HLRE Holding Oyj
Financial statements
1 February 2023–31 January 2024

Contents

Report of the Board of Directors

FINANCIAL PERIOD 1 FEBRUARY 2023–31 JANUARY 2024

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 2024, the HLRE Holding Group operated in 16 (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 are 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	**1.2.2023-31.1.2024**	Change	**1.2.2022-31.1.2023**	Change	**1.2.2021-31.1.2022**
Turnover	108 161,2	-16,4 %	129 455,0	-0,7 %	130 351,5
EBITDA	2 138,8	-79,1 %	10 225,5	-16,3 %	12 210,9
Profit/loss for the financial period	-13 277,9	-3833,7 %	-337,5	-148,9 %	690,5
Equity ratio	16,5 %	-41,9 %	28,3 %	0,1 %	28,3 %
Cash frlo from perating activities	4 322,3	-14,0 %	5 025,6	-31,5 %	7 332,4
Personnel average	801	-4,2 %	836	-1,6 %	850
Gross capital expenditure	-999,3	-49,7 %	-1 987,4	-50,5 %	-4 011,0

MAJOR EVENTS DURING THE FINANCIAL PERIOD

The Group's turnover decreased from EUR 129.5 million to EUR 108.1 million (-16.4%) year-on-year.

In February 2023, the Group continued the restructuring and efficiency improvement programme started in the previous financial period by announcing that it will commence co-determination negotiations in the Lahti unit of its subsidiary, Vesivek Oy. 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 start of April, the Company's Board of Directors announced that it would start co-determination negotiations in the Kuopio unit of Vesivek Oy and Vesivek Salaojat Oy. The negotiations ended at the end of April. As a result of the negotiations, the Company decided to discontinue the roofing business of the Kuopio unit and only continue the rainwater system business, roof protection business and drainage business in the area.

In May, the Company decided to close Vesivek Oy Oulu's branch office in Tornio.

In May, the Group companies HLRE Group Oy and Vesivek Oy also announced the start of change negotiations regarding all of HLRE Group Oy's employees as well as Vesivek Oy's salaried employees, with the exception of the salaried employees in Oulu, Nurmijärvi/Lohja and Kerava/Orimattila. The negotiations ended at the end of May, resulting in both temporary layoffs and redundancies.

In October, the Group company Vesivek Tuotteet Oy announced that it will start change negotiations regarding the entire company. The negotiations ended at the end of October, resulting in both temporary layoffs and redundancies.

Due to low demand, the Company continued unit-specific efficiency measures at Vesivek Oy and Vesivek Salaojat Oy in the last quarter of the 2024 financial period, which have led to both redundancies of salaried employees as well as the temporary layoffs of employees and salaried employees.

The Group company responsible for roof renovations in Finland, Vesivek Oy, already moved to primarily scaffolding-based roof installations during the 2019 financial period. 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.

Launched in February 2022, Russia's still ongoing war of aggression against Ukraine has further increased uncertainty and general instability in Europe. The economic downturn, high interest rates compared to long-standing zero interest rates as well as tighter lending policies by credit institutions have further contributed to increased consumer distrust.

In the summer of 2023, the Group commenced negotiations for the refinancing of a SEK 300 million bond falling due in February 2024. On 30 January 2024, the Group announced that a result has been reached in the negotiations between the Company and the principal creditor with a controlling share of approximately 66.67% regarding the refinancing of the loan. However, with the original maturity date on 12 February 2024 of the 3-year loan issued on 12 February 2021 approaching, the Group announced on 30 January 2024 that it will request for a one-month extension to finalise the terms and conditions of the bond, which was approved on 5 February 2024 by the majority required for the bond.

In February 2024, the Group continued to finalise the terms and conditions of the bond, announcing on 8 March 2024 a refinancing of SEK 300 million over a three-year period.

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 2023–31 January 2024 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 consolidated result for the financial year ended 31 January 2024 was EUR -13,277.9 (-0.3) million, which includes an impairment of goodwill of EUR 5.0 million, cash flow from the Company's operations of EUR 4.3 (5.0) million and net debt of EUR 55.2 (51.5) million. After the end of the financial year, the Company refinanced the SEK 300 million bond issued by the Company that falls due for payment in February 2024. The bond falls due for payment in February 2027. The terms and conditions of the bond are described in more detail in section 17 Management of financial risks.

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 behaviour, among other things. These can present both challenges and opportunities to the development of the Group’s business.

In the first half of 2024, the Group continued the organisational efficiency measures it initiated in 2023 in a few of Vesivek Oy's units.

With due account taken of the refinancing of the bond, the Company’s management has prepared financial forecasts for the development of turnover, expenses and investments. In assessing the continuity of business operations, the Company’s management estimates that the Company’s current liquid assets and projected cash flow from operations are sufficient to cover the liabilities and obligations arising from its operations for at least 12 months.

For this reason, the Company’s financial statements have been prepared on the going concern principle.

PERSONNEL

At the end of the financial year, the number of personnel amounted to 757 (835), a decrease of 41 employees, or -9.3 per cent. The Group personnel averaged 801 (836) FTE, a decrease of 35 employees, or -4.2 per cent. The Group’s employee benefits expenses totalled EUR 49.7 (50.3) million, a decrease of EUR -3,2 million, or -6.4 per cent.

KEY FEATURES OF INTERNAL CONTROL AND RISK MANAGEMENT RELATED TO THE FINANCIAL REPORTING PROCESS

Board of Directors

In accordance with article 10 of the Articles of Association of the Group's parent company HLRE Holding Oyj, 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) standing members according to the resolution of a general meeting of shareholders. The term of office of the Board members expires at the close of the next Annual General Meeting after their election.

The Board of Directors sees to the administration and appropriate organisation of the operations of the entire HLRE Holding Group and directs and oversees the operations of the HLRE Holding Group. The Board of Directors' task is to promote the interests of the HLRE Holding Group and HLRE Holding Plc's shareholders.

The Board of Directors is responsible for the appropriate arrangement of the control of the Company's accounts and finances. The Board of Directors reviews and adopts the Company's financial statements and consolidated financial statements for the financial year ended, as well as any half-year report for the period ended in July and any interim reports for the periods ended in April and October. In addition, the Board of Directors oversees the Company's CEO and Executive Board and approves the Group-wide strategic objectives and the principles for risk management and governance systems. The Board of Directors addresses and decides on all matters of major significance in view of the Group's operations.

The Board of Directors convenes the Company's Annual General Meeting and makes proposals on the matters to be addressed therein. The Board of Directors monitors the development of the Group's operational activities mainly through the CEO's and business segments' reviews and monthly reports.

At the company's Annual General Meeting on 26 May 2023, Pentti Tuunala, Kimmo Riihimäki, Ari Haapakoski, Timo Pirskanen, Mika Uotila and Anu Syrmä were re-elected as members of the Board of Directors. At its first meeting of 26 May 2023, the Board of Directors elected Pentti Tuunala as its Chair. At its meeting of 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 2023–31 January 2024, the Board of Directors convened 14 times. The attendance rate of the Board members was 99%. The Audit Committee convened 4 times during the financial year 1 February 2023–31 January 2024 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 26 May 2023 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.

Audit Committee

The Board of Directors of HLRE Holding Oyj has set up an Audit Committee consisting of three to five members. The Board elects the members of the Audit Committee and the Chair of the Committee from among its members. The Audit Committee focuses on the handling and preparation of matters pertaining to financial reporting and control in particular. The Audit Committee convenes regularly at least four times a year.

The purpose of the Audit Committee, as an assisting body to the Board of Directors, is to prepare matters pertaining to the company’s financial reporting and control. The Audit Committee has no independent decision-making powers, but instead it assists the Board of Directors in the preparation of its decision-making. The Board of Directors makes decisions on the basis of the committee’s preparations, including matters referred to the Audit Committee.

The Audit Committee monitors the financial situation, budgeting, financial position and risk management of the HLRE Holding Group. The task of the Audit Committee is to:

- monitor the financial reporting process;
- monitor the effectiveness of internal controls, any internal audit and risk management systems;
- monitor the financial and tax position of the Company;
- monitor significant financial, financial and tax risks;
- supervise the financial reporting process and process financial disclosures;
- monitor the risk management process;
- assess the impact of exceptional or significant transactions;
- assess legal and regulatory compliance processes;
- prepare a proposal for a decision on the selection of an auditor;
- review the description of the key features of the internal control and risk management systems pertaining to the financial reporting process, which is included in the company´s corporate governance statement;
- monitor the statutory audit of the financial statements and consolidated financial statements; and
- assess the independence of the statutory auditor or auditing firm and the provision of ancillary services to the Company.

The Audit Committee convened 4 times during the financial year 1 February 2023–31 January 2024 with an attendance rate of 100%.

CEO

The Board of Directors appoints the CEO and decides on the terms of and conditions of their service contract. The CEO is responsible for directing the Company's operational management and the Group’s business in accordance with the instructions and orders given by the Board of Directors, supported by the Group's management team appointed by the CEO.

The CEO is responsible for ensuring that the Company's accounts are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Group's management team

Vesivek Group's management team supports the CEO in preparing strategic matters, addressing significant or fundamental operational matters and ensuring internal flow of information. The management team is chaired by the Group's CEO and it convenes regularly upon invitation of the CEO.

As an expert body, the management team assists the CEO in the management of the Group's operational business. The management team prepares and steers the development of the Group's processes and business as well as the Group's common functions, and promotes the flow of information and cooperation between different parts of the organisation. In particular, the Group's strategy and target setting, the budget, major procurements and projects, the Group's structure and organisation, as well as the main management policies and HR policy issues, are discussed in the management team. In addition, the management team monitors and evaluates the profitability of business operations and the effectiveness of internal control and reporting systems.

The management team informs HLRE Holding Oyj's Board of Directors without delay of any matters it has become aware of that may be expected to have a material impact on the Group's operations. The management team must also inform the Board of Directors of issues such as occupational accidents resulting in serious injury, significant complaints concerning the Group, significant legal proceedings and/or claims, and any other issues that of relevance in view of the duties or responsibility of HLRE Holding Oyj's Board of Directors.

During the financial year, the following changes occurred in the Company's management team that has been operating since 2021 October: Juha Höyhtyä, Managing Director of Vesivek Oy and Vesivek Salaojat Oy, was relieved of his duties in 2023 August. Kimmo Riihimäki, CEO of the Group, assumed responsibility for the duties of the Managing Director of Vesivek Oy and Vesivek Salaojat Oy. In November 2023, Hanna Rinne was replaced by Niina Martin as the Group's interim HR Director. At the end of the financial year, the composition of the Company's management team was as follows: Kimmo Riihimäki, CEO; Niina Martin, interim HR Director; Jari Raudanpää, CFO; Pasi Heikkonen, Managing Director of Vesivek Tuotteet Oy; Jani Jylhä, Managing Director of Vesivek Sverige AB. The Management Team convenes regularly every month.

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.

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, the Company's market environment in the roof and drainage renovation sectors has become more challenging due to increased general uncertainty among consumers, as a result of which roof and drainage renovations are increasingly being postponed to the future. Increased uncertainty, combined with the tighter lending policy of credit institutions and increased financing costs, has created a challenging environment for consumers considering renovation.

For the Nesco subgroup, no need for a writedown was identified in goodwill impairment testing, and the recoverable cash flows are sufficient to cover the book value of the assets. When goodwill was tested for Vesivek Oy and Vesivek Salaojat Oy, HLRE Holding concluded in its calculations that the amount of money corresponding to the accounts would not be recoverable, and goodwill of EUR 5.0 million was written down in the financial statements of 31 January 2024. At the end of the financial year 2024, the balance sheet of the HLRE Holding Group included EUR 35.3 million of goodwill.

In addition to the risks mentioned in the Business continuity section above and other normal business risks, the Group is not aware of any other material risks affecting its operations. The Group's turnover for the financial year 1 February 2021–31 January 2022 is expected to remain unchanged or increase moderately as profitability improves. The Group's potential growth in Finland will be generated from the increased efficiency of the existing locations of Vesivek Salaojat Oy and the Swedish subsidiary.

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.

AUDITING

The Annual General Meeting of 26 May 2023 resolved to appoint KPMG Oy Ab as the company’s auditor for the financial year 1 February 2023–31 January 2024, with Assi Lintula, Authorised Public Accountant, serving as the auditor-in-charge.

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. A more detailed description of the ownership structure is given in the notes in section 18 Shareholders’ equity.

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 38 shareholders. At the end of the financial year, the company had a total of 55,795 treasury shares.

At the end of the financial year, 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 loss for the financial year was EUR -963,103.05. The Board of Directors proposes that the loss for the financial period be recognised as a change in profit and loss, after which distributable funds of EUR 18,319,753.99 will be available to the General Meeting. The Board of Directors’ proposal to the general meeting is that no dividends be distributed.

MAJOR EVENTS AFTER THE FINANCIAL PERIOD

On 30 January 2024, the Group announced that it had successfully concluded the negotiations with the majority holder of the bond on the terms and conditions for refinancing the bond, while at the same time announcing that, as the maturity of the outstanding bonds, being 12 February 2024, was approaching, it will request for a one-month extension to finalise the terms and conditions. On 5 February 2024, the Group announced that the majority of the bondholders had approved the one-month extension. In February 2024, the Group continued to finalise the terms and conditions of the bond, announcing on 8 March 2024 the refinancing of the three-year SEK 300 million bond and the registration of the bond with Nasdaq Stockholm on 13 March 2024. The terms and conditions of the bond are described in more detail in section "15. Loans and financial assets".

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 behaviour, among other things. These can present both challenges and opportunities to the development of the Group's business.

In the first half of 2024, the Group continued the organisational efficiency measures it initiated in 2023 in a few of Vesivek Oy's units. By the time of signing the financial statements, the negotiations conducted during the early part of the year had resulted in the termination of employment of about 20 people during the spring of 2024.

Statement of non-financial information

HLRE HOLDING OYJ Vesivek Group

Statement of non-financial information FY 2024

In this Code of Conduct, "Vesivek", "Company" and "Group" means HLRE Holding Oyj and all its Group companies.

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 4,000 roof renovations nationwide every year in Finland and about 1,000 roof renovations in Sweden in the Stockholm and, until the spring of 2023, Northern Sweden Kalix areas. In addition, the Company carries out 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 individual sustainability-related actions, such as planting trees in Finnish forests every year.

Sustainability

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 healthy 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.

In 2023, a sustainability programme was launched at Vesivek. Vesivek wants to be active in sustainability matters and collaborates with stakeholders on these issues. At the beginning of the programme, we discussed the most important topics with the principal stakeholders. Discussions were held with major customers, suppliers, financial institutions and owners. Following internal and stakeholder consultations, the following themes emerged as principal themes in the programme:

1. **Reduction of CO2 emissions**
2. **Sorting of waste**
3. **Prolonging the service life of properties**
4. **Health and safety at work**
5. **Staff turnover**
6. **Corporate governance – Code of conduct**

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 availability. Vesivek only operates with reliable and responsible 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 by maintaining 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 a renovation site. The share of renewable energy in the electricity of Vesivek's Pirkkala property is increased by solar panels installed on the property.

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.

Reducing CO2 emissions

In 2023, the most important CO2 emissions were mapped out at Vesivek in connection with the sustainability project. Two major themes were highlighted as sources of emissions: purchased steel and emissions from the Group's own cars. Vesivek works actively to reduce its CO2 emissions and to take environmental issues into account in its operations. Between 2024 and 2025, Vesivek aims to replace 25–30% of the diesel fuel in its own cars with Neste Biodiesel, which has 90% lower CO2 emissions than conventional diesel. In the future, Vesivek will also strive to develop its fleet towards carbon neutrality.

In the longer term, Vesivek aims to be carbon neutral by 2050. The most significant achievement to this end in 2023 was involvement in the steel supplier's project to develop fossil-free steel. In 2023, Vesivek produced the first roofing sheets from the pilot lot of fossil-free steel. SSAB's development project towards fossil-free steel was started in 2016. In 2023, SSAB launched "SSAB Zero", a carbon-neutral steel made from recycled raw material and using fossil-free electricity and fuels. SSAB aims to start investing in two plants producing fossil-free steel by 2030.

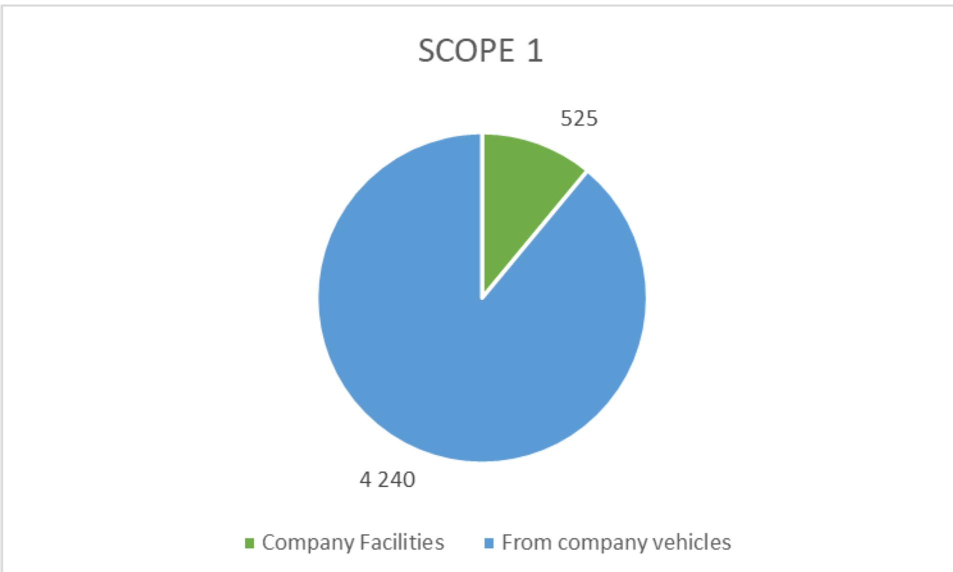
Fossil-free steel will have a significant impact on Vesivek's CO2 emissions, with Scope 3 emissions accounting for the largest share of the Company's total carbon dioxide emissions.

Vesivek develops its products in roofing, rainwater systems and drainage to better meet the demands of the changing climate. Studies show that the amount of rainfall will increase with climate change. This can also have a positive impact on Vesivek's business. In 2023, Vesivek AB gradually started installing solar panels in Sweden as part of roof renovations.

CO2 emissions in 2023

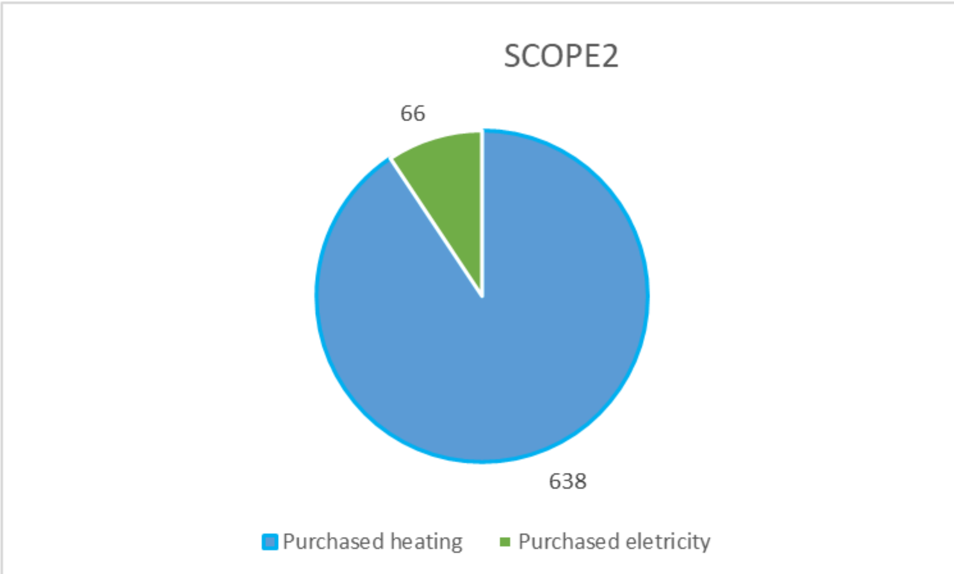
Scope 1

Scope 1 carbon dioxide emissions include the Group's own power plant in Pirkkala and vehicles. In practice, vehicles are the most significant of the two. The actual carbon dioxide emissions in 2023 were 4,240 tCO2e. The distribution of Scope 1 emissions within the Group in 2023 is shown below:



Scope 2

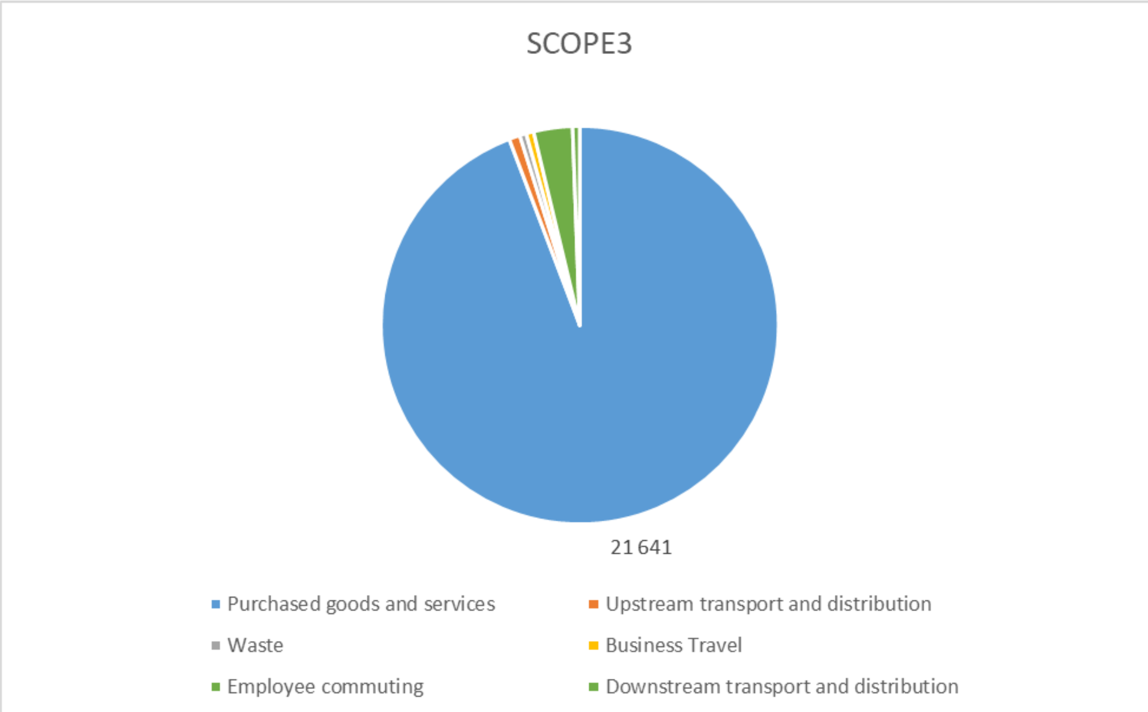
In 2023, Scope 2 carbon emissions totalled 704 tCO2e. The electricity purchased by the Group is fossil-free. Most of the carbon dioxide emissions, 563 tCO2e, are generated by the liquefied gas used to heat the furnaces in the Orimattila plant's paint shop. The energy panels on the roof of the Pirkkala site also generated 27.9 MWh of electricity for sale to the national grid in 2023. The distribution of Scope 2 carbon emissions within the Group in 2023 (MWh):



Electricity consumption and location-based CO2 emissions by country in 2023 are described in the table below:

	MWh	Average kgCO2e/MWh	tCO2e
Finland	3,204	77	247
Sweden	285	19	5.4

Scope 3



Scope 3 emissions at Vesiveki in 2023 were 22,970 t. The largest amount of emissions comes from purchased goods and services, of which purchased steel accounts for approximately 90% of the emissions. Another important area is work-related travel by employees.

Total CO2 emissions

Scope 1	**2023**
Emissions tCO2e	4,764
Scope 2	
Procurement-based tCO2e	704
Location-based tCO2e	890
Scope 3	
Emissions tCO2e	22,970

Energy consumption

MWh	2023
Fuels	**12,896**
Non-renewable	12,834
Renewable	62
Percentage of renewables	0.5%
Electricity and heating	**7,688**
Non-renewable	5,862
Renewable	1,825
Percentage of renewables	31%
Total energy consumption	**20,584**
Non-renewable	18,696
Renewable	1,887
Percentage of renewables	**9%**

Responsible environmental actions

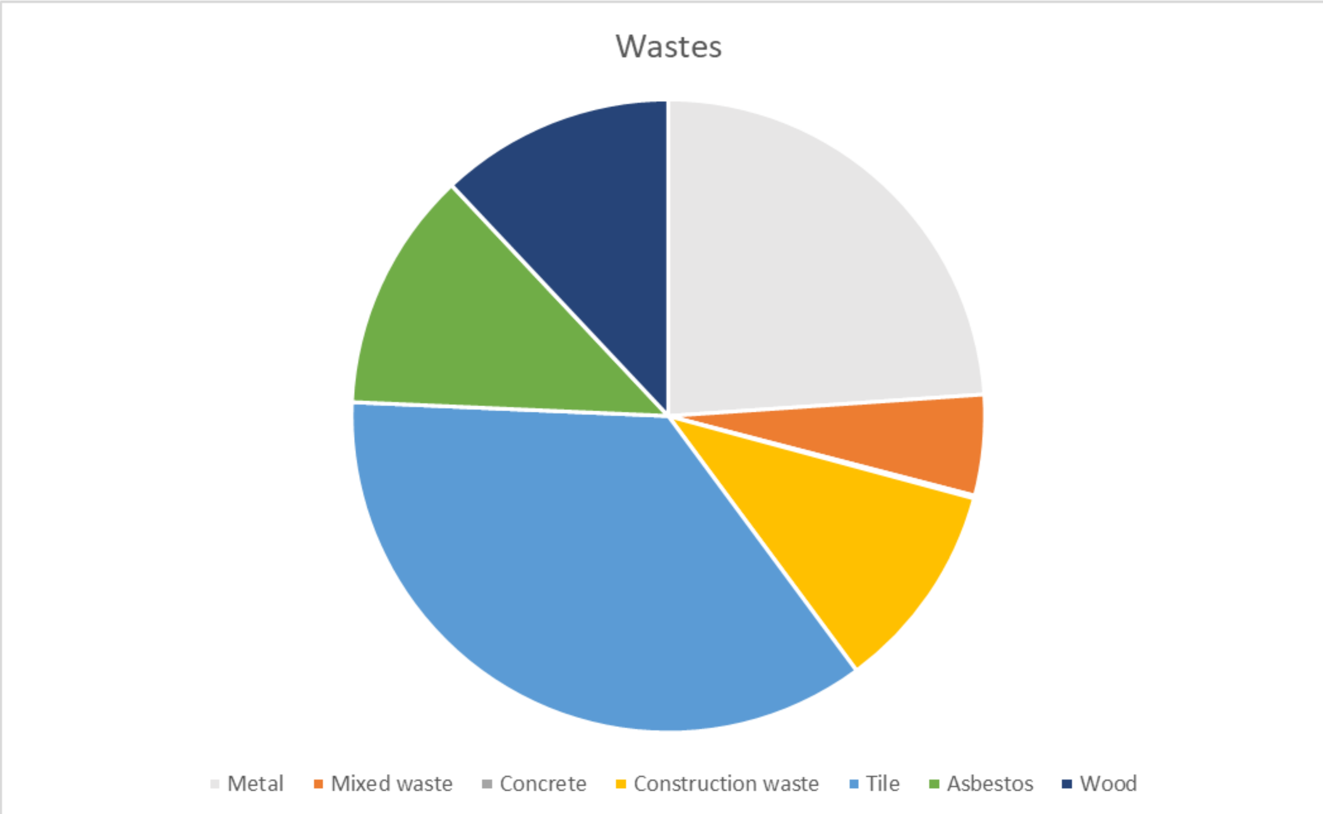
In 2022, Vesivek collaborated with the Finnish rock band Apulanta in the 'Minusta kasvaa Puu' project, where Apulanta distributed birch seeds to all listeners coming to their Olympic Stadium concerts. Vesivek also distributed these as a souvenier to their customers who had their roof or drainage renovated.

In 2020, Vesivek compensated for the carbon footprint of its employees by planting trees.

Sorting of waste

Throughout its existence, Vesivek has sought to be a pioneer in the sorting of waste. The main rule for installations is that all waste is taken away from the installation site at the end of the day. Vesivek actively seeks to recycle as much of the generated construction waste as possible. Of the waste that currently does not end up in recycling, two groups are highlighted: wood waste, which is utilised by incineration as energy, and asbestos, which cannot be utilised. In other respects, the largest waste, metal and brick waste, is reused. The metal is fed through the melt shop for recycling, and the bricks are crushed into roadbeds, for example. Vesivek aims to achieve a recycling rate of at least 70% when sorting waste. In 2024, Vesivek will start collaboration with Remeo Oy to improve waste recycling.

In 2023, the Vesivek Group’s recycling rate was 70.4%. The largest amounts of recycled waste are brick waste and metal waste. Non-recycled waste includes asbestos and wood waste. Of these, all but asbestos have been utilised in heat production. Asbestos has been used in buildings in Finland until the 80s, so in the long term it will be reduced when properties are renovated/built using more modern materials. The waste generated by the Group’s business, broken down by types of waste, is described as follows:



Prolonging the service life of properties

Vesivek has been developing its products since 1981. Vesivek strives to offer its customers and their properties the best possible solution for roofing, rainwater systems and drainage, thereby aiming to enable the longest possible service life for the property. As weather extremes increase, the role of well-functioning roofing, rainwater and drainage systems is emphasised in combating the moisture stress imposed on the property. To this end, Vesivek provides a 40-year rust-through warranty for roofing and up to 60 years for aluminium rainwater systems, as well as a five (5) year installation warranty for all installations.

The Finnish building stock's repair debt has significantly increased in the 2000s. Against this background, the renovation construction service offered by Vesivek contributes to reducing the property's repair debt. With the proper steps taken at the right time, Vesivek's services also help in safeguarding the property's value now and in the future. Possible water damage can also affect the price of home insurance.

Risks

- 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 minimise the risk, the Company strives to proactively identify changes in legislation and customer preferences.

People

Personnel

The Vesivek Group had an average of 801 (836) full-time employees during the financial year. Nearly two-thirds of the personnel work in installation or production tasks. The proportion of fixed-term employees in the Group varies somewhat year-on-year, the average being 3–4% of the staff. 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.

Staff turnover

In 2023, there was a dramatic downturn in the construction industry in Finland and Sweden. As a result, significant structural changes were implemented in the Group during 2023. This was partly reflected in the change negotiations concerning the personnel of the Group's units in Finland. The negotiations affected a significant proportion of the Group's Finnish staff and resulted in a total of more than 60 redundancies and a significant number of temporary layoffs in 2023. Some of the negotiations were only started at the end of 2023 and continued at the beginning of 2024, or started in the first half of 2024.

Staff turnover in 2023, itemised by Group company, is shown below

Vesivek AB	Vesivek Tuotteet Oy	Vesivek Oy	Vesivek Salaojat Oy	Tuusulan Peltikeskus Oy	HLRE Group Oy	
102	98	630	120	11	21	Permanent employment relationships during the financial year
9	1	193	41	0	0	Started
14	26	237	37	1	5	Terminated

Health and safety at work

The theme of occupational safety at Vesivek is that even a single accident is one too many. Vesivek has systematically developed health and safety at work. In 2018, Vesivek introduced scaffolding in its roof installation business. This way, the Group also aims to prepare for an increase in extreme weather conditions and reduce the number of occupational accidents. Indeed, scaffolding has significantly reduced the number of occupational accidents.

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.

In 2023, safety training and inspections were enhanced at Vesivek Oy. As a result, the foreman will document site safety in the future, and scaffolding will also always be checked by the foreman before it is put into use. At the same time, Vesivek's foremen were trained in occupational safety, especially in scaffolding installation and scaffolding work.

Vesivek Tuotteet Oy also manufactures, develops and sells fall protection equipment for roofs.

Accident frequencies

Predicting incidents and reducing the number of accidents are priority areas for the development of Vesivek's installation operations. To this end, Vesivek has set a short-term target of less than 50 accidents per one million hours worked.

Vesivek AB	**Vesivek Tuotteet Oy**	**Vesivek Oy**	**Vesivek Salaojat Oy**	**Tuusulan Peltikeskus Oy**	
24	5	61	4	0	Number of accidents
158	32	75	26	0	Accident rate/one million hours worked

Risks

- 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 maintain, 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.

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.

<u>Good corporate governance</u>

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 2023, 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 2024, of the six (6) members of the Group's Board of Directors, 17% were women and 83% were men. In January 2024, of the five (5) members of the Group's managing team, 20% were women and 80% were men.

<u>Risks</u>

- 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.

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 regarding the aforementioned objectives. In respect of turnover, capital expenditure and operating expenditure, the IFRS definitions and accounting principles applied in consolidated financial statements are applied. The review was carried out in collaboration with management, different business functions and the finance department. During the financial year 2024 (1 February 2023–31 March 2024), Vesivek identified taxonomy-eligible activities, which resulted in an increase in the reported taxonomy-eligible turnover, capital expenditure and operating expenditure compared to previous years.

The taxonomy reporting for the financial year 2024 has not been verified by an auditor.

Turnover

For the financial year 2023, Vesivek has identified one activity for climate change mitigation that is taxonomy-eligible but not taxonomy-aligned: CCM 7.2 "Renovation of existing buildings". Vesivek also identified one activity that is taxonomy-eligible but not taxonomy-aligned in terms of the transition to a circular economy: CE 3.2 "Renovation of existing buildings".

The activities that have been assessed as taxonomy-eligible for activity CCM 7.2 relate to roof, rainwater system and drainage renovations of existing buildings in both Finland and Sweden. The circular economy target, CE 3.2, has been assessed as taxonomy-eligible operations for roof and rainwater system renovations in Finland and Sweden.

Capital expenditure

In taxonomy-eligible business for financial year 2023, Vesivek has invested in activities related to the climate change mitigation goal CCM 7.2 "Renovation of existing buildings”, CCM 6.5 "Transport by motorbikes, passenger cars and light commercial vehicles" and CCM 6.6 "Freight transport services by road". The Group’s total capital expenditure consists of additions to tangible and intangible assets during the financial year. Goodwill increases are not taken into account. Further information on the capital expenditure during the financial year can be found in the section of the financial statements entitled "Assets and liabilities used in business operations".

Operating expenditure

At Vesivek, operating expenditure identified as taxonomy-eligible related to climate change mitigation includes, in accordance with activities CCM 7.2 "Renovation of existing buildings", CCM 6.5 "Transport by motorbikes, passenger cars and light commercial vehicles" and CCM 6.6 "Freight transport services by road", such non-capitalised Group expenses exclusive of raw material costs that relate to roof, rainwater and drainage system renovations of buildings, and all such direct expenses that relate to the daily use of tangible assets, including the leasing costs of vehicles.

No taxonomy-aligned operating expenditure was identified.

The functions underlying the performance indicators are separate; taxonomy-eligible turnover and capital and operating expenditure are only allocated to a single financial activity, so therefore there is no risk of duplicate calculation.

Share of turnover generated from products or services related to taxonomy-aligned economic activities for the financial period 1 February 2023–31 January 2024 (EUR million):

Turnover

Financial year 02/2023-01/2024	2023			Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic Activities (1)	**Code (2)**	**Turnover (3)**	**Proportion of Turnover, 2023 (4)**	**Climate Change Mitigation (5)**	**Climate Change Adaptation (6)**	**Water (7)**	**Pollution (8)**	**Circular Economy (9)**	**Biodiversity (10)**	**Climate Change Mitigation (11)**	**Climate Change Adaptation (12)**	**Water (13)**	**Pollution (14)**	**Circular Economy (15)**	**Biodiversity (16)**	**Minimum Safeguards (17)**	**Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) turnover, 2022 (18)**	**Category enabling activity (20)**	**Category transitional activity (21)**
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0 %**	**0 %**	0 %	0 %	0 %	0 %	0 %	0 %								**0 %**		
Of which enabling		0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %								0 %	E	
Of which transitional		0 %	%	%													0 %		T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Reparation for existing buildings	CCM 7.2/CE 3.2	96,3	89 %	EL	N/EL	N/EL	N/EL	EL	N/EL								89 %		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**96,3**	**89 %**	89 %	%	%	%	77 %	%								**89 %**		
A. Turnover of Taxonomy-eligible activities (A.1+A.2)		**96,3**	**89 %**	89 %	%	%	%	77 %	%								**89 %**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		**11,9**	**11 %**																
TOTAL (A+B)		**108,2**	100 %																

Share of capital expenditure associated with products or services related to taxonomy-aligned economic activities for the financial period 1 February 2023–31 January 2024 (EUR million):

CapEx

Financial year 02/2023-01/2024				Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm									
Economic Activities (1)	**Code (2)**	**CapEx (3)**	**Proportion of CapEx, 2023 (4)**	**Climate Change Mitigation (5)**	**Climate Change Adaptation (6)**	**Water (7)**	**Pollution (8)**	**Circular Economy (9)**	**Biodiversity (10)**	**Climate Change Mitigation (11)**	**Climate Change Adaptation (12)**	**Water (13)**	**Pollution (14)**	**Circular Economy (15)**	**Biodiversity (16)**	**Minimum Safeguards (17)**	**Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) CapEx, 2022 (18)**	**Category enabling activity (20)**	**Category transitional activity (21)**
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0 %**	**0 %**	0 %	0 %	0 %	0 %	0 %	0 %								**0 %**		
Of which enabling			0 %	0 %	0 %	0 %	0 %	0 %	0 %								0 %	E	
Of which transitional			0 %	0 %													0 %		T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Reparation for existing buildings	CCM 7.2	0,5	5,7 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								5,7 %		
Motorcycle-, passenger car- and utility vehicle transporta	CCM 6.5	1,6	18,9 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								18,9 %		
Road traffic services	CCM 6.6	0,8	10,1 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								10,1 %		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**2,9**	**34,6 %**	34,6 %	0,0 %	0,0 %	0,0 %	0,0 %	0,0 %								34,6 %		
A. CapEx of Taxonomy-eligible activities (A.1+A.2)		**2,9**	**34,6 %**	34,6 %	0,0 %	0,0 %	0,0 %	0,0 %	0,0 %								**34,6 %**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		**5,2**	**65,4 %**																
TOTAL (A+B)		**8,1**	100 %																

Share of operating expenses associated with products or services related to taxonomy-aligned economic activities for the financial period 1 February 2023–31 January 2024 (EUR million):

OpEx

Financial year 02/2023-01/2024				Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic Activities (1)	Code (2)	OpEx (3)	Proportion of OpEx, 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) OpEx, 2022 (18)	Category enabling activity (20)	Category transitional activity (21)
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0 %**	**0 %**	0 %	0 %	0 %	0 %	0 %	0 %								**0 %**		
Of which enabling		0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %								0 %	E	
Of which transitional		0 %	%	%													0 %		T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Reparation for existing buildings	CCM 7.2	0,4	10,8 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								10,8 %		
Motorcycle-, passenger car- and utility vehicle transportation	CCM 6.5	0,8	21,6 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								21,6 %		
Road traffic services	CCM 6.6	2,2	59,5 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								59,5 %		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**3,4**	**92 %**	11,0 %	%	%	%	%	%								91,9 %		
A. OpEx of Taxonomy-eligible activities (A.1+A.2)		**3,4**	**92 %**	11,0 %	%	%	%	%	%								**91,9 %**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		**0,3**	**8 %**																
TOTAL (A+B)		**3,7**	100 %																

Consolidated statement of comprehensive income

1000 EUR	Note	1.2.2023-31.1.2024	1.2.2022-31.1.2023
REVENUE	**4**	**108 161**	**129 455**
Other operating income	5	1 330	1 064
Material and services	6	-39 864	-47 702
Employee benefits expense	7	-46 487	-49 747
Depreciation and amortisation	6	-12 810	-7 757
Other operating expenses	6	-21 001	-22 844
OPERATING PROFIT		**-10 671**	**2 469**
Finance income	16	259	2 018
Finance cost	16	-4 635	-4 450
Finance income and cost		-4 376	-2 432
PROFIT/LOSS BEFORE TAX		**-15 047**	**36**
Tax on income from operations	21	1 769	-374
PROFIT/LOSS FOR THE PERIOD		**-13 278**	**-338**
Profit attributable to:			
Owners of the parent company		-13 113	-458
Non-controlling interests		-165	120
		-13 278	**-338**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		12	-147
		12	**-147**
TOTAL COMPREHENSIVE INCOME		**-13 266**	**-484**
Total comprehensive income attributable to:			
Owners of the parent company		-13 102	-591
Non-controlling interests		-164	107
		-13 266	**-484**

Earnings per share calculated on profit attributable to equity holders of the parent	**1.2.2023-31.1.2024**	**1.2.2022-31.1.2023**
Profit attributable to equity holders of the parent	-13 113 359	-457 666
Average number of shares	16 592 112	16 599 173
Undiluted and dilution-adjusted earnings per share	**-0,79**	**-0,03**

Consolidated balance sheet

1000 EUR	Note	31.1.2024	31.1.2023
ASSETS			
NON-CURRENT ASSETS			
Goodwill	9	35 273	40 304
Intangible assets	9	685	976
Property, plant, equipment	10	26 263	26 261
Other non-current financial assets		48	48
Loan receivables	15	13	17
Deferred tax assets	21	1 940	235
NON-CURRENT ASSETS		**64 221**	**67 841**
CURRENT ASSETS			
Inventories	11	12 833	15 756
Trade and other receivables	12	6 261	9 870
Loan receivables	15	52	53
Income tax receivable		713	158
Cash and cash equivalents		2 574	3 557
CURRENT ASSETS		**22 433**	**29 394**
ASSETS		**86 654**	**97 235**
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	-140	-151
Retained earnings	18	-3 599	9 511
Owners of the parent company		**14 343**	**27 442**
Non-controlling interests		**-91**	**71**
EQUITY		**14 252**	**27 512**
NON-CURRENT LIABILITIES			
Finance and lease liabilities	15	10 738	50 349
Employee benefit obligation	7	400	427
Deferred tax liabilities	21	105	150
NON-CURRENT LIABILITIES		**11 243**	**50 926**
CURRENT LIABILITIES			
Finance and lease liabilities	15	42 066	4 742
Other current liabilities	13	17 098	12 433
Derivatives	15	1 852	1 461
Income tax liabilities		143	161
CURRENT LIABILITIES		**61 159**	**18 797**
Liabilities		**72 401**	**69 722**
EQUITY AND LIABILITIES		**86 654**	**97 235**

Consolidated statement of changes in equity

1000 EUR	Note	Share capital	Reserve for invested unrestricted equity	Other reserves	Translation differences	Retained earnings	Total	Non-controlling interests	Total equity
	18								
EQUITY 1.2.2023		**80**	**18 002**	0	**-151**	**9 511**	**27 442**	**71**	**27 512**
Comprehensive income									
Profit/loss for the period						-13 113	-13 113	-165	-13 278
Other comprehensive income:									
Translation differences		0	0	0	11	0	11	1	12
TOTAL COMPREHENSIVE INCOME		**0**	**0**	0	**11**	**-13 113**	**-13 102**	**-164**	**-13 266**
Other changes		0	0	0	0	4	4	2	6
TOTAL EQUITY 31.1.2024		**80**	**18 002**	**0**	**-140**	**-3 598**	**14 343**	**-91**	**14 252**

1000 EUR	Note	Share capital	Reserve for invested unrestricted equity	Other reserves	Translation differences	Retained earnings	Total	Non-controlling interests	Total equity
EQUITY 1.2.2022	18	**80**	**18 002**	0	**-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	0	**-133**	**0**	-133	-13	-147
TOTAL COMPREHENSIVE INCOME		**0**	**0**	0	**-133**	**-458**	**-591**	**107**	**-484**
Other changes		0	0	0	0	23	23	9	31
Total transactions with owners		**0**	**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**	0	**-151**	**9 511**	**27 442**	**71**	**27 512**

Consolidated cash flow statement

1000 EUR		1.2.2023-31.1.2024	1.2.2022-31.1.2023
Cash flows from operating activities			
PROFIT/LOSS FOR THE PERIOD		-13 278	-338
Adjustments to the profit/loss for the period			
Depreciation, amortisation and impairment	6	12 810	7 757
Financial income and expenses	16	3 801	3 437
Tax on income from operations	21	-1 769	374
Other adjustments		169	-1 051
Adjustments total		15 011	10 517
Working capital changes			
Increase / decrease in inventories	11	2 947	-394
Increase / decrease in trade and other receivables	12	3 584	-429
Increase / decrease in trade payables	13	-541	-934
Interest paid	16	-3 030	-2 483
Interest received	16	192	65
Other financial items	16	-12	-203
Income taxes paid	21	-551	-776
Net cash from operating activities		**4 322**	**5 026**
Cash flows from investing activities			
Purchase of tangible and intangible assets	9,10	-999	-1 987
Proceeds from sale of tangible and intangible assets	9,10	587	245
Disposal of subsidiaries	9,13	0	8
Loans granted		-9	-18
Proceeds from repayments of loans		14	21
Net cash used in investing activities		**-407**	**-1 731**
Cash flows from financing activities			
Proceeds from sale of treasury shares		0	9
Repayment of current borrowings	15	0	-6
Payment of lease liabilities		-4 898	-4 942
Net cash used in financing activities		**-4 898**	**-4 938**
Net change in cash and cash equivalents		**-983**	**-1 644**
Cash and cash equivalents, opening amount	15	3 557	5 201
Net increase/decrease in cash and cash equivalents		-983	-1 644
Effects of exchange rate fluctuations on cash held		0	0
Cash and cash equivalents	15	2 574	3 557

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 2024 and 31 January 2023 and notes thereto. The Company’s Board of Directors approved the consolidated financial statements for publication on 17 May 2024.

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 2023–31 January 2024 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 2024 was EUR 13.3 million, cash flow from operating activities EUR 4.3 million and net debt EUR 55 million. In February 2024, the Company completed refinancing negotiations for a SEK 300 million bond falling due for payment, the bond now falling due for payment in February 2027. The terms and conditions of the bond are described in more detail in section "15. Loans and financial assets".

The Company's management has prepared financial forecasts of the development of turnover, expenses and investments and estimates that the Company's current liquid assets and projected cash flow from operations are sufficient to cover known liabilities and obligations arising from its operations for at least the next 12 months. For this reason, the Company's financial statements have been prepared on the going concern principle.

Translation of items denominated in foreign currencies

Transactions denominated in foreign currencies are translated into EUR at the exchange rates of the transaction dates, or if the items have been re-measured, at the exchange rates of the measurement dates. Foreign exchange gains and losses arising from sales and purchase payments associated with actual business operations are recognised above operating profit, and financing-related exchange rate differences are recognised in financial items in the income statement.

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

In its financial statements, the HLRE Holding Group focuses on information that it considered to be relevant to its stakeholders and other readers of the financial statements. The notes to the consolidated financial statements are divided into six sections, with each section containing the related relevant accounting principles. These sections are information about the consolidated financial statements, key information relating to 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 recognised 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.

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. According to the management's estimate based on the three-year SEK 300 million bond that was renegotiated in February 2024, the Company's current liquid assets and projected cash flow from operations are sufficient to cover known liabilities and obligations arising in the future. For this reason, the Company's financial statements have been prepared on the going concern principle.

Each year, the HLRE Holding Group tests goodwill for impairment and, if necessary, whenever there are any indications that the goodwill may be impaired. During the financial year, the Company's market environment in the roof and drainage renovation sectors has become more challenging due to increased general uncertainty among consumers, as a result of which roof and drainage renovations are increasingly being postponed to the future. Increased uncertainty, combined with the tighter lending policy of credit institutions and increased financing costs, has created a challenging environment for consumers considering renovation.

For the Nesco subgroup, no need for a writedown was identified in goodwill impairment testing, and the recoverable cash flows are sufficient to cover the book value of the assets. When goodwill was tested for Vesivek Oy and Vesivek Salaojat Oy, HLRE Holding concluded in its calculations that the amount of money corresponding to the book value would not be recoverable, and an impairment loss of EUR 5.0 million was recognised in the financial statements of 31 January 2024. At the end of the financial year 2024, the balance sheet of the HLRE Holding Group included EUR 35.3 million of goodwill. More detailed information on goodwill impairment is given in note 9.

KEY INFORMATION RELATING TO INCOME STATEMENT

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

3. Segment information

The Board of Directors of HLRE Holding is the Group's chief operating decision maker, and operating segments have been specified based on the information reviewed by the Board of Directors in order to allocate resources and assess the profitability of business operations. The Board of Directors manages the HLRE Group as a single integrated business aggregate, and therefore HLRE has a single operating and reporting segment.

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

	FAS	Adjustments	**IFRS**	
Consolidated income statement	1 February 2023–31 January 2024		1 February 2023–31 January 2024	**Consolidated statement of comprehensive income**
Turnover	108,161		108,161	Turnover
EBITDA (*)	-2427			
Depreciation, amortisation and impairment	-8029	-4781	-12,810	Depreciation, amortisation and impairment
Operating profit	-10,455	-216	-10,671	**Operating profit**
			-4,376	Financial income and expenses
			-15,047	Profit/loss before tax
			1,769	Income tax expenses
			-13,278	Profit or loss for the financial year

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, amortisation and impairment	-2,904	-4,853	-7,757	Depreciation, amortisation 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 EBITDA = FAS operating profit + FAS depreciation and amortisation exclusive of FAS amortisation of Group goodwill.

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

> The Group's depreciation, amortisation and impairment reported according to FAS does not include the amortisation of right-of-use assets included in the depreciation, amortisation and impairment reported according to IFRS. The depreciation and amortisation in internal FAS-compliant reporting does not include amortisation of goodwill. Further information on goodwill impairment can be found in the notes in section 9.

4. Turnover

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. Further information about Laatutili is provided in the notes in section 17 Management of financial risks.

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 income stream for the financial year ended 31 January 2024 and for two comparison years

The HLRE Holding Group’s revenue is broken down by income stream into products and services. Revenue for the financial period ended 31 January 2024 and for the comparison year was broken down by income streams as follows:

EUR 1,000	1 February 2023–31 January 2024	%	1 February 2022–31 January 2023	%	1 February 2021–31 January 2022
Products	12,878	12.1%	16,953	83.0%	16,749
Services	93,283	87.9%	112,502	16.5%	113,603
Total	106,161	100.0%	129,455	100.0%	130,352

Breakdown of revenue by country for the financial year ended 31 January 2024 and for two comparison years

During the financial year ended 31 January 2024, 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 2023, Vesivek Salaojat Oy expanded its operations into Turku, 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.

EUR 1,000	1 February 2023–31 January 2024	%	1 February 2022–31 January 2023	%	1 February 2021–31 January 2022
Finland	89,354	82.6%	107,387	83.0%	109,672
Sweden	18,174	16.8%	21,389	16.5%	20,055
Baltic countries	633	0.6%	679	0.5%	625
Total	108,161	100.0%	129,455	100.0%	130,352

Of the Group’s revenue for the financial year 1 February 2023–31 January 2024, Finland accounted for 82.6% (83.0%), Sweden for 16.8% (16.5%) and export sales to the Baltic countries and Russia for 0.6% (0.5%).

The Group’s non-current assets totalled EUR 62.3 million (EUR 67.6 million) on 31 January 2024, of which Sweden accounted for EUR 2.8 million (EUR 2.5 million) in euros.

Assets and liabilities based on contracts with customers

Non-invoiced receivables are short-term by nature and typically due during the next reporting period. The trade and other payables include EUR 0 (10) thousand of liabilities based on volume discounts and EUR 83 (128) 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. 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 recognised 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 recognised 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 recognised as revenue at a single point in time when control is transferred to the customer. Typically, this takes place at the time of delivery when the significant risks and benefits associated with ownership have been passed on to the buyer and the HLRE Holding Group does not have factual control over the sold goods and when receiving consideration is probable. The account receivable is recognised in connection with revenue recognition of the sale, because the Company is thereafter entitled to a payment that is only conditional on the passage of time. Because the performance obligations are fulfilled over a very short period or at a single point in time when control is transferred as described above, the Company makes use of the exemption allowed by the standard to not report the transaction price allocated to the remaining performance obligations.

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

Key management judgemenets and estimates

The Company's management uses customer project-specific judgment to determine the recognition principle and to assess whether revenue has been recognised for the appropriate period at each balance sheet date, taking into account materiality.

5. Other operating income

EUR 1,000	1 February 2023–31 January 2024	1 February 2022–31 January 2023
Proceeds from sale of property, plant and equipment and intangible assets	405	123
Rent income	100	145
Commission income	467	531
Other operating income	358	265
	1,330	**1,064**

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 2023–31 January 2024	1 February 2022–31 January 2023
Purchases during the financial period	-29,603	-40,940
Change in inventories of finished goods and work in progress	41	901
Production for own use	140	43
Increase or decrease in inventories	-2,984	-490
External services	-7,459	-7,217
Materials and services	-39,864	-47,702

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 recognised 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, amortisation and impairment

Depreciation, amortisation and impairment		
1000 eur		
Depreciation according to plan, intangible	**1.2.2023-31.1.2024**	**1.2.2022-31.1.2023**
Development expenses	-18	-17
Intangible rights	-133	-143
	-151	**-160**
Depreciation according to plan, tangible		
Buildings and structures	-2 871	-2 773
Machinery and equipment	-4 490	-4 799
Other tangible assets	-9	-25
	-7 370	**-7 597**
Impairment		
Intangible rights	-257	0
Goodwill	-5 032	0
	-5 289	**0**

Other operating expenses

EUR 1,000	**1 February 2023–31 January 2024**	**1 February 2022–31 January 2023**
Premises expenses	-1,350	-1,629
Machinery and equipment expenses	-6,160	-7,009
Marketing expenses	-2,820	-3,738
Other operating expenses	-10,672	-10,468
	-21,001	**-22,844**

The other largest unspecified items are voluntary personnel costs of EUR 1,568 thousand (EUR 2,090 thousand) and mileage and daily allowances of EUR 2,378 thousand (EUR 2,401 thousand).

Auditors' fees

EUR 1,000	1 February 2023–31 January 2024	1 February 2022–31 January 2023
Statutory audit	**-122**	**-87**
PricewaterhouseCoopers Oy	-74	-87
KPMG Oy Ab	-47	
Other expert services	**-19**	**-31**
PricewaterhouseCoopers Oy	-7	-31
KPMG Oy Ab	-12	
	-141	**-118**

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 Group personnel averaged 801 (836) FTE, a decrease of 35 employees, or -4.2 per cent.

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

EUR 1,000	1 February 2023–31 January 2024	1 February 2022–31 January 2023
Wages, salaries and fees	36,991	39,714
Pension expenses - defined contribution plans	6,198	6,733
Other social security contributions	3,298	3,301
	46,487	**49,747**

Personnel expenses decreased by approximately -6.6% 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.

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

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

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

1000 euroa	**31.1.2024**	**31.1.2023**
Employee benefit obligation		
Balance sheet:		
Defined benefit obligation	320	341
Statutory employee benefit expense	80	85
Employee benefit obligation	**400**	**426**
Opening net balance sheet liability	341	337
Items recognized in operating profit:		
Expense(+)/income(-) recognized in Profit or Loss	46	68
Contributions paid	-67	-64
Net defined benefit liability in balance sheet	**320**	**341**
Assumptions and census data statistics		
Discount rate	3,2 %	3,3 %
Inflation rate	2,1 %	2,6 %
Rate of salary increases	2,6 %	3,1 %
Employee turnover	15,0 %	15,0 %

The Group anticipates that it will pay EUR 67 thousand relating to years of service benefits during the financial year ending on 31 January 2025.

Accounting principle

Short-term benefits

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

Post-employment benefits

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

Other long-term benefits

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

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

Remuneration of key management personnel

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

The salaries and other taxable benefits paid to CEO Kimmo Riihimäki and rest of the Group's management team for the financial year ended 31 January 2024 are presented below. The compensation paid is comprised of fixed monthly salary and fringe benefits.

1000eur	1.2.2023-31.1.2024	1.2.2022-31.1.2023
Remuneration of the CEO		
Salary, other remuneration and benefits	11	95
Pension expense - defined contribution plan	12	12
Total	23	107
Remuneration of the group management team (excluding the CEO)		
Salary, other remuneration and benefits	540	552
Pension expense - defined contribution plan	114	115
Total	654	667
Remuneration of Board members		
Ari Haapakoski	12	12
Timo Pirskanen	12	12
Anu Syrmä	12	12
	36	36
Key management and Board of Directors total	713	810

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 carried out share issues and transfers of treasury shares directed at the Group's key personnel in 2014–2023. 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 2023–31 January 2024, the company held 55,795 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 recognised for them.

The key employees' shareholdings include an obligation to work. The Company has the right, but not an obligation, to redeem the shares at the lower of original subscription prices of the share issues or fair value as specified in the shareholders' agreement in case of resignations of the key employees.

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. During the financial year, the company exercised its redemption rights and redeemed a total of 28,245 shares.

A share-based commitment arrangement 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 2024 are presented in the following table:

Management shareholdings

The management held shares on 31 January 2024 as follows:

	31.1.2024		31.1.2023	
Management shareholdings	Shares	% holding	Shares	% holding
CEO	5 547 826	33	5 547 826	33
Other management team members	6 873		6 873	

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 1.2.2023	85	1 439	0	575	40 304	42 403
Additions	0	3	0	113	0	117
Disposals	0	-1 093	0	0	0	-1 093
Reclassifications	56	438	0	-494	0	0
Cost 31.1.2024	141	787	0	194	40 304	41 427
Cumulative amortisation and impairment 1.2.2023	-42	-1 081	0		0	-1 122
Cumulative amortisation on disposals and reclassificati	0	1 093	0		0	1 093
Amortisation	-18	-133	0		0	-151
Impairment	0	-257	0		-5 032	-5 289
Cumulative amortisation and impairment 31.1.2024	-60	-378	0		-5 032	-5 470
Carrying amount 1.2.2023	43	358	0	575	40 304	41 280
Carrying amount 31.1.2024	**81**	**409**	**0**	**194**	**35 273**	**35 957**

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			-985
Cumulative amortisation on disposals and reclassificati	0	0	21			21
Amortisation	-17	-143	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**

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. 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 recognised through profit or loss are not reversed.

Other intangible assets

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

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

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

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

Goodwill impairment testing

Key management judgements and estimates

Key assumptions used in testing goodwill for impairment

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

According to the management's view, the acquisition price exceeding the acquired net assets was paid for the business and business idea as a whole, and therefore it considers that the goodwill must be tested at the level of Vesivek Oy 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 market environment for roof and drainage renovations became even more challenging during the most recent financial year. For the Company, this was reflected in decrease in consumer demand, with the necessary renovations being postponed as far into the future as possible. In 2023, the consumer confidence indicator fell to its lowest level in 15 years in Finland, and the consumers' disposable income fell by five per cent from October 2021 to March 2023.

Roof and drainage renovations are often financed by loan financing, and the tightening of lending policies by credit institutions, together with increased financing costs, created a challenging environment for consumers.

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 2024 and 31 January 2023.

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

Thousands of euros	**31 January 2024**	**31 January 2023**
Installation of roof and rainwater systems and underground drain renovations in Finland	30403	35,434
Production of rainwater management systems and roof safety products	4 870	4 870

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

2024	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	8,5	6,5	12,2	2,0
Production of rainwater systems and roof safety products	13,2	14,0	11,8	2,0

2023	EBITDA in 5 years period of time, %	Long term EBITDA, %	Discount rate before taxes, %	Long term growth factor, %
Installation of roof and rainwater systems in Finland	8,1	6,0	10,2	2,0
Production of rainwater systems and roof safety products	14,0	14,0	10,0	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 compared to the previous year's forecast and remain at the same level in the long term thereafter.

With regard to CGU 1 installing roof and roof safety products, in the latest financial year 2024 calculations, 5-year profitability (measured by EBITDA) will increase slightly to 8.5% (8.1%), as will long-term profitability, yet still remaining at a level lower than that of the 5-year period, being 6.5% (6.0%).

Sensitivity analysis

No impairment loss was recognised in respect of CGU 2 producing rainwater systems and roof security products for the reported financial years as a result of the impairment tests carried out. The recoverable cash flow of CGU 2 exceeded the book value by EUR 5.9 million as at 31 January 2024 (EUR 19.2 million as at 31 January 2023). The relatively modest cash flows for the reported financial periods with regard to the Finnish CGU 1 installing roofing, roof protection and drainage indicated that they are insufficient to cover the book values of 31 January 2024, and an impairment loss of EUR 5.0 million was recognised for CGU 1 in the financial statements of 31 January 2024 (the cash flows exceeded the book value by EUR 3 million on 31 January 2023).

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 January 2024	31 January 2023
Installation of roof and rainwater systems and undergound drain renovations in Finland		
Discount rate change, percentage points	-0.8%	0.5%
EBITDA margin decrease, percentage points	0.6%	-0.3%
Production of rainwater management systems and roof safety products		
Discount rate change, percentage points	2.8%	6.8%
EBITDA margin decrease, percentage points	-3.6%	-5.9%

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 1.2.2023	319	26 000	38 026	391	190	64 925
Translation differences	0	23	17	1	0	41
Additions	0	4 955	2 765	0	208	7 929
Disposals	0	-572	-4 453	0	-43	-5 068
Reclassifications	0	27	173	0	-200	0
Cost 31.1.2024	319	30 433	36 528	391	155	67 826
Cumulative amortisation and impairment 1.2.2023	0	-15 434	-22 860	-370		-38 664
Translation differences	0	-17	-10	-1		-28
Cumulative amortisation on disposals and reclassifications	0	572	3 927	0		4 499
Amortisation	0	-2 871	-4 490	-9		-7 370
Cumulative amortisation and impairment 31.1.2024	0	-17 751	-23 432	-379		-41 563
Carrying amount 1.2.2023	319	10 565	15 166	21	190	26 261
Carrying amount 31.1.2024	**319**	**12 682**	**13 096**	**12**	**155**	**26 263**

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		-33 899
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 1.2.2022	319	9 544	17 109	19	197	27 188
Carrying amount 31.1.2023	**319**	**10 565**	**15 166**	**21**	**190**	**26 261**

Accounting principle

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

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

Depreciation and amortisation times by asset category:

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

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

Leases

1000 eur	**31.1.2024**	**31.1.2023**
Right-of-use assets*		
Buildings	10 450	8 103
Vehicles and machinery	4 525	5 089
	14 975	13 192

* included in balance sheet item Property, plant and equipment

Lease liabilities*		
Current lease liability	4 662	4 739
Non-current lease liability	10 488	8 648
	15 150	13 387

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

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

1000 eur	Buildings and structures, right-of-use	Machinery and equipment, right-of-use	Total
Cost 1.2.2023	20 557	11 760	32 317
Translation differences	23	6	29
Additions	4 955	2 100	7 055
Disposals	-572	-3 268	-3 840
Cost 31.1.2024	24 963	10 598	35 562
Cumulative amortisation and impairment 1.2.2023	-12 454	-6 672	-19 125
Translation differences	-17	-2	-19
Cumulative amortisation on disposals and reclassificati	572	2 864	3 437
Amortisation	-2 614	-2 264	-4 878
Cumulative amortisation and impairment 31.1.2024	-14 513	-6 073	-20 586
Carrying amount 1.2.2023	8 103	5 089	13 192
Carrying amount 31.1.2024	**10 450**	**4 525**	**14 975**

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 reclassificati	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 1.2.2022	6 826	5 902	12 728
Carrying amount 31.1.2023	**8 103**	**5 089**	**13 192**

Included in profit and loss statement	**1.2.2023-31.1.2024**	**1.2.2022-31.1.2023**
1000 eur		
Depreciation of right-of-use assets		
Buildings	-2 614	-2 518
Vehicles and machinery	-2 264	-2 432
Interest expense (included in finance cost)	-285	-328
Expense relating to short-term leases (Included in other expenses)	-951	-821
Expense relating to leases of low-value assets that are not short-term leases (Included in other expenses)	-175	-105

Cash outflow for lease agreements during the financial year 2024 totaled to 6 660 (6 505) thousand.

Non-current assets pledged as collateral

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

Accounting principle

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

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

Payments associated with short-term leases 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 management judgements 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 until August 2023 was the actual interest rate on additional credit using the Group's overdraft facility. Following the termination of the overdraft facility, the 3-month Stibor rate has been used as the discount rate, which is the interest rate used for the Group's bond until 12 August 2025.

11. Inventories

EUR 1,000	**31 January 2024**	**31 January 2023**
Materials and supplies	5,678	8,878
Goods in progress	3,013	2,172
Finished products/Goods	4,141	4,707
	12,833	**15,756**

Accounting principle

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

Key management judgements and estimates

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

12. Trade and other receivables

EUR 1,000	**31 January 2024**	**31 January 2023**
Accounts receivable	4,766	7,344
Other receivables	10	69
Current prepayments and accrued income (from others)	1,484	2,457
	6,261	**9,870**

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 .

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 (amortised cost). After initial recognition, trade and other receivables are measured at amortised 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 2024**	**31 January 2023**
Current advances received	83	128
Current trade payables	4,763	5,428
Other current liabilities	2,270	3,200
Current accrued liabilities	9,982	3,677
	17,098	**12,433**

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

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

Accounting principle

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

CAPITAL STRUCTURE AND FINANCING

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

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

14. Net debt

EUR 1,000	31 January 2024	31 January 2023
Non-current interest-bearing liabilities	10,738	45,831
Capitalised interest debt, non-interest-bearing	4,984	4,518
Current interest-bearing liabilities	42,066	4,742
Cash and cash equivalents	-2,574	-3,557
	55,213	**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 1.2.2023	3 557	-4 742	-8 647	0	-41 702	-51 534
Cash flow	-983	4 826				3 843
Increase		-1 273	-5 710			-6 983
Exchange rate adjustments		-10		-186		-196
Other changes		-3 464	3 869	-42 201	41 452	-344
Net debt 31.1.2024	2 574	-4 662	-10 488	-42 387	-250	-55 213

	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	5 201	-4 627	-8 297	-6	-42 900	-50 628
Cash flow	-1 644	4 762		6	2	3 127
Increase		-1 235	-4 412			-5 647
Exchange rate adjustments		146			2 165	2 311
Other changes		-3 789	4 062	0	-969	-696
Net debt 31.1.2023	3 557	-4 742	-8 647	0	-41 702	-51 534

15. Loans and financial assets

EUR 1,000	**31 January 2024**	**31 January 2023**
Non-current bonds	0	26,143
Non-current subordinated loans	250	250
Non-current loans from related parties	0	10,789
Non-current lease liability	10,488	8,648
Capitalised interest	0	4,518
Non-current interest-bearing liabilities	**10,738**	**50,349**
Current bonds	26,614	0
Current trade payables, interest-bearing	0	2
Current liabilities to related parties, interest-bearing	10,789	0
Short-term lease liability	4,662	4,739
Capitalised interest	4,984	0
Current interest-bearing liabilities	**47,050**	**4,742**

Loans from financial institutions and other financing

The Group's parent company HLRE Holding Oy (renamed as HLRE Holding Oyj in February 2021) issued in February 2021 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 bond is an amortisation-free bullet loan, and it includes a leverage covenant, according to which the Group's ratio of net debt to adjusted IFRS EBITDA must not exceed 5.0/4.5/4.0 one/two/three years after the issue of the bond, which condition the Company failed to meet during the last quarter of the financial year 2024.

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 maturity date of the overdraft facility set out in its terms and conditions was 12 August 2023, and Danske Bank A/S Finland Branch called in the secured overdraft facility of EUR 2,000,000 for repayment in August 2023.

In the summer of 2023, the Company commenced negotiations on the refinancing of the bond falling due in February 2024, announcing on 30 January 2024 that a result had been reached in the negotiations with the principal creditor with a controlling share of approximately 66.67% regarding the refinancing of the loan. However, with the original maturity date on 12 February 2024 of the 3-year loan issued on 12 February 2021 approaching, the Company announced on 30 January 2024 that it will request for a one-month extension to finalise the terms and conditions of the bond, which was approved on 5 February 2024 by the majority required for the bond.

In February 2024, the company continued to finalise the terms and conditions of the bond, announcing on 8 March 2024 the refinancing of the three-year SEK 300 million bond, which was registered with Nasdaq Stockholm on 13 March 2024.

The bond falls due for payment on 12 February 2027. The terms and conditions include an interest premium of 7.85% (previously 6.60%) for the deferral of the payment dates between 12 February 2024 and 12 May 2025 until the loan maturity date. The updated terms and conditions also include the option after 12 May 2025 to postpone 30% of the 7.85% interest premium until the loan maturity date.

In addition, the terms and conditions include a five-year convertible bond of EUR 3 million issued by the Company's principal shareholders. The principal of the convertible bond is subject to a fixed annual interest rate of 8.00%. The accrued interest shall be paid on the maturity date of the loan or on the conversion date specified separately in the agreement, whichever earlier. Until then, all accrued interest will remain as debt, but the accrued interest will not be added to the loan principal and will not accrue interest. The principal of the convertible bond has seniority over the deferred interest premium at the payment dates between 12 February 2024 and 12 May 2025.

The updated terms and conditions of the bond do not include the net debt/EBITDA covenant until 2025 July. After that, the covenant will be 5.0 until January 2026, 4.5 between February 2026 and July 2026, and 4.0 from August 2026 until the loan maturity date in February 2027. The updated terms and conditions also include a new liquidity covenant of EUR 2 million.

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 1,234,960

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

Loan granted by HLRE Holding Oy 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 2024, the amount of shareholder loans was EUR 10.8 million. The interest accrued on the loans totalled EUR 5.0 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 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 as financial liabilities at deferred cost and are measured using the effective interest method. 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 derecognised when the liability has ceased to exist, i.e. when the obligation specified in the agreement has been fulfilled or revoked or its validity has expired.

The loans taken out by the Group are classified as financial liabilities measured at amortised cost. They are initially measured at fair value less transaction costs. After initial recognition, the loans are measured at amortised cost using the effective interest method.

Financial assets

EUR 1,000	**31 January 2024**	**31 January 2023**
Non-current		
Other non-current financial assets	48	48
Loan receivables	13	17
	61	65
Current		
Loan receivables	52	53
Cash and cash equivalents	2,574	3,557
	2,626	3,610

Loan receivables are comprised of loans granted by the Company to its employees and shareholders. Loan receivables are measured at amortised 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 amortised cost using the effective interest method and financial assets at fair value through profit or loss. The classification of financial assets is based on their cash flow properties and business models used for their management, and recognised on the value date.

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

Trade and other receivables are described in more detail in note 12, and they are measured at amortised cost. The associated credit risk and impairment matrix used in determining credit losses are described in note 17.

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

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

Derivative instruments

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 -1,851.7 (-1,461.1) thousand on 31 January 2024. The forward contract expired on 12 February 2024. The company paid half in 2024 February, and the other half falls due in February 2025.

Accounting principle

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

Measurement of fair value

Financial instruments measured at fair value are classified in accordance with the following fair value hierarchy: instruments for which there is a publicly quoted price in an active market (level 1), instruments for which there is another observable direct or indirect price than a quoted price pursuant to level 1 (level 2) and instruments for which there is no observable market price (level 3). These instruments measured at fair value include financial assets and liabilities measured at fair value through profit or loss.

The price of listed shares is based on their quoted price (Level 1) and of unlisted shares on the measurement method (Level 3). A currency derivative is linked to an option, the value of which is based on the option valuation models, and they are included in level 2 of the fair value hierarchy.

16. Financial income and expenses

EUR 1,000	**1 February 2023–31 January 2024**	**1 February 2022–31 January 2023**
Interest income	193	65
Exchange rate gains	67	1,952
Other financial income	0	1
Financial income total	**259**	**2,018**
Interest expenses from liabilities to others	-3,674	-2,964
Interest expenses from leases	-285	-328
Unrealised losses at fair value, derivatives	-391	-977
Exchange rate losses	-233	-117
Other debt financial expenses	-53	-65
Total financial expenses	**-4,635**	**-4,450**
Total financial income and expenses	**-4,376**	**-2,432**

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 recognised using the effective interest method. If a loan receivable has been impaired on account of a credit event, interest income is recognised 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 centralised with the Group's financial administration. The purpose of the treasury function is to ensure that the Company has adequate funds for engaging in business activities at all times without restrictions and to minimise financing costs.

The treasury function of 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 Oyj 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.

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

The cash and cash equivalents of HLRE Holding Group totalled EUR 2,574 thousand on 31 January 2024 (EUR 3,557 thousand on 31 January 2023).

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 maturity date of the overdraft facility set out in its terms and conditions was 12 August 2023, and Danske Bank A/S Finland Branch called in the secured overdraft facility of EUR 2,000,000 for repayment in August 2023.

In the summer of 2023, the Company commenced negotiations on the refinancing of the bond falling due in February 2024. On 30 January 2024, the company announced that a result had been reached in the negotiations with the principal creditor with a controlling share of approximately 66.67% regarding the refinancing of the loan. However, with the original maturity date on 12 February 2024 of the 3-year loan issued on 12 February 2021 approaching, the Company announced on 30 January 2024 that it will request for a one-month extension to finalise the terms and conditions of the bond, which was approved on 5 February 2024 by the majority required for the bond.

In February 2024, the company continued to finalise the terms and conditions of the bond, announcing on 8 March 2024 the refinancing of the three-year SEK 300 million bond, which was registered with Nasdaq Stockholm on 13 March 2024.

Further information about the bond is provided in note 15.

The Company's management estimates that the Company's current liquid assets and projected cash flow from operations are sufficient to cover the liabilities and obligations arising from its future operations.

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 following tables 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 2024
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	4 763				4 763	4 763
Lease liabilities	4 940	3 811	6 550	492	15 793	15 150
Bonds	26 651				26 651	26 614
Shareholder loans	15 794				15 794	15 773
Derivatives	1 852				1 852	1 852

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

		31 Jan 2024		31 Jan 2023	
1000 EUR	**Fair value hierarchy level**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial liabilities					
Loans from financial institutions	**2**	0	0	0	0
Bonds	**2**	26614	25633	26 143	25 702
Shareholder loans	**2**	15773	15741	15 308	15 045
Derivatives	**2**	1852	1852	1 461	1 461

Credit risk and counterparty risk

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

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

Vesivek Oy 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 financing company only grants a Laatutili loan if the customer's credit rating is in order. The risk of the receivable will transfer from the Company to the financing company when the end customer has approved the roof or drainage renovation specified in the agreement or the terms and conditions of the agreement have otherwise been fulfilled.

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

The HLRE Holding Group applies a simplified procedure for recognising an impairment concerning expected credit losses, according to which 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.

31.1.2024 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	0,21 %	1,09 %	2,06 %	20,00 %	40,00 %	70,00 %	
Gross carrying amount	3 273	173	165	101	224	273	4 209
Loss allowance provision, VAT 0%	5	2	3	16	72	154	252

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

Credit losses, EUR 1,000	2024	2023
At 1st February	290	171
Decrease in loss allowance recognised in profit or loss in the period	180	185
Receivables recognised as unrecoverable credit losses in the period	-218	-66
At 31st January	252	290

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

The SEK 300 million 3-year, non-amortising bond refinanced by the Company in February 2024 is a floating-rate bond subject to the terms and conditions specified in more detail in section 15 Management of financial risks. 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 March 2024, the Company refinanced a SEK 300 million 3-year, non-amortising bond. In February 2024, the SEK 200 million currency hedge concluded by the Company with Nordea Bank Oyj in 2021 was terminated. By the time of signing the financial statements, the bond has not been re-hedged. The Company partly finances the currency risk of the bond with Vesivek Sverige AB's positive cash flow.

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 2024, approximately EUR 3.5 million of the Swedish subsidiary's purchases of approximately EUR 4.5 million were made in euros.

The SEK-denominated trade payables and other current liabilities in the financial statements amounted to SEK 30.7 million (SEK 29.0 million), trade and other current receivables to SEK 22.5 million (SEK 33.0 million) and cash and cash equivalents to SEK -6.56 million (SEK 25.6 million). In 2024, the average exchange rate of the Swedish krona weakened by approximately seven 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 0.3 million higher.

Vesivek Oy 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 2023–31 January 2024**	**1 February 2022–31 January 2023**
Exchange rate gains	67	1,952
Exchange rate losses	-271	-207
	-204	1,746

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 17 per cent (16 per cent) of the Group's business operations for the most recent financial year. Approximately 85–90 per cent of the Group's cash flows are denominated in EUR, which is the home currency of all the other subsidiaries and businesses engaged in business activities except for the Swedish subsidiary.

Commodity risk

The Russian invasion in Ukraine has increased the risk relating to the availability and delivery times of commodities, mainly steel. This has been managed by forecasting future purchase needs with suppliers and increasing the Group's inventories of certain critical products. With regard to steel, price risk has been managed by fixing purchase prices quarterly for the next three 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

Shaholders 31 January 2024:		
Sentica Buyout IV funds	8,783,695	52.8%
Kimmo Riihimäki	5,497,826	33.1%
Other key persons	1,344,115	8.1%
Other shareholders	945,292	5.7%
Treasury shares	55,795	0.3%
	16,626,723	100%

The total number of shares in HLRE Holding Oy did not change during the financial year 1 February 2023–31 January 2024.

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.

Invested non-restricted equity reserve

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

Dividends

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

Translation differences

Translation differences resulting from the translation of the financial statements of a foreign subsidiary are recognised in other comprehensive income and accumulated in the separate shareholders' equity reserve as described in note 20. The accumulated amount is recognised through profit or loss when the net investment is divested.

Accounting principle

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

19. Capital risk management

The Group monitors the shareholders' equity and net debt on the consolidated balance sheet. Net debt is calculated by deducting cash and cash equivalents from current and non-current interest-bearing liabilities, as calculated in note 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.

On 12 February 2021, the company issued a SEK 300 million 3-year, floating rate, secured non-amortising bond. 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 maturity date of the overdraft facility set out in its terms and conditions was 12 August 2023, and Danske Bank A/S Finland Branch called in the secured overdraft facility of EUR 2,000,000 for repayment in August 2023.

In the summer of 2023, the Company commenced negotiations on the refinancing of the bond falling due in February 2024. On 30 January 2024, the company announced that a result had been reached in the negotiations with the principal creditor with a controlling share of approximately 66.67% regarding the refinancing of the loan. However, with the original maturity date on 12 February 2024 of the 3-year loan issued on 12 February 2021 approaching, the Company announced on 30 January 2024 that it will request for a one-month extension to finalise the terms and conditions of the bond, which was approved on 5 February 2024 by the majority required for the bond.

In February 2024, the company continued to finalise the terms and conditions of the bond, announcing on 8 March 2024 the new refinancing of the three-year SEK 300 million bond, which was registered with Nasdaq Stockholm on 13 March 2024.

Further information about the bond is provided in note 15.

OTHER NOTES

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

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

20. Group structure

The Group's subsidiaries are as follows:

Company name	**Domicile**	**Holding %, 31 January 2024**	**Holding %, 31 January 2023**	**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 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	71	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 reorganisation 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, Uusimaa and Southwest Finland generate a significant share of its revenue. Vesivek Salaojat Oy 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 recognised in a separate reserve under shareholders' equity attributable to owners.

21. Taxes

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

1000 eur	**1.2.2023-31.1.2024**	**1.2.2022-31.1.2023**
Tax on income from operations	18	-500
Tax for previous accounting periods	0	4
Deferred taxes	1 751	121
Income tax	1 769	-374

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	1.2.2023-31.1.2024	1.2.2022-31.1.2023
Accounting profit before taxes	-15 047	36
Tax calculated at the parent company's tax rate of 20%	3 009	-7
Effect of different tax rates in foreign subsidiaries	-2	-5
Tax-free income included in the accounting profit	6	12
Non-deductible expenses included in the accounting profit	-1 285	-402
Tax for previous accounting periods	0	4
Application of loss from previous years for which deferred tax asset was not recognised	40	23
Tax expense on profit and loss statement	1 769	-374

1000 EUR	1.2.2023	Translation differences +/-	Changes through income statement	31.1.2024
Deferred tax asset				
Inventories, internal margin	160	0	-48	112
Provision for credit losses	58	0	-8	50
Unused tax loss	154	0	1 523	1 678
Non-current assets, leasing	2 714	6	340	3 060
Other items	431	0	135	567
Total	**3 517**	**6**	**1 943**	**5 467**

1000 EUR	1.2.2023	Translation differences +/-	Changes through income statement	31.1.2024
Deferred tax liability				
Property, plant and equipment	679	1	-70	610
Lease liability	2 649	7	349	3 005
Other items	104	0	-88	16
Total	**3 432**	**8**	**191**	**3 631**

Deferred tax on balance sheet	
Deferred tax asset	1 940
Deferred tax liability	105
Net deferred tax asset	1 836

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
Non-current assets, leasing	2 637	-1	78	2 714
Other items	253	0	178	431
Total	**3 288**	**-3**	**232**	**3 517**
Property, plant and equipment	601	-9	87	679
Lease liability	2 558	-3	94	2 649
Other items	176	0	-72	104
Total	**3 335**	**-12**	**109**	**3 432**
Deferred tax on balance sheet				
Deferred tax asset				235
Deferred tax liability				150
Net deferred tax asset				85

On 31 January 2024, the Group had confirmed tax losses carried forward of EUR 1,609,019.37 for which no deferred tax assets have been recognised because the Group is not likely to accumulate taxable income against which the losses could be utilised. Of the losses, EUR 1,378,097.32 will expire in 2025 and EUR 230,922.05 in 2031. The Group's taxable profit is expected to turn profitable in its entirety once the high interest rates and the recession ease up, so deferred tax assets have been recognised for the losses of the companies covered by the Group contribution.

On 31 January 2024, the Group had related party interest carryforwards of EUR 8,240,676.34 for which no deferred tax assets have been recognised 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 recognised in full for all taxable temporary differences, unless the Group can order the time of cancellation of the temporary difference and the temporary difference is not likely to be cancelled in the foreseeable future. Deferred tax assets are recognised for tax-deductible temporary differences only to the amount that it is probable that the temporary difference will be cancelled in the future and there is taxable income available against which the temporary difference can be utilised.

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

22. Related party transactions

The related parties of the HLRE Holding Group include the Group's parent company and subsidiaries. The related parties also include members of the Board of Directors and Group management team, any deputy members and secretary, the CEO and 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 realised with related parties:

EUR 1,000 With entities controlled by the management	**31 January 2024**	**31 January 2023**
Sales of goods and services	9	0
Purchases of goods and services	565	484
Repayment of lease liabilities	0	710
Interest expenses on lease liabilities	0	39
Trade payables	7	1

With the acting management	**31 January 2024**	**31 January 2023**
Non-current liabilities	250	11,039
Current liabilities	10,789	0
Interest liabilities	4,984	4,427
Interest expense	647	660
Loan receivables		47
Interest receivables		2
Interest income		2

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

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

23. 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.

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

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

Amendments to IAS 12 affect the presentation of the consolidated financial statements in that deferred tax assets and tax liabilities related to leases in accordance with IFRS 16 are reported separately. Deferred tax liabilities are reported for lease assets and deferred tax assets are for lease liabilities. The presentation has also been changed for the comparison period.

25. Events after the reporting date

On 30 January 2024, the Group announced that it had successfully concluded the negotiations with the majority holder of the bond on the terms and conditions for refinancing the bond, while at the same time announcing that, as the maturity of the outstanding bonds, being 12 February 2024, was approaching, it will request for a one-month extension to finalise the terms and conditions. On 5 February 2024, the Group announced that the majority of the bondholders had approved the one-month extension. In February 2024, the Group continued to finalise the terms and conditions of the bond, announcing on 8 March 2024 the new refinancing of the three-year SEK 300 million bond and the registration of the bond with Nasdaq Stockholm on 13 March 2024. The terms and conditions of the bond are described in more detail in section "15. Loans and financial assets".

In the first half of 2024, the Group continued the organisational change and efficiency measures it initiated in 2023 in a few of Vesivek Oy's units. The negotiations conducted at the beginning of the year resulted in the termination of employment of about 20 people by the time of signing of the financial statements.

Parent company's financial statements, FAS

Parent company's income statement

EUR 1	**Note**	**1 February 2023–31 January 2024**	**1 February 2022–31 January 2023**
TURNOVER		**322,499.94**	**324,500.01**
Employee benefit expenses	1	-63,449.65	-147,968.64
Depreciation, amortisation and impairment		-21,920.38	-23,913.00
Other operating expenses	~~2~~	-146,773.76	-153,231.88
OPERATING PROFIT (LOSS)		**90,356.15**	**-613.51**
Financial income and expenses	3		
Financial income		2,522,661.54	4,517,892.29
Financial expenses		-3,576,120.74	-2,653,677.97
PROFIT (LOSS) BEFORE TAXES		**-963,103.05**	**1,863,600.81**
Group contribution		0.00	-1,500,000.00
Appropriations	4	**0.00**	**-1,500,000.00**
Direct taxes	4	0.00	-72,291.14
Profit or loss for the financial year		**-963,103.05**	**291,309.67**

Parent company’s balance sheet

EUR 1	Note	31 January 2024	31 January 2023
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	5	0.00	21,920.38
Investments	6	19,802,563.00	19,802,563.00
		19,802,563.00	19,824,483.38
CURRENT ASSETS			
Non-current receivables	7	33,888,448.98	33,888,448.98
Current receivables	8	9,226,201.76	9,520,545.43
Cash and cash equivalents		36,327.16	35,774.06
		43,150,977.90	43,444,768.47
ASSETS		**62,953,540.90**	**63,269,251.85**
SHAREHOLDERS’ EQUITY AND LIABILITIES			
SHAREHOLDERS’ EQUITY			
Share capital		80,000.00	80,000.00
Other reserves			
Invested non-restricted equity reserve		18,001,823.00	18,001,823.00
Retained earnings		1,281,034.04	989,724.37
Profit or loss for the financial year		-963,103.05	291,309.67
SHAREHOLDERS’ EQUITY	9	**18,399,753.99**	**19,362,857.04**
LIABILITIES			
Non-current liabilities	10	37,412,895.61	37,225,676.45
Current liabilities	11	7,140,891.30	6,680,718.36
LIABILITIES		44,553,786.91	43,906,394.81
SHAREHOLDERS’ EQUITY AND LIABILITIES		**62,953,540.90**	**63,269,251.85**

Parent company's cash flow

1 EUR	Note	1.2.2023-31.1.2024	1.2.2022-31.1.2023
Cash flows from operating activities			
PROFIT/LOSS FOR THE PERIOD		-963 103	291 310
Adjustments to profit/loss for the period		1 075 380	-268 010
Operating cash flow before working capital changes		112 277	23 299
Working capital changes			
Increase /decrease in trade and other receivables		-22 811	126 158
Increase / decrease in trade payables		3 540	-108 629
Cash flows from operations before financial items and taxes		93 005	40 829
Interest paid		-2 731 686	-2 132 465
Interest received		1 731 342	1 729 028
Other financial items		7 585	5 943
Income taxes paid		-119 653	-26 881
Net cash from operating activities		**-1 019 406**	**-383 546**
Cash flows from investing activities			
Addition / deduction of cash equivalents		1 161 397	157 021
Net cash used in investing activities		**1 161 397**	**157 021**
Cash flows from financing activities			
Addition / deduction of current borrowings		1 358 562	200 909
Group contribution received and paid		-1 500 000	0
Net cash used in financing activities		**-141 438**	**200 909**
Net change in cash and cash equivalents		**553**	**-25 616**
Cash and cash equivalents, opening amount		35 774	61 391
Net increase/decrease in cash and cash equivalents		553	-25 616
Cash and cash equivalents		36 327	35 774

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).

Business continuity

The financial statements for the financial period 1 February 2023–31 January 2024 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.

After the end of the financial year, the Company refinanced the SEK 300 million bond issued by the Company that falls due for payment in February 2024. The bond falls due for payment in February 2027. The terms and conditions of a bond are described in more detail in sections 15 Loans and financial assets and 17 Financial risk management.

With due account taken of the refinancing of the bond, the Company’s management has prepared financial forecasts for the development of turnover, expenses and investments. In assessing the continuity of business operations, the Company’s management estimates that the Company’s current liquid assets and projected cash flow from operations are sufficient to cover the liabilities and obligations arising from its operations for at least 12 months.

For this reason, the Company’s financial statements have been prepared on the going concern principle.

1. Notes concerning the personnel and members of governing organs

EUR 1

Personnel expenses	**1 February 2023–31 January 2024**	**1 February 2022–31 January 2023**
Wages, salaries and fees	-46,620.88	-130,800.00
Pension expenses	-12,488.79	-11,744.38
Other social security contributions	-4,339.98	-5,424.26
Total	-63,449.65	-147,968.64
Management salaries, fees and fringe benefits		
CEO	10,000.00	94,800.00
Board members	36,000.00	36,000.00
Total	46,000.00	130,800.00
Number of personnel		
Average during the financial year	1	1

2. Other operating expenses and auditors' fees

EUR 1	1 February 2023–31 January 2024	1 February 2022–31 January 2023
To the auditor: actual audit	**-28,779.49**	**-21,937.00**
PricewaterhouseCoopers Oy	-13,254.49	-21,937.00
KPMG Oy Ab	-15,525.00	
To the auditor: other expert services	**-16,469.16**	**-23,829.05**
PricewaterhouseCoopers Oy	-4,000.00	-23,829.05
KPMG Oy Ab	-12,469.16	
Legal and consulting services	-36,588.31	-23,067.45
Other operating expenses	-64,936.80	-84,398.38
	-146,773.76	-153,231.88

3. Financial income and expenses

EUR 1	1 February 2023–31 January 2024	1 February 2022–31 January 2023
Interest income from Group companies	2,498,437.65	2,498,437.66
Exchange rate gains	21,319.03	2,018,864.56
Financial income total	2,522,661.54	4,517,892.29
Interest expenses from liabilities to others	-3,378,547.44	-2,645,860.16
Other debt financial expenses	-13,733.54	-2,092.45
Exchange rate losses	-183,839.76	-5,725.36
Total financial expenses	-3,576,120.74	-2,653,677.97
Total financial income and expenses	-1,053,459.20	1,864,214.32

4. Direct taxes

EUR 1	1 February 2023–31 January 2024	1 February 2022–31 January 2023
Income taxes on actual operations	0.00	-72,291.14
	0.00	-72,291.14

5. Intangible assets

EUR 1	Intangible rights	Total
Cost 1 February 2023	115,744.42	115,744.42
Increase	0.00	0.00
Transfers between items	0.00	0.00
Cost 31 January 2024	115,744.42	115,744.42
Accumulated depreciation, amortisation and impairment 1 February 2023	-93,824.04	-93,824.04
Depreciation and amortisation	-21,920.38	-21,920.38
Accumulated depreciation, amortisation and impairment 31 January 2024	-115,744.42	-115,744.42
Book value 31 January 2024	**0.00**	**0.00**
Book value 31 January 2023	21,920.38	21,920.38

6. Investments

EUR 1	Participations in Group companies	Total
Cost 1 February 2023	19,802,563.00	19,802,563.00
Cost 31 January 2024	19,802,563.00	19,802,563.00
Book value 31 January 2024	**19,802,563.00**	**19,802,563.00**
Book value 31 January 2023	19,802,563.00	19,802,563.00

7. Non-current receivables

EUR 1	31 January 2024	31 January 2023
Non-current intra-Group loan receivables	33,888,448.98	33,888,448.98

8. Current receivables

EUR 1	31 January 2024	31 January 2023
Receivables from Group companies		
Interest receivables on intra-Group loans	7,987,900.67	7,217,900.64
Group account receivables	1,135,895.22	2,297,292.27
Receivables from others		
Other receivables	5,745.34	552.00
Accrued income	22,418.04	4,800.52
Deferred tax asset	74,242.49	0.00
	9,226,201.76	**9,520,545.43**

9. Shareholders' equity

EUR 1

Restricted shareholders' equity	31 January 2024	31 January 2023
Share capital	80,000.00	80,000.00
Total restricted equity at the end of the financial year	80,000.00	80,000.00
Non-restricted shareholders' equity		
Invested non-restricted equity reserve	18,001,823.00	18,001,823.00
Retained earnings, at the beginning of the period	1,281,034.04	989,724.37
Profit or loss for the financial year	-963,103.05	291,309.67
Total non-restricted shareholders' equity at the end of the financial year	**18,319,753.99**	**19,282,857.04**
Distributable non-restricted shareholders' equity		
Retained earnings	1,281,034.04	989,724.37
Profit or loss for the financial year	-963,103.05	291,309.67
Invested non-restricted equity reserve	18,001,823.00	18,001,823.00
Total distributable funds	18,319,753.99	19,282,857.04

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

The company acquired 28,245 treasury shares during the financial year. The acquisition was gratuitous.

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. The key individuals whose shares were acquired by the Company during the financial period resigned during the financial year.

At the balance sheet date, the Company holds 55,795 treasury shares – 0.3% of the capital stock – and their book value is EUR 27,990.80.

10. Non-current liabilities

EUR 1	31 January 2024	31 January 2023
Bonds	26,623,595.61	26,436,376.45
Liabilities to related parties	10,789,300.00	10,789,300.00
	37,412,895.61	37,225,676.45

The loans were subsequently refinanced after the balance sheet date in March 2024.

11. Current liabilities

EUR 1	31 January 2024	31 January 2023
Liabilities to Group companies		
Trade payables	500.00	500.00
Group account liabilities	1,559,470.72	200,908.75
Group contribution liabilities	0.00	1,500,000.00
Accrued charges	0.00	4,143.22
Liabilities to others		
Trade payables	5,026.47	2,160.86
Other liabilities	11,342.85	5,925.60
Interest liabilities	5,562,709.22	4,919,227.45
Other accrued charges	1,842.04	2,441.94
Deferred tax liability	0.00	45,410.54
	7,140,891.30	6,680,718.36

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:

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 -1,852 thousand (EUR -1,461 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, amortisation and impairment
Gross capital expenditure	Investments in intangible and tangible assets
Cash flow from operating activities	Profit/loss for the period +-non-cash adjustments +-change in working capital+- interest paid/received on business - tax paid on business
Personnel on average	The total number of employees at the end of each month is divided by the number of months in the financial period

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

Pirkkala, 17th May 2024

Board of Directors of HLRE Holding Oyj

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

Auditor’s note

A report on the audit performed has been issued today.

Tampere, on the date of the electronic signature

KPMG Oy Ab

Audit firm

Assi Lintula

APA