improve occupational safety has been to invest in scaffolding that functions as fall protection at all locations as the first operator in the roof renovation industry. According to the law, working platforms, i.e. scaffolding, are the primary and safest solution in occupational safety. The ergonomics of employees are at a good level when the work is performed at the right height. The quality of the work improves, especially when it comes to finishing work, when the work can be done at the right height without reaching out. The scaffolding also provides security for the residents, as it makes the passageways safer. With the introduction of scaffolding in 2018, the number of occupational accidents in all installation units in Finland has decreased by approximately 80% between 2016 and 2020.

The risk related to personnel is related to attracting, retaining and training personnel who are competent enough to provide Vesivek's high-quality services. In relation to this, Vesivek has invested and invests in the professional development of its employees through regular training. Vesivek Academy, launched in 2021, aims to develop leadership and project management. From 2021 onwards, the managers and supervisors of Vesivek's units in Finland have been offered the opportunity to complete the Specialist Vocational Qualification in Management and Business Management (JYEAT) organised by Taitotalo.

With regard to personnel, the indicators to be monitored regularly in the business units are:

- sickness absence rate
- accident frequency
- in addition, the Group has started regular NPS surveys of all personnel every three (3) months.

Good corporate governance

Vesivek's operations are based on values and ethical principles (Code of Conduct). Vesivek also has a separate ethical guideline for door-to-door sales, which aim to provide salespersons with clear operational instructions for meeting customers with respect.

The Group requires its contract suppliers to have responsible operating models that are committed to the Vesivek Code of Conduct, which means, among other things, that the suppliers oppose corruption, bribery or child and forced labour. In 2022, no cases related to human rights, corruption or bribery were reported to Vesivek.

Vesivek's responsibility is monitored by the Audit Committee of the Board of Directors, and a representative of the Board of Directors participates in the planning and monitoring of responsibility-related reporting. The Group CEO is in charge of responsibility reporting.

In January 2023, of the six (6) members of the Group's Board of Directors, 17% were women and 83% were men. Of the six (6) members of the Group Management Team, 17% were women and 83% men.

Taxonomy reporting

The European Union's sustainable finance classification system (EU Taxonomy) was published in 2020. The six environmental objectives defined by the EU taxonomy are:

1. climate change mitigation
2. climate change adaptation
3. sustainable use and protection of water and marine resources
4. transition to a circular economy
5. pollution prevention and control
6. protection and restoration of biodiversity and ecosystems

Vesivek has conducted an EU taxonomy review of turnover, capital expenditure and operating expenditure related to the first two objectives, climate change mitigation or adaptation.

The following section presents the share of the Group's net sales, capital expenditure and operating expenditure for the financial year 2023 that is related to taxonomy-eligible economic activity of the first two environmental objectives.

Share of turnover generated from products or services related to taxonomy-aligned economic activities for the financial period 1 February 2022–31 January 2023 (M€):

				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	Code (2)	Absolute turnover (3)	Proportion of Turnover (4)	Climate Change Mitigation (5)*	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity and ecosystems (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Taxonomy aligned proportion of total turnover, year N (18)**	Category (enabling activity) (20)	Category (transitional activity) (21)
Text		*Millions, local CCY*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES			**0%**																
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
			0%	0%	0%	0%	0%	0%	0%								0%		
			0%	0%	0%	0%	0%	0%	0%								0%		
			0%	0%	0%	0%	0%	0%	0%								0%		
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0,00**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**0%**	**0%**	**0%**
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Renovation of existing buildings		0,00	0%																
			0%																
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**0,00**	**0%**																
Total (A.1+A.2)		**0,00**	**0%**																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		**129,50**	**100%**																
Total (A+B)		**129,50**	**100%**																

Share of capital expenditure associated with products or services related to taxonomy-aligned economic activities for the financial period 1 February 2022–31 January 2023 (M€):

				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	Code (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Climate Change Mitigation (5)*	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity and ecosystems (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Taxonomy aligned proportion of total CapEx, year N (18)**	Category (enabling activity) (20)	Category (transitional activity) (21)
Text		Millions, local CCY	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES			**0%**																
A.1. CapEx of environmentally sustainable activities (Taxonomy-aligned)																			
			0%	0%	0%	0%	0%	0%	0%								0%		
			0%	0%	0%	0%	0%	0%	0%								0%		
			0%	0%	0%	0%	0%	0%	0%								0%		
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0,00**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**0%**	**0%**	**0%**
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned)																			
Renovation of existing buildings (CapEx A)		0,00	0%																
Renovation of existing buildings (CapEx B)		0,00	0%																
Renovation of existing buildings (CapEx C)		0,00	0%																
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**0,00**	**0%**																
Total (A.1+A.2)		**0,00**	**0%**																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Capex of Taxonomy-non-eligible activities		**7,215**	**100%**																
Total (A+B)		**7,215**	**100%**																

Share of operating expenses associated with products or services related to taxonomy-aligned economic activities for the financial period 1 February 2022–31 January 2023 (M€):

Economic Activities (1)	Code (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Substantial Contribution Criteria: Climate Change Mitigation (5)*	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity and ecosystems (10)	DNSH criteria ('Does Not Significantly Harm'): Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Taxonomy aligned proportion of total OpEx, year N (18)**	Category (enabling activity) (20)	Category (transitional activity) (21)
Text		Millions, local CCY	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES			**0%**																
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
			0%	0%	0%	0%	0%	0%	0%								0%		
			0%	0%	0%	0%	0%	0%	0%								0%		
			0%	0%	0%	0%	0%	0%	0%								0%		
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0,00**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**0%**	**0%**	**0%**
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Renovation of existing buildings (OpEx A)		0,00	0%																
Renovation of existing buildings (OpEx B)		0,00	0%																
Renovation of existing buildings (OpEx C)		0,00	0%																
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**0,00**	**0%**																
Total (A.1+A.2)		**0,00**	**0%**																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		**2,71**	**100%**																
Total (A+B)		**2,71**	**100%**																

Consolidated statement of comprehensive income

1000 EUR	Note	1.2.2022-31.1.2023	1.2.2021-31.1.2022
REVENUE	**4**	**129 455**	**130 352**
Other operating income	5	1 064	1 063
Material and services	6	-47 702	-45 375
Employee benefits expense	7	-49 747	-50 257
Depreciation and amortisation	6	-7 757	-7 855
Other operating expenses	6	-22 844	-23 572
OPERATING PROFIT		**2 469**	**4 356**
Finance income	16	2 018	1 146
Finance cost	16	-4 450	-4 148
Finance income and costs total		-2 432	-3 003
PROFIT/LOSS BEFORE TAX		**36**	**1 353**
Tax on income from operations	21	-374	-663
PROFIT/LOSS FOR THE PERIOD		**-338**	**691**
Profit attributable to:			
Owners of the parent company		-458	623
Non-controlling interests		120	68
		-338	**691**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		-147	-54
		-147	**-54**
TOTAL COMPREHENSIVE INCOME		**-484**	**637**
Total comprehensive income attributable to:			
Owners of the parent company		-591	574
Non-controlling interests		107	63
		-484	**637**

Earnings per share calculated on profit attributable to equity holders of the parent	**1.2.2022-31.1.2023**	**1.2.2021-31.1.2022**
Profit attributable to equity holders of the parent company	-457 666	622 614
Average number of shares	16 599 173	16 621 927
Undiluted and dilution-adjusted earnings per share	**-0,03**	**0,04**

Consolidated balance sheet

1000 EUR	Note	31.1.2023	31.1.2022
ASSETS			
NON-CURRENT ASSETS			
Goodwill	9	40 304	40 304
Intangible assets	9	976	657
Property, plant, equipment	10	26 261	27 188
Other non-current financial assets		48	48
Loan receivables	15	17	7
Non-current prepayments and accrued income (from others)	15	0	26
Deferred tax assets	21	235	169
NON-CURRENT ASSETS		**67 841**	**68 400**
CURRENT ASSETS			
Inventories	11	15 756	15 464
Trade and other receivables	12	9 870	9 494
Loan receivables	15	53	625
Income tax receivable		158	198
Cash and cash equivalents		3 557	5 201
CURRENT ASSETS		**29 394**	**30 524**
ASSETS		**97 235**	**98 923**
EQUITY AND LIABILITIES			
Owners of the parent company			
Share capital	18	80	80
Reserve for invested unrestricted equity	18	18 002	18 002
Translation differences	18	-151	-17
Retained earnings	18	9 511	9 935
Owners of the parent company		**27 442**	**28 000**
Non-controlling interests		**71**	**-37**
EQUITY		**27 512**	**27 963**
NON-CURRENT LIABILITIES			
Finance and lease liabilities	15	50 349	51 197
Employee benefit obligation	23	427	422
Deferred tax liabilities	21	150	216
NON-CURRENT LIABILITIES		**50 926**	**51 834**
CURRENT LIABILITIES			
Finance and lease liabilities	15	4 742	4 633
Other current liabilities	13	12 433	13 528
Derivatives	15	1 461	484
Income tax liabilities		161	482
CURRENT LIABILITIES		**18 797**	**19 126**
Liabilities		**69 722**	**70 960**
EQUITY AND LIABILITIES		**97 235**	**98 923**

Consolidated statement of changes in equity

1000 EUR	Note	Share capital	Reserve for invested unrestricted equity	Translation differences	Edellisten tilikausien voitto (tappio)	Total	Non-controlling interests	Total equity
	18							
EQUITY 1.2.2022		**80**	**18 002**	**-17**	**9 935**	**28 000**	**-37**	**27 963**
Comprehensive income								
Profit/loss for the period					-458	-458	120	-338
Other comprehensive income:								
Translation differences		0	0	-133	0	-133	-13	-147
TOTAL COMPREHENSIVE INCOME		**0**	**0**	**-133**	**-458**	**-591**	**107**	**-484**
Other changes		0	0	0	23	23	9	31
Total transactions with owners		**0**	**0**	**0**	**23**	**23**	**9**	**31**
Changes in ownership interests in subsidiaries								
Changes in ownership interest without loss of control					10	10	-7	3
TOTAL EQUITY 31.1.2023		**80**	**18 002**	**-151**	**9 510**	**27 442**	**71**	**27 513**

1000 EUR	Note	Share capital	Reserve for invested unrestricted equity	Translation differences	Edellisten tilikausien voitto (tappio)	Total	Non-controlling interests	Total equity
EQUITY 1.2.2021	18	**3**	**18 079**	**32**	**9 309**	**27 423**	**93**	**27 515**
Comprehensive income								
Profit/loss for the period					623	623	68	691
Other comprehensive income:								
Translation differences		0	0	**-49**	**0**	-49	-5	-54
TOTAL COMPREHENSIVE INCOME		**0**	**0**	**-49**	**623**	**574**	**63**	**637**
Transactions with owners								
Acquisition of treasury shares		0	0	0	-28	-28	0	-28
Sale of treasury shares		0	0	0	102	102	0	102
Reclassifications		78	-78	0	-24	-24	0	-24
Other changes		0	0	0	-38	-38	-15	-53
Total transactions with owners		**78**	**-78**	**0**	**11**	**11**	**-15**	**-3**
Changes in ownership interest without loss of control					-7	-7	1	-6
Changes in ownership interest resulting in a loss of control		0	0		0	0	-179	-180
TOTAL EQUITY 31.1.2022		**80**	**18 002**	**-17**	**9 935**	**28 000**	**-37**	**27 963**

Consolidated cash flow statement

1000 EUR		1.2.2022-31.1.2023	1.2.2021-31.1.2022
Cash flows from operating activities			
PROFIT/LOSS FOR THE PERIOD		-338	691
Adjustments to the profit/loss for the period			
Depreciation, amortisation and impairment	6	7 757	7 855
Financial income and expenses	16	3 437	3 633
Tax on income from operations	21	374	663
Other adjustments		-1 051	415
Adjustments total		10 517	12 565
Working capital changes			
Increase / decrease in inventories	11	-394	-4 278
Increase /decrease in trade and other receivables	12	-429	1 137
Increase / decrease in trade payables	13	-934	784
Interest paid	16	-2 483	-2 469
Interest received	16	65	21
Other financial items	16	-203	-432
Income taxes paid	21	-776	-687
Net cash from operating activities		**5 026**	**7 332**
Cash flows from investing activities			
Purchase of tangible and intangible assets	9,10	-1 987	-3 160
Proceeds from sale of tangible and intangible assets	9,10	245	326
Acquisition of subsidiaries, net of cash acquired	9,20	0	-201
Disposal of subsidiaries	9,13	8	0
Loans granted		-18	-27
Proceeds from repayments of loans		21	298
Net cash used in investing activities		**-1 731**	**-2 762**
Cash flows from financing activities			
Purchase of treasury shares		0	-28
Proceeds from sale of treasury shares		9	78
Repayment of current borrowings	15	-6	-25 820
Addition / deduction of current borrowings		0	8
Proceeds from non-current borrowings	15	0	29 074
Repayment of non-current borrowings	15	0	0
Payment of lease liabilities		-4 942	-4 900
Net cash used in financing activities		**-4 938**	**-1 588**
Net change in cash and cash equivalents		**-1 644**	**2 982**
Cash and cash equivalents, opening amount	15	5 201	2 219
Net increase/decrease in cash and cash equivalents		-1 644	2 982
Effects of exchange rate fluctuations on cash held		0	0
Cash and cash equivalents	15	3 557	5 201

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 Oyj, 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 2023 and 31 January 2022 and notes thereto. The Company’s Board of Directors approved the consolidated financial statements for publication on 28 April 2023.

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.

Business continuity

The financial statements for the financial period 1 February 2022–31 January 2023 have been prepared based on the going concern principle, assuming that the Company will be able to liquidate its assets and settle its liabilities as part of normal business operations in the foreseeable future.

The Group’s loss for the financial year ended 31 January 2023 was EUR 0.3 million, cash flow from operating activities EUR 5.0 million and net debt EUR 52 million. The SEK 300 million bond issued by the Company in February 2021 will fall due for payment in February 2024 and the EUR 2 million credit line from Danske Bank A/S Finland Branch will fall due six (6) months before the maturity of the bond.

The Company’s management has prepared financial forecasts of the development of turnover, expenses and investments during the next 12 months. The Company’s current liquid assets and projected operating cash flow are insufficient to cover the repayment of the SEK 300 million bond due in February 2024 without additional funding. There is a risk that the Company will not be able to refinance the bond or restructure the credit line.

As no binding decisions on additional financing have yet been issued by the date of adoption of the financial statements, the adequacy of financing constitutes a significant uncertainty that may give rise to significant doubts about the Company’s and the Group’s ability to continue as a going concern. If the company were unable to obtain additional financing, the assumption of continuity of operations would possibly no longer be valid, the situation might require valuing the assets to the recoverable amount and recording possible additional liabilities. The company's management estimates that it will be able to refinance the bond or obtain other additional financing. As a result, the Company's financial statements have been prepared on the basis of the going concern principle.

<u>Translation of items denominated in foreign currencies</u>

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 recognized above operating profit, and financing-related exchange rate differences are recognized 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 monthly at the average exchange rate. Translation differences arising from the translation of a subsidiary’s financial statements are recognized 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 profit, 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 recognized in the financial statements. Significant estimates or management judgements are reviewed in the following notes:

- Business continuity, note 1
- impairment of goodwill, note 9

- leases, note 10
- measurement of inventories, note 11
- impairment of trade receivables, Note 17

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.

The COVID-19 coronavirus pandemic that began in spring 2020 continued during the financial period, especially during the first half of the financial year. The agreed operating models were continued during the extended pandemic in all units in Finland and Sweden, monitoring the current infection situation in each area and the guidelines and recommendations issued by the local authorities.

As stated in note 1, the Company's management has assessed the Company's ability to continue as a going concern for the foreseeable future. The Company's current liquid assets and projected operating cash flow are insufficient to cover the repayment of the SEK 300 million bond due in February 2024 without additional funding. The Company's management estimates that it will be able to refinance the bond or obtain other additional financing. For this reason, the Company's financial statements have been prepared on the going concern principle. If the Company is unable to raise additional financing and the going concern assumption is therefore no longer valid, the situation might require the assets to be remeasured at the recoverable amount and any additional liabilities to be recognized

At the end of the financial year 2023, goodwill on the HLRE Holding Group's balance sheet amounted to EUR 40.3 (40.3) million. Each year, the HLRE Holding Group tests goodwill for impairment and, if necessary, whenever there are indications that the value of the assets does not exceed their goodwill. 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.

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, amortization and impairment.

EUR 1,000	**FAS**	Adjustments	**IFRS**	
Consolidated income statement	1 February 2022–31 January 2023		1 February 2022–31 January 2023	**Consolidated statement of comprehensive income**
Turnover	129,455		129,455	Turnover
EBITDA (*)	4,706			
Depreciation, amortization and impairment	-2,904	-4,853	-7,757	Depreciation, amortization and impairment
Operating profit	1,802	667	2,469	**Operating profit**
			-2,432	Financial income and expenses
			36	Profit/loss before tax
			-374	Income tax expenses
			-338	Profit or loss for the financial year

	FAS	Adjustments	**IFRS**	
Consolidated income statement	1 February 2021–31 January 2022		1 February 2021–31 January 2022	**Consolidated statement of comprehensive income**
Turnover	130,352		130,352	Turnover
EBITDA (*)	8,127			
Depreciation, amortization and impairment	-2,948	-4,907	-7,855	Depreciation, amortization and impairment
Operating profit	5,179	-823	4,356	**Operating profit**
			-3,003	Financial income and expenses
			1,353	Profit/loss before tax
			-663	Income tax expenses
			691	Profit or loss for the financial year

(*) FAS EBITDA = FAS operating profit + FAS depreciation, amortization 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, amortization and impairment reported according to FAS does not include the amortization of right-of-use assets included in the depreciation, amortization and impairment reported according to IFRS. The depreciation and amortization in internal FAS-compliant reporting does not include amortization 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 management 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 proprietary sheet metal roofing factory.

In addition, the Group acquired a majority holding in a company carrying out drainage renovations for small sites in Finland in February 2021. Drainage consists of a carefully considered installation concept for single-family homes and housing companies. With the help of the service package concept, the drainage renovation of a single-family house is carried out in an average of 3–5 days.

In Finland, receivables from roofing, roof product and drainage installations in accordance with the consumer service concept are primarily allocated to Laatutili. 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 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 29 of these financial statements.

Breakdown of revenue by country for the financial year ended 31 January 2023

During the financial year ended 31 January 2023, 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. In 2022, Vesivek Salaojat Oy expanded its operations into Oulu and Vaasa, operating as a separate business in conjunction with Vesivek Oy's unit. In addition, a marginal share of the Group's revenue came from direct sales of Vesivek Tuotteet Oy's products to the Baltic countries (and, to a minor extent, to Russia during the comparison period and February 2022):

EUR 1,000	1 February 2022–31 January 2023	%	1 February 2021–31 January 2022	%
Finland	107,387	83.0%	109,672	84.1%
Sweden	21,389	16.5%	20,055	15.4%
Baltic countries and Russia	679	0.5%	625	0.5%
Total	129,455	100.0%	130,352	100.0%

Of the Group's revenue for the financial year 1 February 2022–31 January 2023, Finland accounted for 83.0% (84.1%), Sweden for 16.5% (15.4%) and export sales to the Baltic countries and Russia for 0.5% (0.5%).

The Group's non-current assets totalled EUR 67.8 million (EUR 68.4 million) on 31 January 2023, of which Sweden accounted for EUR 2.8 million (EUR 3.4 million) in euros.

Assets and liabilities based on contracts with customers

The trade and other receivables on the balance sheet include EUR 1,108 (674) thousand of non-invoiced revenue recognition based on the percentage of completion of roof and drainage renovations. Non-invoiced receivables are short-term by nature and typically due during the next reporting period. The trade and other payables include EUR 10 (0) thousand of liabilities based on volume discounts and EUR 128 (95) thousand of advance payments from customers.

Accounting principle

The turnover of the HLRE Group was primarily generated from the sales of roofing, drainage and rainwater management systems and roof safety products and their installations during the financial year, as well as drainage renovations following the acquisition early in the previous financial year. The performance obligations are clearly identifiable in the customer contracts 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 recognized based on the transfer of control, either over time or at a point in time. When calculating turnover, 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. The installation takes place very quickly, usually over a few days, and the corresponding sale is recognized at a point in time once the turnkey delivery has been made.

Drainage for single-family houses consists of a carefully considered installation concept, including the installation of drainage products and ground and yard work. With the help of the service package concept, the drainage renovation of a single-family house can be carried out in an average of 3–5 days in thawed soil. The company has a very limited number of larger sites that take from a few weeks to slightly over a month to complete.

In winter, the drainage service package is divided into two deliveries made at different times: when the soil is not thawed, drainage work taking on average a few days, and finishing work in the yard in thawed soil. Finishing works carried out in thawed soil are mainly carried out within one day and their share of the total delivery of the drainage project is invoiced when the finishing work is completed. The customer may choose to carry out the finishing work on the yard themselves, in which case the drainage will be carried out quickly with one project during the non-thawed soil period and fully invoiced when the work is completed. The performance obligations are clearly identifiable in the customer contracts and orders.

With regard to product sales, individual products constitute a performance obligation, and the sale is recognized 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 recognized 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.

Key management judgements and estimates

The Company's management uses customer project-specific judgment to determine the recognition principle and to assess whether revenue has been recognized for the appropriate period at each balance sheet date, taking into account materiality. Although performance obligations are met and revenue is recognized at one point in time as a rule, materiality analysis is applied at each balance sheet date, which relates to whether larger projects in progress should be recognized according to the percentage of completion.

5. Other operating income

EUR 1,000	**1 February 2022–31 January 2023**	**1 February 2021–31 January 2022**
Gain on disposal of property, plant and equipment and intangible assets	123	109
Rental income	145	119
Provision income	531	565
Other operating income	265	272
	1,064	**1,063**

Other operating income is comprised of rent income from owned premises and equipment (mainly gutter machines) leased to external parties, insurance indemnities received and bank commissions from Laatutili customer financing.

6. Operating expenses

Materials and services

EUR 1,000	**1 February 2022–31 January 2023**	**1 February 2021–31 January 2022**
Purchases during the financial period	-40,940	-40,934
Change in inventories of finished goods and work in progress	901	1,005
Production for own use	43	24
Change in inventories of materials	-490	3,257
External services	-7,217	-8,728
Materials and services	-47,702	-45,375

External services are comprised of scaffolding subcontracting expenses to a significant extent and, as of the beginning of the financial year 2022, of subcontracting costs associated with transports of the drainage business. Since 2019, Vesivek Oy has expanded scaffolding work into its own operations.

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 recognized a related provision.

The company also grants a limited five-year installation warranty for drainage installations. Moreover, the costs of repairs under the installation warranty have not been significant and the company has not entered a provision for them.

Depreciation, amortization and impairment

1000 eur		
Depreciation according to plan, intangible	**1.2.2022-31.1.2023**	**1.2.2021-31.1.2022**
Development expenses	-17	-17
Intangible rights	-143	-139
Other intangible assets	0	-2
	-160	**-159**
Depreciation according to plan, tangible		
Buildings and structures	-2 773	-2 747
Machinery and equipment	-4 799	-4 927
Other tabgible assets	-25	-19
	-7 597	**-7 693**

Other operating expenses

EUR 1,000	1 February 2022–31 January 2023	1 February 2021–31 January 2022
Premises expenses	-1,629	-1,241
Machinery and equipment expenses	-7,009	-6,543
Marketing expenses	-3,738	-3,705
Other operating expenses	-10,468	-12,082
	-22,844	**-23,572**

The other largest unspecified items are voluntary personnel costs of EUR 2,090 thousand (EUR 2,056 thousand) and mileage and daily allowances of EUR 2,401 thousand (EUR 2,368 thousand).

Auditors' fees

EUR 1,000	1 February 2022–31 January 2023	1 February 2021–31 January 2022
Statutory audit	-87	-91
To auditor: Other fees and services	-31	-61
	-118	**-152**

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:

EUR 1,000	1 February 2022–31 January 2023	1 February 2021–31 January 2022
Wages, salaries and fees	39,714	40,202
Pension expenses - defined contribution plans	6,733	6,757
Other employee benefits	3,301	3,298
	49,747	**50,257**

Personnel expenses decreased by approximately one per cent during the financial period compared to the previous financial period.

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 until the end of 2021 in conjunction with the COVID-19 pandemic. The compensation was a certain proportion of the costs during sickness, depending on their amount, and in the financial year 2022, the compensation received totalled approximately EUR 58 thousand in euros and EUR 55 thousand in the financial year 2021. In the financial year 2023, no compensation was paid anymore.

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 structure concerning the entire Group:

5 years	**1 week salary**	**25 years**	**2 weeks salary**
10 years	**1,5 weeks salary**	**30 years**	**3 weeks salary**
15 years	**2 weeks salary**	**35 years**	**3 weeks salary**
20 years	**2 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 recognized 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 recognized 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 2023 are presented below. The compensation paid is comprised of fixed monthly salary and fringe benefits.

1000eur	1.2.2022-31.1.2023	1.2.2021-31.1.2022
Remuneration of the CEO		
Salary, other remuneration and benefits	95	127
Pension expenses - defined contribution plans	12	10
Total	107	137
Remuneration of the group managing team (excluding the CEO)		
Salary, other remuneration and benefits	552	436
Pension expenses - defined contribution plans	115	80
Total	667	516
Remuneration of Board members	36	45
Key management and Board of Directors total	810	698

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 Oyj realized share issues and transfers of treasury shares directed at the Group's key personnel in 2014–2022. 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. At the end of the financial period 1 February 2020–31 January 2021, the company had 77,550 treasury shares. The company's key personnel acquired a total of 50,000 of these during the financial period 1 February 2021–31 January 2022. At the end of the financial period 1 February 2022–31 January 2023, the company held 27,550 treasury 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 recognized 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.

Because HLRE Holding Oyj, or its subsidiary, has no contractual obligation or prior established practice to redeem shares from leavers, the arrangement is classified as an equity-settled arrangement under IFRS. The Company did not exercise its right of redemption during the financial period.

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 Group's parent company HLRE Holding Oyj on 31 January 2023 are presented in the following table:

Management shareholdings

The management held shares on 31 January 2023 as follows:

	31 January 2023		31 January 2022	
Management shareholdings	Shares	% holding	Shares	% holding
CEO	5,497,826	33	5,497,826	33
Other management team members	6,873		21,873	

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 presents changes in goodwill and other intangible assets:

1000 EUR	Development expenses	Intangible rights	Other intangible assets	Advance payments for intangible assets	Goodwill	Total
Cost 1.2.2022	85	1 410	21	126	40 304	41 946
Additions	0	29	0	419	0	448
Disposals	0	0	-21	0	0	-21
Reclassifications	0	0	0	31	0	31
Cost 31.1.2023	85	1 439	0	575	40 304	42 403
Cumulative amortisation and impairment 1.2.2022	-25	-939	-21		0	-984
Cumulative amortisation on disposals and reclassifications	0	0	21		0	21
Amortisation	-17	-143	0		0	-159
Cumulative amortisation and impairment 31.1.2023	-42	-1 081	0		0	-1 122
Carrying amount 1.2.2022	60	471	0	126	40 304	40 961
Carrying amount 31.1.2023	**43**	**358**	**0**	**575**	**40 304**	**41 280**

1000 EUR	Development expenses	Intangible rights	Other intangible assets	Advance payments for intangible assets	Goodwill	Total
Cost 1.2.2021	144	1 396	21	107	39 437	41 105
Business combinations	0	0	0	0	867	867
Additions	0	10	0	19	0	29
Disposals	-54	0	0	0	0	-54
Reclassifications	-4	4	0	0	0	0
Cost 31.1.2022	85	1 410	21	126	40 304	41 946
Cumulative amortisation and impairment 1.2.2021	-62	-799	-19		0	-879
Cumulative amortisation on disposals and reclassifications	54	0	0		0	54
Amortisation	-17	-139	-2		0	-159
Cumulative amortisation and impairment 31.1.2022	-25	-939	-21		0	-984
Carrying amount 1.2.2021	81	597	4	107	39 437	40 226
Carrying amount 31.1.2022	**60**	**471**	**0**	**126**	**40 304**	**40 961**

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. In February 2021, in connection with the reorganisation of financing, the Group company Vesivek Oy acquired a 71.63% holding in Salaojakympit Oy, a company controlled by the company's CEO. The Company's CEO acquired a holding of 71.63% in Salaojakympit Oy on 28 February 2020. In February 2021, Salaojakympit Oy was renamed to Vesivek Salaojat Oy. The acquisition generated goodwill of approximately EUR 0.9 million. Vesivek Salaojat Oy's business was merged into the roof and roof safety product business.

Accounting principle

Goodwill

Good will 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 and liabilities of the acquisition. 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 the recoverable amount, which is the higher of value of use or fair value less costs of sale. Any impairment loss is firstly allocated to goodwill and secondarily to other assets proportionally. Goodwill impairment losses recognized through profit or loss are not reversed.

Other intangible assets

Other intangible assets are recognized 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 recognized 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 amortization and impairment. Intangible assets are amortized using the straight-line method over the economic useful life of the asset. The appropriateness of the amortization times the methods is assessed at each closing date.

Research and development costs are recognized as expenses when internally developed intangible assets do not meet the criteria for capitalization. An intangible asset resulting from development activities is capitalized 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 amortized over 5 years, patents/trademarks over 10 years and development expenses over 5 years. In April 2021, the IFRS Interpretations Committee (IFRIC) issued a final agenda decision on the accounting treatment of the costs of configuring and customising the systems implemented as cloud services (IAS 38 Intangible Assets). The Group has analyzed the impact of the agenda decision on the accounting principles applicable to the expenditure on the introduction of its information system projects. As a result of the analysis, the Group recognizes the costs capitalized in intangible assets in the separate companies as an expense on the basis of an agenda decision and, correspondingly, the depreciation of the capitalization in the separate companies is reversed. EUR 9 (83) thousand of investments and EUR 68 (49) thousand of depreciation were reversed in the current financial year.

Goodwill impairment testing

Key discretionary decisions and estimates

Key assumptions used in testing goodwill for impairment

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

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

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

The 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 2023 and 31 January 2022.

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

Thousands of euros	**31 January 2023**	**31 January 2022**
Installation of roof and rainwater systems and underground drain renovations in Finland	35,434	35,434
Production of rainwater systems and roof safety products	4,870	4,870

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

2022	EBITDA in 5 years period of time, %	Long term EBITDA, %	Discount rate before taxes, %	Long term growth factor, %
Installation of roof and rainwater systems and underground drain renovations in Finland	8,1	6,0	10,2	2,0
Production of rainwater systems and roof safety products	14,0	14,0	10,0	2,0

2022	EBITDA in 5 years period of time, %	Long term EBITDA, %	Discount rate before taxes, %	Long term growth factor, %
Installation of roof and rainwater systems and underground drain renovations in Finland	6,8	6,0	9,6	2,0
Production of rainwater systems and roof safety products	14,7	14,5	9,6	2,0

The profitability (measured by EBITDA) of CGU2 producing rainwater systems and roof safety products is expected to decline slightly over a period of 5 years and remain at the same, slightly lower level in the long term thereafter.

With regard to CGU 1 installing roof and roof safety products, in the latest financial year 2023 calculations, 5-year profitability (measured by EBITDA) will increase to 8.1% (6.8%%) and long-term profitability will remain at the lower level of 6.0% (6.0%). In the financial year 2023 calculations, the Board of Directors prepared different scenario calculations for CGU 1. As a result, the Board of Directors considers that the changes to GCU 1 initiated in autumn 2022 and planned in the organisation in 2023 will lead to an improvement in CGU 1’s profitability level (measured by EBITDA) over a 5-year period.

Sensitivity analysis

No impairment loss was recognized for the reported financial years as a result of the tests for impairment. The recoverable amount exceeded the book value on 31 January 2023 by EUR 3.9 million with regard to roofing, roof safety and drainage installations in Finland and by EUR 19.2 million with regard to the manufacturing of rainwater management systems and roof safety products (31 January 2022: by EUR 3 million with regard to roofing and roof safety product installations in Finland and by EUR 17 million with regard to the manufacturing of rainwater management systems and roof safety products).

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

	31.1.2023	31.1.2022
Installation of roof and rainwater systems and undergound drain renovations in Finland		
Change in discount rate, percentage points	0,5 %	0,2 %
Decrease in EBITDA, percentage points	-0,3 %	-0,6 %
Production of rainwater systems and roof safety products		
Change in discount rate, percentage points	6,8 %	5,0 %
Decrease in EBITDA, percentage points	-5,9 %	-6,5 %

Possible and significant changes in the value of the key assumptions are as follows:

1. The implementation of organisational changes in Finland is prolonged and/or the positive effects of the changes are smaller than planned/the negative effects of the changes are larger than anticipated during the current financial period. In this case, the projected return to profitability would be postponed. The effects would not be long-term.

2. The recruitment of new staff will become more difficult and the turnover of existing staff will increase. Growth in revenue would slow down and costs could increase significantly if wages were to be raised. Wage increases would probably be at least partly passed on to prices, as the whole sector would be affected by the problems.

3. Inflation continues to raise costs without it being possible to pass them to prices in full. In this case, profitability could be lower than forecast for a longer period of time. The effect would be perhaps about 1–2 percentage points in the margins.

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 1.2.2022	319	22 322	36 925	324	197	60 087
Translation differences	0	-201	-331	-5	0	-537
Additions	0	3 879	2 916	0	390	7 185
Disposals	0	0	-1 772	0	-7	-1 779
Reclassifications	0	0	288	72	-390	-31
Cost 31.1.2023	319	26 000	38 026	391	190	64 925
Cumulative amortisation and impairment 1.2.2022	0	-12 778	-19 816	-305		-32 899
Translation differences	0	117	183	4		304
Cumulative amortisation on disposals and reclassifications	0	0	1 572	-45		1 527
Amortisation	0	-2 773	-4 799	-25		-7 597
Cumulative amortisation and impairment 31.1.2023	0	-15 434	-22 860	-370		-38 664
Carrying amount 31.1.2022	319	9 544	17 109	19	197	27 188
Carrying amount 31.1.2023	**319**	**10 565**	**15 166**	**21**	**190**	**26 261**

1000 EUR	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Cost 1.2.2021	319	20 860	36 067	316	539	58 101
Translation differences	0	-81	-163	0	0	-244
Business combinations	0	0	2 087	0	0	2 087
Additions	0	2 526	5 890	8	777	9 201
Disposals	0	-984	-8 073	0	0	-9 057
Reclassifications	0	0	1 119	0	-1 119	0
Cost 31.1.2022	319	22 322	36 925	324	197	60 087
Cumulative amortisation and impairment 1.2.2021	0	-10 569	-20 615	-286		-31 469
Translation differences	0	46	75	0		121
Cumulative amortisation on disposals and reclassifications	0	494	5 376	0		5 870
Amortisation	0	-2 747	-4 651	-19		-7 418
Impairment	0	-3	0	0		-3
Cumulative amortisation and impairment 31.1.2022	0	-12 778	-19 816	-305		-32 899
Carrying amount 31.1.2021	319	10 292	15 452	30	539	26 632
Carrying amount 31.1.2022	**319**	**9 544**	**17 109**	**19**	**197**	**27 188**

Accounting principle

Property, plant and equipment is initially recognized 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 recognized on the balance sheet at cost less accumulated amortization 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 amortization is recognized 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 amortization 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	**31.1.2023**	**31.1.2022**
Right-of-use assets*		
Buildings	8 103	6 826
Vehicles	5 089	5 902
	13 192	12 728

* included in balance sheet item Property, plant and equipment

Lease liabilities*		
Current lease liability	4 739	4 612
Non-current lease liability	8 648	8 297
	13 387	12 909

*include in balance sheet itens 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 1.2.2022	16 880	10 720	27 599
Translation differences	-201	-176	-377
Additions	3 879	1 767	5 646
Disposals	0	-550	-550
Cost 31.1.2023	20 557	11 760	32 317
Cumulative amortisation and impairment 1.2.2022	-10 054	-4 818	-14 872
Translation differences	117	109	226
Cumulative amortisation on disposals and reclassifications	0	470	470
Amortisation	-2 518	-2 432	-4 950
Cumulative amortisation and impairment 31.1.2023	-12 454	-6 672	-19 125
Carrying amount 31.1.2022	6 826	5 902	12 728
Carrying amount 31.1.2023	**8 103**	**5 089**	**13 192**

1000 EUR	Buildings and structures, right-of-use	Machinery and equipment, right-of-use	Total
Cost 1.2.2021	15 418	7 523	22 941
Translation differences	-81	-81	-161
Additions	2 526	2 693	5 219
Disposals	-984	-1 338	-2 322
Cost 31.1.2022	16 880	10 720	27 599
Cumulative amortisation and impairment 1.2.2021	-8 098	-3 441	-11 540
Translation differences	46	40	87
Cumulative amortisation on disposals and reclassificati	494	1 108	1 602
Amortisation	-2 496	-2 524	-5 020
Cumulative amortisation and impairment 31.1.2022	-10 054	-4 818	-14 872
Carrying amount 31.1.2021	7 320	4 082	11 402
Carrying amount 31.1.2022	**6 826**	**5 902**	**12 728**

Included in profit and loss statement	1.2.2022-31.1.2023	1.2.2021-31.1.2022
1000 eur		
Depreciation of right-of-use assets		
Buildings	-2 518	-2 496
Vehicles	-2 432	-2 524
Interest expense (included in finance cost)	-328	-360
Expense relating to short-term leases (included in other expenses)	-821	-642
Expense relating to leases of low-value assets that are not short-term leases (included in other expenses)	-105	-97

Cash outflow for lease agreements during the financial year 2022 totaled to EUR 6 388 (7 968) 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 recognized 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 recognized 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 amortized using the straight-line method over the shorter of its economic useful life or lease term.

Payments associated with short-term leases of assets of minor value 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. Assets of minor value are primarily comprised of office equipment.

Key discretionary decisions and estimates

The duration of leases on business premises are annually measured 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

EUR 1,000	31 January 2023	31 January 2022
Raw materials and consumables	8,878	8,948
Work in progress	2,172	2,707
Finished goods	4,707	3,809
	15,756	**15,464**

Accounting principle

Materials and supplies, work in progress and finished products are recognized 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 discretionary decisions and estimates

The measurement of inventories requires the management to make estimates and discretionary decisions 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

EUR 1,000	31 January 2023	31 January 2022
Trade receivables	7,344	7,213
Other receivables	69	101
Current prepayments and accrued income (from others)	2,457	2,284
	9,870	**9,598**

The maturity of trade receivables and the principles for measuring impairment are disclosed in Note 17 Financial risk management.

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 be close to 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 (amortized cost). After initial recognition, trade and other receivables are measured at amortized cost less impairment losses. A simplified model for trade receivables has been applied, as described in Note 17.

13. Other current liabilities

EUR 1,000	**31 January 2023**	**31 January 2022**
Current advances received, interest.free	128	95
Current trade payables, interest-free	5,428	7,453
Other current liabilities to others, interest-free	3,200	3,153
Current accrued liabilities to others, interest-free	3,677	2,828
	12,433	**13,528**

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 amortized 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

EUR 1,000	31 January 2023	31 January 2022
Non-current interest-bearing liabilities	45,831	47,338
Capitalized interest debt, non-interest-bearing	4,518	3,858
Current interest-bearing liabilities	4,742	4,633
Cash and cash equivalents	-3,557	-5,201
	51,534	**50,628**

	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 1.2.2022	5201	-4627	-8 297	-6	-42 899	-50 628
Cash flow	-1644	4762		6	2	3 127
Increase		-1235	-4 412			-5 647
Exchange rate adjustments		146			2 165	2 311
Other changes		-3789	4 062		-969	-696
Net debt 31.1.2023	3 557	-4 742	-8 647	0	-41 702	-51 534

	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 1.2.2021	2 219	-4 005	-7 380	-25 805	-14 065	-49 036
Cash flow	2 982	4 900		25 812	-29 074	4 620
Increase		-1 105	-4 097			-5 202
Exchange rate adjustments		55			1 086	1 141
Business combinations		-488	-1 434	-11		-1 933
Other changes		-3 985	4 614	-2	-846	-219
Net debt 31.1.2022	5 201	-4 627	-8 297	-6	-42 899	-50 628

15. Loans and financial assets

EUR 1,000	31 January 2023	31 January 2022
Non-current loans from financial institutions	26,143	28,000
Non-current capital loan liabilities	250	250
Non-current trade payables, interest-bearing	0	2
Non-current loans from related parties	10,789	10,789
Non-current lease liability	8,648	8,297
Capitalized interest	4,518	3,858
Non-current interest-bearing liabilities	**50,349**	**51,197**
Current loans from financial institutions	0	6
Current trade payables, interest-bearing	2	15
Current lease liability	4,739	4,612
Current interest-bearing liabilities	**4,742**	**4,633**

Loans from financial institutions and other financing

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 reorganization of financing on 12 February 2021. At the same time, the Company redeemed the equipment concerned by the leaseback agreement with Danske Finance Oy in full at the residual value according to the leaseback agreement.

In connection with the reorganization of financing, the Group's parent company HLRE Holding Oy (renamed to HLRE Holding Oyj in February 2021) 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 amortization-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 and on the Stockholm Stock Exchange regulated corporate bond list as of 8 February 2022.

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 Vesivek Tuotteet Oy (formerly Nesco Oy). Furthermore, the following internal loans have been pledged as collateral for the bond agreement:

Loan granted by HLRE Holding Oyj to HLRE Group Oy totalling EUR 11,996,333

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

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

Loan granted by HLRE Holding Oyj to Vesivek Tuotteet 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
Vesivek Tuotteet Oy (formerly 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:

Vesivek Tuotteet 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 2023, the amount of shareholder loans was EUR 10.8 million. The interest accrued on the loans totalled EUR 4.5 million pursuant to the coupon rate of 6.00% p.a. The terms and conditions of the shareholder loan were renegotiated already during the financial year so that interest will be paid together with the principal at the latest when the bond issued during the financial year falls due. Therefore, the interest is classified as part of non-current liabilities.

The shareholder loans are subordinated to the bond, 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 into financial liabilities at amortized cost and financial liabilities at fair value through profit or loss. A financial liability is classified as current unless the Group has an unconditional right to postpone the payment of the liability to a minimum of 12 months after the closing date of the reporting period. The financial liability is derecognized 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 amortized cost. They are initially measured at fair value less transaction costs. After initial recognition, the loans are measured at amortized 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

EUR 1,000	31 January 2023	31 January 2022
Non-current		
Other non-current financial assets	48	48
Loan receivables	17	7
	65	56
Current		
Loan receivables	53	63
Cash and cash equivalents	3,557	5,201
	3,610	5,265

Loan receivables are comprised of loans granted by the Company to its employees and shareholders. Loan receivables are measured at amortized cost. Loans to shareholders are presented 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 amortized 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 recognized on the value date.

Loan receivables are measured at amortized cost using the effective interest method. The expected credit losses of these items are estimated on a case by case basis. Losses are recognized 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 amortized cost. The associated credit risk and impairment matrix used in determining credit losses are described in note 17.

Investments are measured at fair value. Realized and unrealized changes in fair value are recognized in financial income and expenses.

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

Derivative instruments

With regard to the currency hedging of the SEK 300 million bond, the Group's Board of Directors approved the currency hedging proposed by Nordea Finland Branch to the Audit Committee at its meeting on 24 September 2021. This is a loss-limited forward contract. The company hedged SEK 200 million of the SEK 300 million bond, with the hedging rate of 10.16 while the bond was issued at a rate of 10.13. The structure consists of a synthetic forward (bought and sold option at the same rate) and a bought option. The structure is zero-cost in that the hedge did not have a cash impact at the time of its conclusion.

The fair value of the SEK 200 million currency hedge was EUR -1,461.1 (-484.3) thousand on 31 January 2023.

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 realized and unrealized gains and losses from the measurement of derivatives at fair value are recognized 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 derivatives is based on discounted cash flows and is included in Level 2 of the fair value hierarchy.

16. Financial income and expenses

EUR 1,000	**1 February 2022–31 January 2023**	**1 February 2021–31 January 2022**
Unrealised gains at fair value, derivatives	0	34
Interest income	65	10
Foreign exchange gain	1,952	1,101
Other finance income	1	2
Finance income	**2,018**	**1,146**
Interest on borrowings from others	-2,964	-2,923
Interest expenses on leases	-328	-360
Unrealised loss from a change in the fair value of financial assets and liabilities	-977	-484
Foreign exchange loss	-117	-123
Other financial cost	-65	-258
Finance cost	**-4,450**	**-4,148**
Finance income and cost	**-2,432**	**-3,003**

Accounting principle

Financial expenses 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 currency and interest rate derivatives.

Loan-related transaction expenses are expensed to the income statement using the effective interest method. The effective interest is the interest rate using which the estimated payments to be made during the expected running time of the loan 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 recognized using the effective interest method. If a loan receivable has been impaired on account of a credit event, interest income is recognized for the loan amount from which impairment losses have been decreased. 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, CFO and financial and accounting manager, 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 centralized 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 minimize financing costs.

The treasury function of the 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 3,557 thousand on 31 January 2023 (EUR 5,201 thousand on 31 January 2022). Furthermore, the HLRE Holding Group had binding overdraft facilities on 31 January 2023 with a total unused credit of EUR 2,000 thousand. The overdraft facilities are continuously available.

On 12 February 2021, the company issued a SEK 300 million 3-year, floating rate, secured non-amortising bond. 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 amortization-free loan makes it easier to manage the liquidity of seasonal business compared to a regularly amortized 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 bond issued by the Company in February 2021 will fall due for payment in February 2024 and the credit line from Danske Bank A/S Finland Branch will fall due six (6) months before the maturity of the bond.

The Company's current liquid assets and projected operating cash flow are insufficient to cover the repayment of the SEK 300 million bond due in February 2024 without additional funding. The Company's management estimates that it will be able to refinance the bond or obtain other additional financing. For this reason, the Company's financial statements have been prepared on the going concern principle. If the Company is unable to raise additional financing and the going concern assumption is therefore no longer valid, the situation might require the assets to be remeasured at the recoverable amount and any additional liabilities to be recognized

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.

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 January 2023

1000 EUR	No more than 12 months	Over 1 year and no more than 2 years	Over 2 years and no more than 5 years	Over 5 years	Total	Book value
Trade payables	5 431				5 431	5 431
Lease liabilities	5 013	3 883	4 593	414	13 904	13 387
Bonds	2 547	26 520			29 067	26 143
Shareholder loans		15 976			15 976	15 308
Derivatives					0	1 461

Maturities of contracts of financial liabilities 31 January 2022

1000 EUR	No more than 12 months	Over 1 year and no more than 2 years	Over 2 years and no more than 5 years	Over 5 years	Total	Book value
Trade payables	7 468	2			7 470	7 470
Lease liabilities	4 887	4 330	3 898	323	13 438	12 909
Loans from financial intitutions	1 888	1 888	29 077		32 853	28 000
Shareholder loans			15 964		15 964	14 648
Derivatives					0	484

1000 EUR	Fair value hierarchy level	31 Jan 2023		31 Jan 2022	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities					
Bonds	2	26 143	25 702	28 000	28 359
Shareholder loans	2	15 308	15 045	14 648	14 189
Derivatives	2	1461	1461	484	484

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 minor 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 and Vesivek Salaojat Oy offer their 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 or drainage 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 recognizing an impairment concerning expected credit losses, according to which an impairment item concerning the expected credit losses for the entire period of validity for all trade receivables. For determining the expected losses caused by credit risk, trade receivables are grouped based on shared credit risk properties and how long payment is overdue. The impairment concerning the loss on 31 January is determined as a combination of a statistical model and case-specific analysis. Receivables from financing companies (Laatutili from OP Bank, Santander) is deducted from the balance of trade receivables in the calculation because the associated credit risk is minor.

31.1.2023 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 %	1,66 %	3,58 %	20,00 %	40,00 %	70,00 %	
Gross carrying amount	5 443	385	273	118	74	408	6 702
Loss allowance provision, VAT 0%	3	5	8	19	24	230	290

31.1.2022 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	0,26 %	1,85 %	4,09 %	20,00 %	40,00 %	70,00 %	
Gross carrying amount	5 628	367	68	53	74	211	6 401
Loss allowance provision, VAT 0%	12	5	2	9	24	119	171

Credit losses, EUR 1,000	2023	2022
At 1 February	171	84
Increase in loss allowance recognized in profit or loss in the period	185	408
Receivables recognized as unrecoverable credit losses in the period	-66	-321
At 31 January	290	171

Key management 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.

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 minimize the impact of changes in interest rates on the Group's annual result and financial position while aiming to optimize net financing within the defined risk limits.

The SEK 300 million 3-year, non-amortizing bond issued by the company in February is a floating-rate bond. By the time of signing the financial statements, future interest payments were not hedged.

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.

In February 2021, the company issued a SEK 300 million 3-year, non-amortising bond. The company has hedged SEK 200 million of this bond. The currency derivative contract was entered into in autumn 2021 and it is valid until the end of the maturity of the loan. The Group aims to finance a significant part of the unhedged portion of the bond, SEK 100 million, during the maturity period with SEK-denominated positive cash flow from Vesivek Sverige AB and a positive cash flow from the roofing installation business carried out by the Oulu Tornio office in northern Sweden.

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 purchases the goods associated with installation activities to a significant extent in euros, internally profile production steel sheets, rainwater management systems, externally timber and other supplies included in the concept. During the financial year ended 31 January 2023, approximately EUR 3.5 million of the Swedish subsidiary's purchases of approximately EUR 5.7 million were made in euros.

The SEK-denominated trade payables and other current liabilities in the financial statements amounted to SEK 29 million (SEK 29 million), trade and other current receivables to SEK 33 million (SEK 29 million) and cash and cash equivalents to SEK 25.6 million (SEK 28.3 million). In 2022, the average exchange rate of the Swedish krona weakened by approximately five per cent from the previous year. At the previous year's average exchange rate of the krona against the euro, the result for the financial year would have been approximately EUR 0.4 million higher.

Vesivek Oy's Oulu unit sells and installs roofing and rainwater management 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.

EUR 1,000 **Exchange rate gains and losses**	**1 February 2022–31 January 2023**	**1 February 2021–31 January 2022**
Foreign exchange gain	1,952	1,103
Foreign exchange loss	-207	-180
	1,746	923

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 16 per cent (15 per cent) of the Group's business operations for the most recent financial year. Approximately 85–90% of the Group's foreign exchange flows are in euro, which is the home currency of all subsidiaries and businesses, except for the Swedish subsidiary Vesivek Oy and the Tornio unit's installation operations in northern Sweden.

Commodity risk

The COVID-19 pandemic still in early 2022 and Russia's attack against Ukraine have 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 during the financial year.

18. Shareholders’ equity

Stock:

Sentica Buyout IV funds	8,783,695	52.8%
Kimmo Riihimäki	5,497,826	33.1%
Other key personnel	1,878,498	11.3%
Other shareholders	439,154	2.6%
Treasury shares	27,550	0.2%
	16,626,723	100%

The total number of shares in HLRE Holding Oy did not change during the financial year 1 February 2022–31 January 2023.

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 recognized in share capital, unless the decision on the share issue orders it to be recognized 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 recognized in other comprehensive income and accumulated in the separate shareholders’ equity reserve as described in note 20. The accumulated amount is recognized 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 sand retained earnings. Changes in treasury shares are recognized 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 14. 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 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. The bond issued by the Company will fall due for payment in February 2024 and the credit line from Danske Bank A/S Finland Branch will fall due six (6) months before the maturity of the bond. There is a risk that the Company will not be able to refinance the bond and the restructured credit line, or financing will be arranged on significantly weaker terms than at present.

Additional information about the bond and overdraft facility is provided in note 15.

The most important monitored external capital indicator is the ratio of interest-bearing net debt to rolling 12-month EBITDA (leverage). According to the leverage financial covenant, 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.

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:

Company name	Domicile	Holding %, 31 January 2023	Holding %, 31 January 2022	Principal activity
HLRE Group Oy	Pirkkala	100	100	Administration and financial services
Vesivek Oy	Pirkkala	100	100	Installation and covering of roof structures
Vesivek Sverige AB	Sweden	91	91	Installation and covering of roof structures
Nesco Invest Oy	Orimattila	100	100	Other technical service
Vesivek Tuotteet (formerly Nesco Oy)	Orimattila	100	100	Fabrication of rainwater management systems and roof safety products
Tuusulan Peltikeskus Oy	Tuusula	100	100	Sheet metal works and sheet metal
Vesivek Salaojat Oy	Pirkkala	71	72	Drainage renovations

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.

In February 2021, in connection with the reorganization of financing, the group company Vesivek Oy acquired a 71.63% holding in Salaojakympit Oy, a company controlled by the Group's CEO. The Group's CEO acquired a holding of 71.63% in Salaojakympit Oy on 28 February 2020. On 1 April 2021, Salaojakympit Oy was renamed to Vesivek Salaojat Oy. 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. Salaojat operates in the same property as Vesivek Oy, under the same management of the area and unit.

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 recognized 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	**1.2.2022-31.1.2023**	**1.2.2021-31.1.2022**
Tax on income from operations	-500	-738
Tax for previous accounting periods	4	-4
Deferred taxes	121	79
Income tax	-374	-663

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	**1.2.2022-31.1.2023**	**1.2.2021-31.1.2022**
Accounting profit before taxes	36	1 353
Tax calculated at the parent company's tax rate of 20%	-7	-271
Effect of different tax rates in foreign subsidiaries	-5	-4
Tax-free income included in the accounting profit	12	4
Non-deductible expenses included in the accounting profit	-402	-391
Tax for previous accounting periods	4	-4
Losses for which no deferred tax asset is recognised	0	1
Application of loss from previous periods, for which deferred tax asset not recognised	23	0
Tax expense on profit and loss statement	-374	-663

1000 EUR	1.2.2022	Translation differences +/-	Changes through income statement	31.1.2023
Deferred tax asset				
Inventories, internal margin	195	-2	-33	160
Provision for credit losses	34	0	24	58
Unused tax loss	169	0	-15	154
Other items	333	-1	164	497
Total	**731**	**-2**	**140**	**869**

1000 EUR	1.2.2022	Translation differences +/-	Changes through income statement	31.1.2023
Deferred tax liability				
Property, plant and equipment	601	-9	87	679
Other items	176	-3	-69	104
Total	**777**	**-12**	**18**	783

Deferred tax on balance sheet	
Deferred tax asset	235
Deferred tax liability	150
Net deferred tax asset	85

1000 EUR	1.2.2021	Translation differences +/-	Changes through income statement	Recorded directly into equity	Changes through business	31.1.2022
Deferred tax asset						
Inventories, internal margin	177	-1	19	0	0	195
Provision for credit losses	17	0	17	0	0	34
Unused tax loss	0	0	-10	0	179	169
Other items	144	0	111	43	36	333
Total	**337**	**-1**	**138**	**43**	**215**	**731**

1000 EUR	1.2.2021	Translation differences +/-	Changes through income statement	Recorded directly into equity	Changes through business	31.1.2022
Deferred tax liability						
Property, plant and equipment	482	-5	124	0	0	601
Other items	241	0	-65	0	0	176
Total	**723**	**-5**	**59**	**0**	**0**	**777**

Deferred tax on balance sheet	
Deferred tax asset	169
Deferred tax liability	216
Net deferred tax liability	47

On 31 January 2023, the Group had confirmed tax losses carried forward of EUR 1,378,097.32 for which no deferred tax assets have been recognized 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 2023, the Group had related party interest carryforwards of EUR 6,414,869 for which no deferred tax assets have been recognized because it 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 recognized 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 recognized 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 any Deputy CEO, their family members and their controlled entities.

Related party transactions are treated in accordance with the related party guideline approved by the Board of Directors of HLRE Holding Oyj. The Company’s Board of Directors always decides on significant transactions with HLRE Holding Oyj and its related parties.

The 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 realized with related parties:

EUR 1,000 **With entities controlled by key management**	**31 January 2023**	**31 January 2022**
Sales of goods and services	0	52
Purchases of goods and services	484	190
Repayment of lease liability	710	1289
Interest expenses on lease liability	39	76
Trade payables	1	4

With shareholders and key management	31 January 2023	31 January 2022
Non-current liabilities	11,039	10,789
Interest liabilities	4,427	3,832
Interest expense	660	647
Loan receivables	47	0
Interest receivables	2	0
Interest income	2	0

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 bonus scheme are fulfilled. The accumulated benefits are determined annually based on calculations by actuaries. Any actuarial gains and losses are recognized through profit or loss in employee benefit expenses.

1000 eur	1 February 2022–31 January 2023	1 February 2021–31 January 2022
Employee benefit obligation		
Balance sheet:		
Defined benefit obligation	341	337
Statutory employee benefit expense	85	84
Employee benefit obligation	**426**	**421**
Opening net balance sheet liability	337	311
Items recognized in operating profit:		
Expense (+)/income (-) recognised in Profit or Loss	68	87
Business combinations	0	16
Contributions paid	-64	-77
Net defined benefit liability in balance sheet	**341**	**337**
Assummptions and census data statistics		
Discount rate	3,3 %	0,5 %
Rate of inflation	2,6 %	2,0 %
Rate of salary increase	3,1 %	2,5 %
Employee turnover	15,0 %	15,0 %

The Group anticipates that it will pay EUR 74 thousand relating to years of service benefits during the financial year ending on 31 January 2024.

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 reporting standards and reporting standards that will enter into force at a later date

The IASB amended IAS 16 Property, Plant and Equipment to prohibit entities from deducting from the cost of an item of property, plant and equipment revenue that an entity receives from assets manufactured and sold before the introduction of the asset.

The IASB amended IAS 37 Onerous Contracts to clarify that the direct costs necessary to settle an obligation under a contract include both incremental costs incurred to settle the obligation and other costs that are attributable to the performance of the obligation under the contract.

These amendments will enter into force for financial periods beginning on or after 1 January 2022.

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 guidelines are included on immaterial information.

The IASB has amended IAS 12 Income Taxes concerning a situation in which both an asset and a liability are recognized for an individual transaction, such as a lease. The amendment clarifies that the exceptions to the recognition of a deferred tax asset and a deferred tax liability in paragraphs 15 and 24 of the Standard do not apply in those situations.

These amendments will enter into force for financial periods beginning on or after 1 January 2023.

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

After the reporting period, in February 2023, the Board of Directors of the Company decided to start co-operation negotiations with the personnel at Vesivek Oy’s Lahti unit. The negotiations ended in March 2023. As a result of the negotiations, the roof installation business of the Lahti unit will be discontinued during Q1/2023 and Vesivek Oy will continue in the Lahti economic area only in the rainwater and roof safety business. The changes will lead to the termination of the employment of 12 people at the latest by the end of H1/2023.

At the beginning of April 2023, the Board of Directors of the Company issued a change negotiation proposal concerning the entire Kuopio unit of Vesivek Oy and Vesivek Salaojat Oy. The change negotiation will address the plan according to which the Kuopio unit will focus on the gutter and roof safety business and the drainage business in the future. With regard to the roofing business, the plan is to partially implement sites in the area from other nearest units (Jyväskylä, Joensuu, Mikkeli).

Parent company’s financial statements, FAS

Parent company’s income statement

EUR 1,000	Note	1 February 2022–31 January 2023	1 February 2021–31 January 2022
TURNOVER		**325**	**472**
Employee benefit expenses	1	-148	-185
Depreciation, amortization and impairment		-24	-24
Other operating expenses	2	-153	-284
OPERATING PROFIT (LOSS)		**-1**	**-21**
Financial income and expenses	3.		
Financial income		4,518	3,529
Financial expenses		-2,654	-3,510
PROFIT (LOSS) BEFORE TAXES		**1,864**	**-2**
Group contribution		-1,500	0
Appropriations	4	**-1,500**	**0**
Direct taxes	4	-72	0
Profit or loss for the financial year		**291**	**-2**

Parent company's balance sheet

EUR 1,000	Note	31 January 2023	31 January 2022
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	5	22	46
Investments	6	19,803	19,803
		19,824	19,848
CURRENT ASSETS			
Non-current receivables	7	33,888	33,888
Current receivables	8	9,521	9,034
Cash and cash equivalents		36	61
		43,445	42,984
ASSETS		**63,269**	**62,832**
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital		80	80
Other reserves			
Invested non-restricted equity reserve		18,002	18,002
Retained earnings		990	992
Profit or loss for the financial year		291	-2
SHAREHOLDERS' EQUITY	9	**19,363**	**19,072**
LIABILITIES			
Non-current liabilities	10	37,226	39,391
Current liabilities	11	6,681	4,370
LIABILITIES		43,906	43,760
SHAREHOLDERS' EQUITY AND LIABILITIES		**63,269**	**62,832**

Parent company's cash flow

1000 EUR	Note	1.2.2022-31.1.2023	1.2.2021-31.1.2022
Cash flows from operating activities			
PROFIT/LOSS FOR THE PERIOD		291	-2
Adjustments to profit/loss for the period		-268	5
Operating cash flow before working capital changes		23	3
Working capital changes			
Increase /decrease in trade and other receivables		126	-168
Increase / decrease in trade payables		-109	91
Cash flows from operations before financial items and taxes		41	-73
Interest paid		-2 132	-1 565
Interest received		1 729	1 676
Other financial items		6	-970
Income taxes paid		-27	-26
Net cash from operating activities		**-384**	**-958**
Cash flows from investing activities			
Loans granted		0	-26 188
Addition / deduction of cash equivalents		157	-2 454
Net cash used in investing activities		**157**	**-28 643**
Cash flows from financing activities			
Purchase of treasury shares		0	-28
Proceeds from sale of treasury shares		0	78
Addition / deduction of current borrowings		201	0
Proceeds from non-current borrowings		0	29 671
Repayment of non-current borrowings		0	-200
Net cash used in financing activities		**201**	**29 521**
Net change in cash and cash equivalents		**-26**	**-79**
Cash and cash equivalents, opening amount		61	141
Net increase/decrease in cash and cash equivalents		-26	-79
Cash and cash equivalents		36	61

Parent company's notes

The financial statements of HLRE Holding Oyj have been prepared in accordance with the Finnish Accounting Act. The financial statements have been prepared in accordance with the requirements set for micro-enterprises (Government Decree on the information presented in the financial statements of a small undertaking and micro-undertaking, chapters 2 and 3).

<u>Business continuity</u>

The financial statements for the financial period 1 February 2022–31 January 2023 have been prepared based on the going concern principle, assuming that the Company will be able to liquidate its assets and settle its liabilities as part of normal business operations in the foreseeable future.

The SEK 300 million bond issued by the Company in February 2021 will fall due for payment in February 2024 and the EUR 2 million credit line from Danske Bank A/S Finland Branch will fall due six (6) months before the maturity of the bond.

The Company's management has prepared financial forecasts of the development of turnover, expenses and investments until February 2024. The Company's current liquid assets and projected operating cash flow are insufficient to cover the repayment of the SEK 300 million bond due in February 2024 without additional funding. There is a risk that the Company will not be able to refinance the bond or restructure the credit line.

As no binding decisions on additional financing have yet been issued by the date of adoption of the financial statements, the adequacy of financing constitutes a significant uncertainty that may give rise to significant doubts about the Company's ability to continue as a going concern. If the Company is unable to raise additional financing and the going concern assumption is therefore no longer valid, the situation might require the assets to be remeasured at the recoverable amount and any additional liabilities to be recognized. The company's management estimates that it will be able to refinance the bond or obtain other additional financing. As a result, the Company's financial statements have been prepared on the basis of the going concern principle.

1. Notes concerning the personnel and members of governing organs

Personnel expenses	1 February 2022–31 January 2023	1 February 2021–31 January 2022
Wages, salaries and fees	-131	-172
Pension expenses	-12	-10
Other social security contributions	-5	-3
Total	-148	-185
Management salaries, fees and fringe benefits		
CEO	95	128
Board members	36	27
Total	131	155
Number of personnel		
Average during the financial year	1	1

2. Other operating expenses and auditors' fees

EUR 1,000	1 February 2022–31 January 2023	1 February 2021–31 January 2022
To the auditor: actual audit	-22	-27
To the auditor: other expert services	-24	-44
Legal and consulting services	-23	-165
Other operating expenses	-84	-48
	-153	-284

3. Financial income and expenses

EUR 1,000	1 February 2022–31 January 2023	1 February 2021–31 January 2022
Interest income from Group companies	2,498	2,446
Exchange rate gains	2,019	1,082
Financial income total	4,518	3,529
Interest expenses from liabilities to others	-2,646	-2,540
Other debt financial expenses	-2	-940
Exchange rate losses	-6	-29
Total financial expenses	-2,654	-3,510
Total financial income and expenses	1,864	19

4. Direct taxes

EUR 1,000	1 February 2022–31 January 2023	1 February 2021–31 January 2022
Income taxes on actual operations	-72	0
	-72	0

5. Intangible assets

EUR 1,000	Intangible rights	Total
Cost 1 February 2022	116	116
Increase	0	0
Reclassifications	0	0
Cost 31 January 2023	116	116
Accumulated depreciation, amortization and impairment 1 February 2022	-70	-70
Depreciation and amortization	-24	-24
Accumulated depreciation, amortization and impairment 31 January 2023	-94	-94
Book value 31 January 2023	**22**	**22**
Book value 31 January 2022	46	46

6. Investments

EUR 1,000	Participations in Group companies	Total
Cost 1 February 2022	19,803	19,803
Cost 31 January 2023	19,803	19,803
Book value 31 January 2023	**19,803**	**19,803**
Book value 31 January 2022	19,803	19,803

7. Non-current receivables

EUR 1,000	31 January 2023	31 January 2022
Non-current intra-Group loan receivables	33,888	33,888

8. Current receivables

EUR 1,000	31 January 2023	31 January 2022
Receivables from Group companies		
Intra-group trade receivables	0	115
Interest receivables on intra-Group loans	7,218	6,448
Group account receivables	2,297	2,454
Receivables from others		
Other receivables	1	0
Accrued income	5	17
	9,521	**9,034**

9. Shareholders’ equity

EUR 1,000		
Restricted shareholders’ equity	**31 January 2023**	**31 January 2022**
Share capital	80	80
Total restricted equity at the end of the financial year	80	80
Non-restricted shareholders’ equity		
Invested non-restricted equity reserve	18,002	18,002
Retained earnings, at the beginning of the period	990	942
Repurchase of shares	0	-28
Sales of treasury shares	0	78
Profit or loss for the financial year	291	-2
Total non-restricted shareholders’ equity at the end of the financial year	**19,283**	**18,992**
Distributable non-restricted shareholders’ equity		
Retained earnings	990	992
Profit or loss for the financial year	291	-2
Invested non-restricted equity reserve	18,002	18,002
Total distributable funds	19,283	18,992

The Board of Directors’ proposal to the general meeting is that no dividends be distributed.

10. Non-current liabilities

EUR 1,000	31 January 2023	31 January 2022
Bonds	26,436	28,601
Liabilities to related parties	10,789	10,789
	37,226	39,391

11. Current liabilities

EUR 1,000	31 January 2023	31 January 2022
Liabilities to Group companies		
Trade payables	1	2
Group account liabilities	201	0
Group contribution liabilities	1,500	0
Accrued charges	4	0
Liabilities to others		
Trade payables	2	8
Other liabilities	6	22
Interest liabilities	4,919	4,246
Other accrued charges	2	91
Deferred tax liability	45	0
	6,681	4,370

12. Guarantees and contingent liabilities

HLRE Holding Oyj has pledged 2,500 shares in the subsidiary HLRE Group Oy as collateral for the secured financing arrangement of SEK 300,000,000 concerning the Group. In addition, part of intra-Group receivables are pledged as collateral.

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
Vesivek Tuotteet 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:

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

The fair value of the derivative in the financial statements is EUR 1,461 thousand (EUR -484 thousand) and the nominal value SEK 200 million.

Calculation formulas for key figures

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

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

Pirkkala, 28 April 2023

Board of Directors of HLRE Holding Oyj

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

Auditor’s note

A report on the audit performed has been issued today

Tampere, 2 May 2023

PricewaterhouseCoopers Oy

Audit firm

Markku Launis

APA