# HLRE Holding Oyj

# Report of the Board of Directors and Financial Statements

## 2/1/2024-1/31/2025

# Contents

# Report of the Board of Directors

FINANCIAL PERIOD 2/1/2024 – 1/31/2025

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 2025, the HLRE Holding Group operated in 16 (16) 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 the 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 in 2021, has strengthened the Group's service offering in the market for the renovation of single-family houses.

The Nesco Group, which 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.

| 1000 eur | **1.2.2024-31.1.2025** | Change | **1.2.2023-31.1.2024** | Change | **1.2.2022-31.1.2023** |
|---|---|---|---|---|---|
| Turnover | 102,929.0 | -4.8 % | 108,161.2 | -16.4 % | 129,455.0 |
| EBITDA | 1,885.0 | -11.9 % | 2,138.8 | -79.1 % | 10,225.5 |
| Profit/loss for the financial period | -8,424.9 | 36.5 % | -13,277.9 | 3833.7 % | -337.5 |
| Equity ratio | 7.0 % | -57.7 % | 16.5 % | -41.9 % | 28.3 % |
| Cash flow from operating activities | 148.2 | -96.6 % | 4,322.3 | -14.0 % | 5,025.6 |
| Personnel average | 735 | -8.2 % | 801 | -4.2 % | 836 |
| Gross capital expenditure | -613.9 | -38.6 % | -999.3 | -49.7 % | -1,987.4 |

MAJOR EVENTS DURING THE FINANCIAL PERIOD

The Group's turnover decreased from EUR 108.2 million to EUR 102.9 (-4,8%).

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 had 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 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, with the maturity date being 12 February 2027.

In addition, the terms and conditions of the bond included a five-year convertible bond of EUR 3 million issued by the Company's principal shareholders. The convertible bonds maturing in February 2029 can be converted into a maximum of 6,131,704 shares in HLRE Holding Oyj, corresponding to 37.3% of the outstanding HLRE Holding shares issued at the end of the financial year. The applicable conversion price is EUR 0.50 per share.

The parent company has financed its subsidiaries through both loans granted and a group bank account arrangement. More information on Group loans is provided in the notes to the financial statements of the parent company HLRE Holding Oyj.

In the first quarter of the financial year 2025, the Group continued the measures it initiated in the previous financial year to improve operational efficiency in a few Vesivek Oy units. The negotiations led to the termination of the employment relationship of approximately 20 people during the first quarter of 2024.

At the end of November 2024, HLRE Group Oy, Vesivek Oy, Vesivek Salaojat Oy and Vesivek Tuotteet Oy commenced change negotiations concerning possible temporary layoffs of less than 90 days that concerned all employees of the Group companies, with the exception of HLRE Group Oy's payroll function.

The aim of the change negotiations was to discuss the proposed temporary adaptation measures and their potential personnel-related impacts. The measures were implemented due to anticipated seasonal fluctuations, which were estimated to lead to a decrease in volume, as well as to ensure financial profitability during the fourth quarter of FY2025 and the first quarter of FY2026.

The change negotiations concerning possible temporary layoffs of a maximum of 90 days were concluded in the aforementioned companies in December 2024. During the negotiations, the grounds for, impacts of and possible alternatives to the planned measures were discussed in the spirit of cooperation. The allocation, number and timing of the temporary layoffs were determined on the basis of separate plans, and they are due to a temporary decrease in the need for labour during the period 1 January 2025–30 April 2025.

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, increased temporary layoffs and dismissals at the national level, and interest rates, although decreasing, remaining high compared to long-standing zero interest rates, as well as tighter lending policies adopted by credit institutions, have continued to contribute to an increased lack of consumer confidence.

The Group’s roof and rainwater systems business in Finland and Sweden and drainage system business in Finland fell short of the volume and profitability targets set for the financial year.  The roof safety and rainwater systems manufacturing business fell short of the volume targets due to the market conditions being more modest than expected, but profitability remained within the set targets due to the efficiency improvement measures taken.

## CHANGES IN GROUP STRUCTURE

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

## BUSINESS CONTINUITY

The financial statements for the period  2/1/2024-1/31/2025 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 2025 was EUR -8.4 million. The consolidated result for the previous financial year was EUR -13.3 million, which included an impairment of goodwill of EUR 5.0 million. The Company's operating cash flow came to EUR 0.1 (4.3) million, and net debt amounted to EUR 61.1 (55.2) million. During the financial year, the Company refinanced the SEK 300 million bond issued by the Company that matured in February 2024. The bond will mature in February 2027. The bond includes a Swedish krona exchange rate risk that was not hedged at the time of signing the financial statements. A change of +/-10% in the exchange rate of the Swedish krona against the euro would affect the result by approximately EUR +/-2.6 million before taxes.

The bond includes a cash covenant of EUR 2 million and, effective from 1 August 2025, a leverage covenant. The Group’s cash and cash equivalents amounted to EUR 2.50 million on 31 January 2025. The Group has an unused overdraft facility of EUR 1.0 million that was negotiated in March 2024 in connection with the restructuring of the SEK 300 million bond.

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 increases 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. In addition, the potential impacts of the significant and extensive tariffs imposed by the US in April 2025, and the uncertainty they cause, are difficult to estimate and predict. They can present both challenges and opportunities to the development of the Group’s business. Ideally, the impacts will accelerate the recovery of development activity in the property market. At the same time, uncertainty about the future impacts of trade policy causes delays in decision-making concerning property investments.

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 the development of its profitability.

In the first quarter of the financial year 2025, the Group continued the organisational efficiency improvement measures it initiated in 2023 in a few of Vesivek Oy's units. All in all, the efficiency improvement measures initiated in 2023 have had extensive impacts on the Group's Finnish companies. The executive management closely monitors the development of the Group’s various companies and businesses, and is prepared to react further if the performance of the businesses is not in line with the set plans.

With due account taken of the refinancing of the bond and the extensive efficiency improvement measures taken, the Company’s management has prepared financial forecasts for the development of turnover, expenses and investments. In assessing the going concern assumption, management believes that the company’s current liquid funds and projected operating cash flows are sufficient to cover its liabilities and obligations arising from its operations for at least 12 months, and consequently the financial statements have been prepared on a going concern basis. The forecasts assume that there will be a moderate positive turn in the market. In addition, the Group’s management has taken measures to improve the cash position by, for example, switching to the use of consignment stock for steel products.

Due to the general economic uncertainty, the cyclical nature of the industry and the short time horizon of the order book, forecasting involves a higher degree of judgment than usual. If the business does not develop according to the forecasts, there is a risk of liquidity being compromised and covenants being breached, which could cast significant doubt on the ability of the company and the Group to continue as a going concern. Such circumstances would also have an impact on the balance sheet valuation of the Group's goodwill and the parent company's shares in, and receivables from, its subsidiaries.

## SUBORDINATED LOAN

The Group companies have a subordinated loan totalling EUR 250 thousand. The interest rate on the loan is 5%, and unrecognised interest of EUR 25 thousand has accrued on the loan. No repayment date has been agreed for the loan.

## 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 735 (801) FTE, a decrease of 66 employees, or -8.2 per cent. The Group's employee benefits expenses totalled EUR 43.5 (46.5) million, a decrease of EUR -3.0 million, or -6.5 per cent.

## EVENTS AFTER THE REPORTING DATE

In February–March 2025, the Group continued the temporary layoffs of a maximum of 90 days in its Finnish companies, which had been announced in December 2024. The Group further announced in late March that, as the demand situation had slightly improved, the Group would deviate from the previously announced plan by not continuing the temporary layoffs in April in any of the Group companies.

## 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 31 May 2024, 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, held on 31 May 2024, the Board of Directors elected Pentti Tuunala as its Chair. At its meeting held on 31 May 2024, 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 it elected Timo Pirskanen as the Chair of the Audit Committee.

During the financial year 1 February 2024–31 January 2025, the Board of Directors convened 12 times. The attendance rate of the Board members was 99%. The Audit Committee convened once during the financial year 1 February 2024–31 January 2025 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 31 May 2024 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 and aims to convene at least four times a year. In the financial year 2025, there was only one Audit Committee meeting, as the entire Board of Directors has participated in the handling of financial matters, taking into account the Group’s situation.

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 economic, 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;
- new tasks related to sustainability reporting, which are presented in more detail in the sustainability reporting section.

The Audit Committee convened once during the financial year 1 February 2024–31 January 2025 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 by 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.

In the financial year 2025, the management team’s tasks also included new tasks related to sustainability reporting, which are presented in more detail in the sustainability reporting section.

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 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, which has been operating since October 2021: In March 2024, Antti Asteljoki started as the Chief Operative Officer of Vesivek's roof, rainwater system and drainage system installation business in Finland and joined the Group management team. The Group's interim HR Director changed in May 2024, with Anu Lapiolahti appointed in place of Niina Martin. At the end of the financial year, the composition of the Company’s management team was as follows: Kimmo Riihimäki, CEO; Antti Asteljoki, Chief Operative Officer of Vesivek Oy and Vesivek Salaojat Oy; Anu Lapiolahti, 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 cash and cash equivalents amounted to EUR 2.50 million on 31 January 2025. The Group has a conditional overdraft facility of EUR 1.0 million that was negotiated in March 2024 in connection with the restructuring of the SEK 300 million bond. However, if the organisational efficiency improvement measures implemented in the Group companies do not lead to the desired result during the first half of the financial year, the Group’s management is prepared to continue the efficiency improvement measures in the Group's companies and businesses.

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 the 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 comprising 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 and the Vesivek Oy and Vesivek Salaojat Oy businesses, 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. At the end of the financial year 2025, the balance sheet of the HLRE Holding Group included EUR 35.3 million of goodwill.

## ESTIMATE OF PROBABLE FUTURE DEVELOPMENT

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 increase moderately, while profitability will improve. The Group's potential growth in Finland will be derived from the increased efficiency of the existing locations of Vesivek Oy, 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 with 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. Taking the seasonality of the business into consideration, financial risks are related to the adequacy of financing throughout the financial year, 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 31 May 2024 resolved to appoint KPMG Oy Ab as the company’s auditor for the financial year 2/1/2024 – 1/31/2025, 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 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 ente

red 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 37 shareholders. At the end of the financial year, the company had a total of 201,304 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, as 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 -2,334,848.51. The Board of Directors proposes that the profit for the financial year be recognised as a change in retained earnings, after which its distributable funds amount to EUR 15,984,905.48. The Board of Directors’ proposal to the general meeting is that no dividends be distributed.

# Sustainability report

BASIS FOR PREPARATION

### BP1 General basis for preparation of the sustainability statement

With regard to sustainability themes, operations are reported on a consolidated basis, and the scope of consolidation is the same as for the financial statements. If any key figures are reported on a business-specific or area-specific basis or at the country level, this is mentioned separately.

The sustainability report is published annually. The reporting period is the same as for financial reporting, which is 1 February 2024–31 January 2025.

Basis for preparation

The Company’s sustainability report for the financial year 1 February 2024–31 January 2025 is based on the requirements laid down in Chapter 7 of the Finnish Accounting Act and the European Sustainability Reporting Standards (ESRS). Taxonomy reporting is based on the requirements laid down in Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (EU taxonomy).

The reported sustainability topics and sustainability indicators are based on the Company’s double materiality assessment, which was updated in two stages in 2023–2024. The figures and topics cover the Company’s value chain from the suppliers of materials and services to the end of the product life cycle. For suppliers, the reporting is based on available data. The material reporting requirements with respect to the Company's operations, products, services and stakeholders have been selected on the basis of a materiality assessment. No information classified as sensitive information, or results of innovation, has been omitted from the reporting.

The material themes and sustainability targets based on the materiality assessment were approved by the Company’s Board of Directors in spring 2024, and the sustainability report for the financial year 1 February 2024–31 January 2025 is the first report implemented in accordance with them, based on the requirements of the EU’s sustainability reporting standards.

### BP2 Disclosures in relation to specific circumstances

The aim is to prepare the reporting in the same way in all of the Group’s companies, and the information is compiled in the Group's report. The Company strives to use as accurate data as possible in its reporting. More detailed reporting principles and impacts are described in connection with the reporting of each data point as part of the topical standards.

The time horizons applied by Vesivek are short-term (one financial year), medium-term (1–5 years) and long-term (over 5 years).

With regard to the value chain, the information used by the Company has been collected either from public sources or through internal discussions with stakeholders. For example, some suppliers do not yet have accurate emission factors available for their products. The Company has taken into account only the most significant raw materials in purchased products, and the Company has had to use general emission factors for materials. The Company aims to develop emissions data together with its suppliers. Some of the waste data also includes certain estimates. In the big picture, these estimates are not significant in terms of the accuracy of the data as a whole. More detailed information on the estimates is provided in connection with each data point.

The Company reports in accordance with the ESRS standards for the first time for the 2025 reporting period. This has led to changes in presentation for some of the information when compared to previous years, particularly in terms of the amount and scope of the information in certain respects. Any changes are indicated in the report in the sections in question.

The sustainability report has been prepared in accordance with the ESRS standards. If the report contains data points based on other laws or regulations, this is stated in connection with the data point in question.

All ESRS data points have been incorporated into the report as applicable and none of them have been incorporated by reference.

If the Company has applied any exemptions permitted by transition periods in its reporting, these are separately mentioned under the standard in question.

**GOV-1 The role of the administrative, management and supervisory bodies**

The sustainability report includes information on the administration of sustainability, which consists of the Group's Board of Directors, the Audit Committee comprising members of the Board of Directors, the Group CEO and the Group's management team , and the sustainability working group appointed by the CEO.

Board of Directors and Audit Committee

The Board of Directors of the Group's parent company consists of six (6) members, of whom 17% are women and 83% are men. Of the members of the Board of Directors, 50% are independent of the Company. The Board of Directors has elected an Audit Committee from among its members. The Audit Committee has three (3) members: Timo Pirskanen as Chair, and Pentti Tuunala and Mika Uotila as members. Of the members of the Audit Committee, 33% are independent of the Company.

The Board of Directors of HLRE Holding Oyj is the Group's highest body responsible for sustainability, and it approves the Group policies that guide the Group's operations and internal control. Principles concerning sustainable business are laid down in the Group's Code of Conduct, as well as the risk management policy, disclosure policy, data protection policy, information security policy, communication policy, non-discrimination policy and environmental policy confirmed by the Board of Directors, and guidelines issued on the basis of the aforementioned policies. Targets and policies are updated if there are changes in the operating environment that require the Company to react.

The Board of Directors also approves the Vesivek Group's strategic sustainability targets. The Group CEO is responsible for the implementation of targets and reports to the Board of Directors on their progress at least annually.

Reviews relating to different aspects of sustainability are presented by the Group's executive management and, where necessary, external experts, at the annual level in meetings of the Board of Directors and the Audit Committee, which is elected by the Board of Directors from among its members. The reviews provide the members of the Board of Directors with information on the progress of the company's sustainability targets and the most material sustainability-related impacts, risks and opportunities. The reviews ensure that the Board of Directors has up-to-date knowledge and expertise in sustainability matters. The Group's sustainability targets are taken into account in the decision-making of the Board of Directors when deciding on investments, for example.

The reported impacts, risks and opportunities were not discussed in meetings during the financial year. In the future, they will be monitored more closely on the basis of the climate change transition plan prepared by the Company, among other things.

| RESPONSIBLE PARTY | DESCRIPTION OF THE AREA OF RESPONSIBILITY |
|---|---|

| | |
|---|---|
| Board of Directors and CEO, Audit Committee | · Approving and monitoring the sustainability programme and sustainability targets<br>· Monitoring the realisation of sustainability in the Company's operations<br>· Approving the sustainability report and reviewing and approving the reported information |
| Group's management team | · Addressing sustainability themes in the management team's meetings<br>· Incorporating the sustainability themes, sustainability programme, sustainability policies, sustainability targets and other sustainability-related measures into activities and practices in the members' respective areas of responsibility |
| CFO | · Compliance with sustainability reporting requirements<br>· Reporting to the Group's management team and Board of Directors<br>· Responsibility for the content of the sustainability programme and sustainability policies<br>· Responsibility for the structure and content of sustainability reporting, and reporting to the CEO<br>· Management, development and steering of sustainability efforts, integration into business operations<br>· Managing the sustainability working group |
| Sustainability working group | · Addressing sustainability themes, development, reporting and planning their integration into business operations<br>· Targets, measures and monitoring outcomes<br>· Communications, marketing, increasing awareness through training<br>· Promoting and supporting stakeholder relations |
| Business units, operational activities and administration | · Compliance with the policies related to sustainability themes<br>· Promoting actions and practices related to the sustainability programme and sustainability policy in the members' respective areas of responsibility<br>· Communicating successes, problems and development proposals to the members of the sustainability working group and the parties in charge of operational activities |

Group CEO and the Group's management team

The Group CEO is responsible for the implementation of the sustainability targets confirmed by the Board of Directors in the Group and reports to the Board of Directors on the development of the sustainability targets and the fulfilment of sustainability reporting requirements. The Group's management team discusses the Group’s sustainability matters before the CEO presents them to the Board of Directors and, for its part, monitors the progress of sustainability reporting and the implementation of the approved sustainability measures on a regular basis in meetings of the management team.

The Group's management team consists of six (6) members, of whom 17% are women and 83% are men. On 31 January 2025, the composition of the Group's management team was as follows (industry experience in years in brackets):

- Kimmo Riihimäki, Group CEO (over 30 years)
- Anu Lapiolahti, Group HR Director (two years)
- Pasi Heikkonen, Managing Director of Vesivek Tuotteet Oy and Tuusulan Peltikeskus Oy (over 30 years)
- Jani Jylhä, Managing Director of Vesivek Sverige AB (eight years)
- Antti Asteljoki, Chief Operative Officer of Vesivek Oy and Vesivek Salaojat Oy (one year)
- Jari Raudanpää, Group CFO (six years)

Based on the Group’s sustainability targets, the management teams of the Group’s business areas prepare their own sustainability targets for approval by the Group's management team. The directors of the business areas and Group companies are responsible for the implementation of the business area- and company-specific sustainability targets, and the achievement of the targets is monitored by the boards of directors of the Group companies and the management teams of the business areas. During the financial year 2025, themes related to sustainability reporting and the progress of sustainability reporting were on the agenda of the meetings of the Group's management team, with reviews presented by the Group CFO and sustainability specialists.

Sustainability working group

At the beginning of the financial year 2025, the Group CEO assigned the Group CFO the task of promoting compliance with the requirements of the Corporate Sustainability Reporting Directive and designated the Group CFO as the person responsible for the sustainability project. The CFO reported to the management team on the progress of the project and the themes on a regular basis. In August 2024, the Group recruited a Quality and Sustainability Director from outside the organisation. The person in question has several years of experience in the development of quality and sustainability in the real estate and construction sector. During the financial year, the Group’s sustainability working group included, in addition to the Group CFO and the Quality and Sustainability Director, a sustainability specialist who had deepened their expertise in sustainability-related themes alongside their other duties in 2023–2024.

Starting from August 2024, the sustainability working group met regularly, several times per month, to promote sustainability reporting. Key persons from the company's various functions and areas of responsibility were also engaged in the group's work. The aim of the working group is to increase internal training in and understanding of sustainability themes by first engaging the commitment of the Group's management teams and operative management and subsequently engaging the commitment of teams and individuals throughout the organisation. The aim of developing the competence of the working group is to increase understanding of and train the personnel in the key themes identified on the basis of the company's double materiality assessment and the related risks and opportunities.

Governance

HLRE Holding Oyj's Board of Directors and the Group CEO are responsible for the governance of the Vesivek Group. Good governance at HLRE Holding Oyj is ensured through clear management and internal control at every level. The Company's auditor is responsible for the Company's external audit.

**GOV-2 – Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies**

The Group's management team regularly reviews the Company's sustainability strategy and targets in its meetings and keeps the Board of Directors and Audit Committee informed of progress. For example, company-specific sickness absences and accidents are discussed regularly in the management team's meetings, presented by the Group's HR Director. The Group's sustainability working group prepares and updates the company's double materiality assessment annually and presents it to the Group's management team, which, in turn, ensures and is responsible for the alignment of the strategy and the double materiality assessment and that the targets are in line with the Group's long-term objectives. The Group's management team, together with the CEO, is also responsible for presenting this information to the Group's Board of Directors on a regular basis.

The Group's management team discussed the following topics in its meetings during the financial year that ended on 31 January 2025:

- Results of the double materiality assessment
- The planning the Group's sustainability strategy
- The Group's sustainability targets
- Workplace accidents

The Group's management team has presented the aforementioned matters to the Board of Directors during the financial year.

**GOV-3 Integration of sustainability-related performance in incentive schemes**

The Group did not have remuneration schemes linked to sustainability themes and targets in the financial year 2025.

The Group is in the early stages of developing a remuneration model that would take sustainability-related targets into account during the financial year 2027.

**GOV-5 Risk management and internal controls over sustainability reporting**

The identification and assessment of Vesivek's sustainability-related impacts, risks and opportunities is based on a materiality assessment and annual business planning. The reviews cover the assessment of sustainability-related impacts, risks and opportunities, and integrate them into business planning and strategic development. Key sustainability risks are identified and analysed through an operating environment analysis, taking into account the operating environment, the company's internal processes and various value chain participants. This process supports the Group's ability to react quickly to changing circumstances and anticipate future challenges and opportunities.

The communication of sustainability risks, impacts and opportunities has been integrated into Vesivek's general communications. Impacts, risks and opportunities are communicated to different levels of the organisation, such as business units, management and the Board of Directors. Particular attention is paid to identifying strategically

significant opportunities that promote sustainable development and support the realisation of the company's long-term values. This ensures that sustainability targets are integrated into operational functions and guide the Group's sustainable growth and profitability.

The identification of risks related to sustainability reporting is the responsibility of the Group's management team, which reports on the risks to the Group's Board of Directors. There is no separate organisation for risk management. Instead, the Group's management team delegates responsibility in accordance with the organisation's division of responsibilities. Risks are reviewed regularly by the management team and at least once a year by the Board of Directors and the Audit Committee in connection with the strategy process. The aim is to identify factors that affect the Group's values and strategic objectives, and to assess short- and long-term impacts, risks and opportunities. At the same time, the impacts of the company's operations on the surrounding society and the environment are assessed.

The identification of impacts, risks and opportunities is based on an operating environment analysis that takes into account the market environment, key value chain participants and the company's own business operations in the operating environment. In addition to the Group's own functions, the analysis covers stakeholders and partners that affect the business. Particular attention is paid to the identification and utilisation of sustainable solutions. This process supports continuous improvement and strengthens the Group's ability to respond to changing market conditions and sustainability challenges.

The Group company Vesivek Oy has ISO 9001 certification, and the aim is to expand the use of the quality standard to other Group companies in the coming years.

**SBM-1 Strategy, business model and value chain**

Vesivek focuses on roof and drainage renovations and the development, manufacture, sale and installation of rainwater systems for single-family and terraced homes. Customers include consumers who own single-family homes, housing companies, construction companies, prefabricated house factories and public-sector entities in Finland and Sweden. Vesivek had an average of 735 employees (FTE) in the financial year that ended on 31 January 2025, of whom 640 were based in Finland and 95 in Sweden. Turnover amounted to approximately EUR 103 million.

Vesivek has a supply chain that is under its control, which enables the company to improve the efficiency of its operations and influence its logistics. In installation work, the principle is to bring the required goods to the site as needed, and to take waste out when leaving. In addition, the Company's new sales model helps the Company avoid unnecessary driving by car, as meetings can be better targeted to the same area.

Sustainable development is increasingly important to Vesivek's customers and stakeholders, and Vesivek wants to be a market pioneer by seeking and providing solutions. Vesivek's services extend the life cycle of buildings. In addition to focusing on properties, the Company has also focused significantly on the safety of employees, both during installation work and in factory work.

One critical solution that is of relevance to sustainability reporting is a carbon-neutral steel, which is under development by the steel supplier. Commencing the production of carbon-neutral steel is not in the Company's own hands. The wider deployment of biodiesel in the Company's own operations is largely dependent on the Company's financial performance and financial capacity.

Vesivek set the following targets related to its material themes during the financial year that ended on 31 January 2025:

- Replace 10% of diesel with biodiesel when compared to the financial year 2024
- The Group’s waste recycling rate target is over 70%
- Reduce Vesivek Oy's accident frequency to less than 50
- Obtain the verified commitment of 80% of the Company's employees to the Group's Code of Conduct during the financial year 2026.

Vesivek’s sustainability work is based on our values: Attitude, Together, Results. Corporate responsibility is part of the Company’s strategy, and sustainability is part of our day-to-day operations. It is based on comprehensive value chain management, as the supply chain is largely under the Company's own control and thus provides the Company with the opportunity to influence its logistics. In addition, with the help of its own production and installation operations, the Company aims to operate sustainably and develop renovation operations in accordance with the concept, and to help customers with problems related to external moisture control for properties.

In the financial year 2025, Vesivek further specified its sustainability programme and sustainability and environmental policy. Vesivek wants to be active in sustainability matters, taking financial realities into consideration, and it collaborates with stakeholders on these issues. During the financial year 2024, we discussed the most important themes with key stakeholders. Discussions were held with major customers, suppliers, financial institutions and owners.

The scope of reporting covers the entire Group, including all companies in which the Group directly or indirectly holds more than 50 per cent of the voting rights, unless otherwise stated in connection with the reported information.

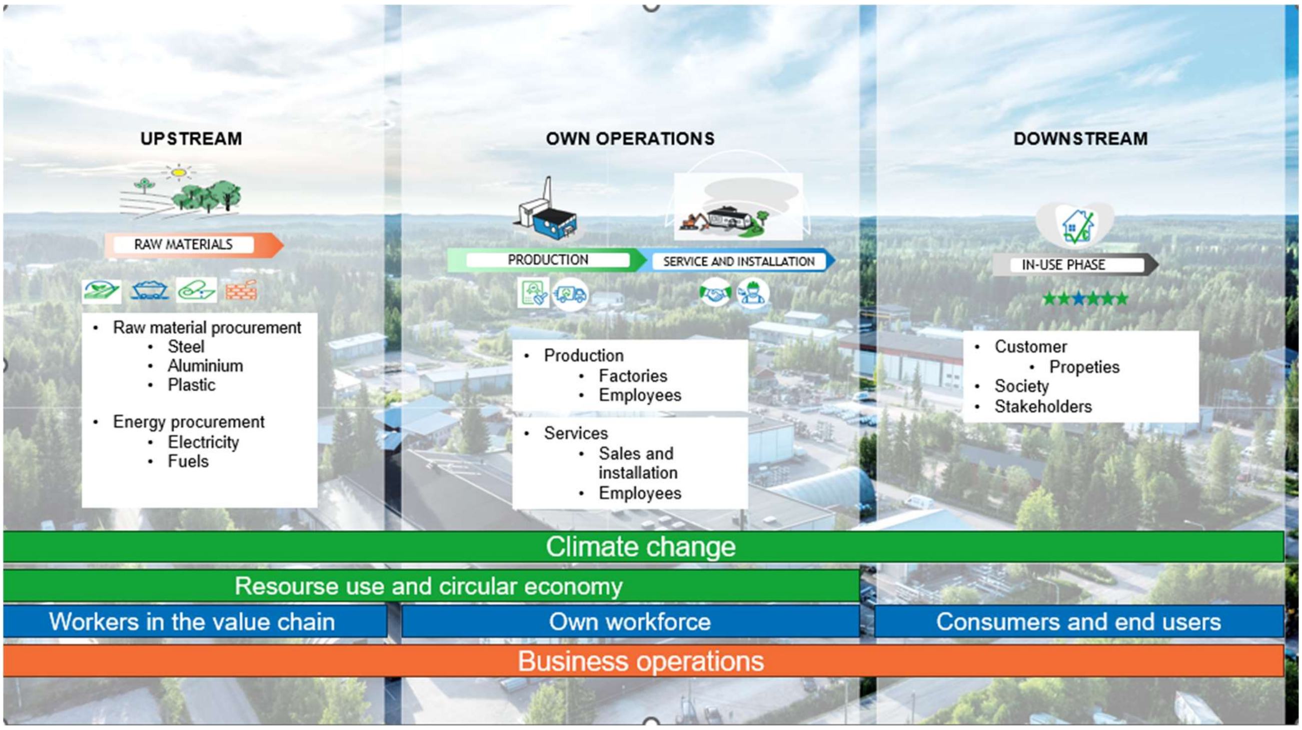
Value chain

With regard to Vesivek’s operating environment, the company is affected by natural resources and materials in the upstream value chain, as well as suppliers and the megatrends of climate change, the changing regulatory environment and sustainable construction. In terms of suppliers, the Company's upstream value chain consists largely of raw materials collected from natural resources. Consequently, the Company’s operations consume natural resources, and since the most significant ore deposits are largely found in third countries, there is also a risk of human rights violations related to working conditions, among other things. The Company strives to identify alternative materials made from recycled raw materials and maintains dialogue on working conditions in the upstream value chain. In these respects, the Company’s access to information is largely in the hands of suppliers. It should also be noted that the majority of the Company’s $CO_2$ emissions are related specifically to the raw materials purchased by the Company. The Company strives to reduce its emissions through the sustainable procurement of raw materials.

Vesivek's operations are highly dependent on the personnel. With this in mind, the Company recognises a significant personnel-related risk related to the occupational safety of employees and personnel turnover. The Company also recognises that its fleet of vehicles accounts for the majority of the emissions generated by its own operations. In the Company's own operations, emphasis is placed on leadership and people, as well as resources and services. Responsible management and personnel well-being promote social sustainability, well-being at work, equality and safety. The services provided by the company also have an impact on the condition of customers’ properties and healthy and safe living.

The direct outputs of the Company’s operations, the downstream value chain, are reflected in the solutions offered to customers and partnerships, such as long-lasting and safe buildings. The Company’s operations are based on the renovation of buildings, which extends their service life, as well as sustainability themes, such as climate change mitigation and the recycling of materials from renovation sites. Sustainably designed and built products reduce life-cycle environmental impacts, such as energy consumption and waste. They also promote safety and comfortable living, which improves quality of life for customers and society.

The indirect impacts of the Company's operations extend to the environment, society and stakeholders. The Company's operations promote environmental responsibility and support society's well-being in the form of healthy properties and the renewal of cityscapes. Long-lasting buildings reduce the need for repairs and, consequently, the use of natural resources. Positive impacts are created for different stakeholders through increased employment opportunities. Open communication and sustainable operations improve stakeholder trust and increase the company's social acceptance. This strengthens the brand and enables long-term growth. This way, different parts of the value chain are reflected in broader sustainability-related challenges and opportunities.




The Company does not have access to detailed data for assessing the upstream or downstream value chain.

## SBM-2 Interests and views of stakeholders

Interests and views of stakeholders

Vesivek engaged in discussions with its stakeholders as part of the double materiality assessment. The aim was to select stakeholders so that they represent all of the most significant sectors in the company's value chain: suppliers, customers, owners and financing providers. A questionnaire was first sent to the stakeholder representatives, and a discussion was subsequently held with them on the basis of the questionnaire. In addition, the Company has incorporated sustainability into discussions held with various stakeholders.

Stakeholder feedback is actively compared with the results of the company's own double materiality assessment. During the financial year 1 February 2024–31 January 2025, the views were aligned to a good extent. The results of the surveys have also been discussed in meetings of the Group's management team, and they have been presented to the Group's Board of Directors.

| Stakeholders | Stakeholder engagement | Themes important to stakeholders | Impact on stakeholders |
| --- | --- | --- | --- |
| Owners, financing providers | Board of Directors<br>Financing providers: Danske Bank Oyj, Sentica Partners Oy<br>Materiality assessment | Profitable business<br>Value creation for customers and society<br>A healthy and diverse work community<br>Occupational health and safety | Profitable business<br>New investments<br>Sustainability programme |
| Personnel | Personnel survey<br>Cooperation group<br>Occupational safety observations and occupational safety and health<br>Whistleblowing channel<br>Materiality assessment | Occupational health and safety<br>Competence development<br>Governance | Safety management models<br>Academy and training system<br>Management system |
| Customers, consumers, end-users | Consumer customers<br>Customer accounts: Kesko Oyj,<br>HSB AB in Sweden<br>Customer experience surveys<br>Customer feedback forms<br>Contact forms on websites<br>Brand and reputation survey | Sustainable products and services<br>Quality<br>Safety<br>Transparency, governance and personnel policy | Quality of products and services<br>Health and safety at work<br>Governance, transparency |
| Suppliers and supply chain participants | Suppliers: SSAB<br>Whistleblowing channel<br>Materiality assessment<br>Bilateral meetings | Occupational safety and health<br>Climate change and CO2 emissions<br>Sustainability of the supply chain | Safety management<br>Governance<br>Assessment of sustainability and environmental issues, and measures |
| Decision-makers, joint administrative entities | Bilateral meetings<br>Events, seminars<br>Whistleblowing channel | Climate change mitigation<br>Governance | External moisture control solutions |
| Cooperation with educational institutions, research | Cooperation projects and events<br>Recruitment cooperation | Training and competence<br>Enabling employment | Development projects<br>Training cooperation |

| | | | |
|---|---|---|---|
| | Thesis opportunities and internships | Development cooperation | Jobs and internships |

**SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model**

| **Sub-topic and IRO** | **Type** | **Part of the value chain** | **Time horizon** |
|---|---|---|---|
| E1 Climate change mitigation -<br>Reducing CO2 emissions; Vesivek's business causes high CO2 emissions | Risk | Company's own operations, Downstream | Long-term |
| E1 Climate change mitigation -<br>The operations cause emissions | Negative impact | Upstream and company's own operations | Short-, medium- and long-term |
| E1 Climate change mitigation -<br>The increasing prevalence of climate change and the opportunities it presents for the business | Opportuni-<br>ty | Company's own operations, Downstream | Long-term |
| E5 Resource inflows, including resource use - Availability of raw materials. Vesivek's business operations are largely based on a small number of core raw materials | Risk | Upstream and company's own operations | Long-term |
| E5 Resource inflows, including resource use - Availability of raw materials; Vesivek is working with SSAB on developing fossil-free steel that reduces the use of the primary raw material | Positive impact | Upstream and company's own operations | Medium- and long-term |
| E5 Waste - Waste recycling - Vesivek's construction sites generate large amounts of various waste, the incorrect sorting of which could lead to increased waste management fees. It must also be taken into account that asbestos is among the waste fractions generated at properties, and its appropriate handling is important from a safety perspective | Risk | Company's own operations | Long-term |
| E5 Waste - Waste recycling - Appropriate waste processing and recycling has a positive impact on the environment | Positive impact | Company's own operations | Long-term |
| S1 Work-life balance – Personnel turnover. Vesivek has high personnel turnover, especially in sales and installation operations. This poses a financial risk | Risk | Company's own operations | Medium-term |

| | | | |
|---|---|---|---|
| S1 Health and safety - Occupational safety Significant especially in the roof industry and factory work. Workplace accidents cause harm and health-related consequences to the employee in particular. They also cause reputational damage to the Company, as well as financial risks in the form of lost sales, absences and potential fines. | Risk and negative impact | Company's own operations | Medium-term |
| S2 Health and safety - Safety and working conditions of value chain workers - The raw materials that go into the materials used by the Company largely originate from third countries, which means that issues related to the safety and working conditions of value chain workers may be of concern and can potentially cause reputational damage to Vesivek. | Negative impact | Upstream | Long-term |
| S2 Other work-related rights - Rights of value chain workers - The raw materials that go into the materials used by the Company largely originate from third countries, which means that issues related to the safety and working conditions of value chain workers may be of concern and cause reputational damage to Vesivek. | Negative impact | Upstream | Long-term |
| S4 Personal safety of consumers or end-users - Improvement of Vesivek's customers' properties - Vesivek provides its customers with external moisture control services for properties, which help to extend the service life of the customer's property | Positive impact | Upstream | Long-term |
| G1 Corporate culture - Vesivek's Code of Conduct - Violations of the Code of Conduct, with regard to bribery, for example, may pose a financial risk for Vesivek. | Risk | Upstream, Company's own operations, Downstream | Long-term |
| G1 Corporate culture - Vesivek's Code of Conduct - Engaging the personnel's commitment to the Code of Conduct promotes the improvement of the corporate culture | Positive impact | Company's own operations | Medium-term |

More detailed information on the themes is provided under each theme.

Vesivek has not prepared a comprehensive resilience analysis on the sustainability of the strategy and business model and the ability to respond to all identified impacts and risks. The Company reports on potential observed impacts and risks under each theme on a case-by-case basis. The Company has not identified the financial effects of the material risks and opportunities on its financial position, financial performance and cash flows during the reporting period.

Vesivek's operating environment is affected by natural resources and materials, partners, the increasing prevalence of climate change, sustainable development, construction and the regulatory environment. Vesivek's strategy and sustainability programme take into account the challenges of the operating environment while creating new opportunities to adapt and succeed in a changing operating environment. The sustainability themes that guide the Company's operations and the Company's sustainability programme in its entirety are available on the Company's website.

Based on the double materiality assessment, target-based actions include the reduction of CO2 emissions, waste sorting, extending the life cycle of buildings through property improvements, a diverse workplace community with a high level of well-being, taking into account work-life balance and occupational health and safety, and, in business conduct, corporate culture in accordance with the values, Code of Conduct and governance practices approved by the parent company's Board of Directors. In relation to these actions, the Company has set Vesivek Oy a recycling rate target of over 70% and, regarding occupational safety, an accident frequency target of less than 50 for the financial year 2025. In addition, the Company has set a target of obtaining a commitment to the Code of Conduct from 80% of the personnel during the financial year 2026. The Company's target for the financial year that ended on 31 January 2025 was to increase the use of biodiesel in its own fleet by 10%, but the Company was unable to achieve this target due to the financial situation. The Company also intends to set other targets in the coming years.

Vesivek engages in purposeful development efforts to promote sustainable action in its business operations and achieve the set targets. We are committed to the continuous development of service quality, sustainability and our operations both within our organisation and in cooperation with partners. This way, we promote change throughout our value chain.

Our services extend the life cycle of buildings, which allows us to influence the environmental impact and slow down climate change. We also promote the well-being of society and people through employment and industry development.

People – customers, employees and partners – are at the heart of our business. We want to create a better quality of life for people by keeping properties safe and healthy.

### IRO-1 Double materiality assessment

The company's double materiality assessment was carried out in two parts: the first part was conducted in autumn 2023, and the assessment was specified further in summer 2024. The participants in Vesivek's double materiality assessment included the Group's management team, along with representatives of the management team of Vesivek Oy/Vesivek Salaojat Oy, Group administration and unit management. This provided representation from all of the most significant areas: sales, marketing, administration, business units, the factory and the purchasing function. The analysis was also discussed by the Board of Directors in autumn 2023.

In separate working group meetings held in autumn 2023, the aforementioned working group was tasked with defining the Company's material themes related to the three themes of sustainability: environment, people and society, and governance. Based on the meetings, a "long list" of sustainability themes was first compiled for the three overarching themes. The themes were linked to the ESRS standards, and related assessments were carried out on the basis of the working group's proposals. The material themes were selected based on the most significant themes for the Company's operations, such as occupational safety, waste recycling, and the reduction of CO2 emissions, particularly with the help of carbon-free steel. The proposals were then reviewed with key stakeholders to have their views complement the Company's own views. The Group's management team then confirmed the assessments, and the Group CEO presented the assessments to the Group's Board of Directors in autumn 2024 for final approval.

To identify the material sustainability-related themes, each theme was assessed according to the principle of double materiality, from the perspective of impact materiality and financial materiality, while taking risks and opportunities into consideration.

For climate-related themes, the impacts of actions, as well as physical risks and associated risks, were addressed. The relationship between the Company's business operations and the identified risks and opportunities was also reviewed in connection with this.

The Company first considered its own operations and determined that its own vehicles are the most significant source of emissions. Expanding the assessment to include the supply chain, it was determined that purchased raw materials, and purchased steel in particular, are the most significant source of emissions.

The Company examined impacts in the short term (the financial year), the medium term (1–5 years) and the long term (5–10 years).

<u>E1 Climate change</u>

The Company has noted that climate change has a significant impact on its installation operations. Demand is generally expected to increase, as properties are exposed to higher moisture loads due to increasing rainfall. At the same time, shorter periods of snow cover will extend installation months with favourable conditions for the Company. However, it should be noted that periods of hot summer weather and increasing winds can also make installation operations more difficult.

The entire Group’s business is largely based on steel, which involves risks. Steel production causes significant CO2 emissions, and if the pricing of emissions becomes tighter, it can pose financial challenges for the Company.

In its analysis, the Company used generally known assumptions, based on which the Company determined that global warming will cause warming in the Nordic countries, particularly during the winter months, and increased rainfall and storms, especially in the long term. The Company recognises that the same phenomena may occur in the short and medium term in some years. However, the assessments are not based on any official climate model, and scenario analyses were not utilised in the assessments.

More detailed assessments of the physical risks and transition risks related to climate change are provided in paragraph E1-SBM-3. The Company assessed its own operations comprehensively, from installation work to factory work. The most significant impacts are related to installation work, as it is carried out outdoors. The Company has not assessed potential physical risks to its business premises at this stage.

<u>E5 Resource use and circular economy</u>

In connection with the double materiality assessment and stakeholder interviews, the company also reviewed the use of raw materials and the recycling of waste. In connection with this, it was noted that the raw materials used by Vesivek are largely processed from non-renewable raw materials and cannot, for the time being, be manufactured from recycled raw materials, with the exception of the aluminium used by the Company. In the future, the Company intends to promote discussions with suppliers on increasing the share of recycled materials in products. With regard to waste treatment, it was noted that the Company is at a good level.

The waste generated by the Group’s operations can be effectively recovered, either by recycling it into secondary materials or by incinerating it for energy production. The only significant waste type that cannot be recycled or incinerated for energy is the asbestos from demolished roofs. The use of asbestos in construction projects has been prohibited in Finland since 1994, but the Company's renovation projects will include asbestos-containing buildings for decades to come. By removing asbestos at renovation sites, the Company engages in sustainable work to enable healthier living environments. The Group also has its own thermal power plant in Pirkkala, which utilises wood waste from installation sites.

With regard to waste, the most significant risks are related to the processing of asbestos, which is subject to a permit. Vesivek Tuotteet also generates a relatively small amount of hazardous waste in its production operations. The disposal of the hazardous waste is handled by waste management companies.

Vesivek uses steel as a raw material to a significant extent in its operations. The price and availability of steel have significant impacts on Vesivek’s operations. With this in mind, Vesivek has engaged in sustained cooperation with its long-term supplier, SSAB, and also aims to develop its own procurement activities in the short term to better prepare for changing society and market conditions.

Double materiality assessment methods

The themes of the double materiality assessment were assessed on the basis of the following criteria:

**Impact assessment**

1. Significance of the impact, scale 1–5

5 - very severe impact (e.g. death in the context of a workplace accident),

1- very small impact

2. Scope of the impact, scale 1–5

5- Very large, global

1- Only really affects a single person/company

3. Remediability, scale 1–5

5- Very difficult to remediate

1- Can be remediated quickly with a small change

4. Likelihood, 0.1–1

1. Certain to happen

0.1 Unlikely to ever happen

**Financial effect assessment**

1. Scale of financial effect, scale 1–5

The limits in euros were determined according to the scale of the Group’s business

5., EUR >2 million

4., EUR 200 thousand–EUR 2 million

3., EUR 50 thousand–EUR 200 thousand

2., EUR 10 thousand–EUR 50 thousand

1., < EUR 10 thousand

2. Likelihood, 0.1–1

1. Certain to happen

0.1 Unlikely to ever happen

The materiality threshold was 6.5 points for impact materiality and 3 points for the financial effect. If a theme received a score at the boundary or above, the theme was determined to be material from the Company's perspective.

The time horizons were defined as short-term (one financial year), medium-term (1–5 years) and long-term (over 5 years).

Results of the double materiality assessment

In Vesivek's double materiality assessment, the Company identified impacts on the environment and society (impact materiality assessment), as well as financial effects. The topics and themes are linked to the Company's strategy and business model. The following topics were identified as material ESRS topics as a result of the double materiality assessment:

- E1, climate change
- E5, resource use and circular economy
- S1, own workforce
- S2, workers in the value chain
- S4, consumers and end-users, and
- G1, business conduct

The measures related to the themes are described in the "Measures" section under each theme. The development of the impacts observed by the Company is directly related to the Company's financial performance and financial position. One example of this is the development of vehicles to be powered by biofuel, or even a partial transition to fully electric vehicles, which is related to climate change mitigation. The Company has not identified impact-related risks concerning changes in carrying values during the financial year.

The Company has positioned the identified topics in its own processes and, consequently, its risk and opportunity management processes. The Company's sustainability working group reports on the themes to the Company's management on a regular basis, and the Company's management updates the strategy and business models accordingly. The information used in the Company's double materiality assessment was obtained internally as a result of the Company's own analysis, but the information is in line with the views of stakeholders.

Themes that are non-material in terms of impacts and likelihood

Pollution

Material impacts, risks and opportunities related to pollution

With regard to pollution, the most significant risks are related to Vesivek's Orimattila production plant and, in particular, its paint shop operations. The washing processes at the Orimattila paint shop use strong chemicals, combined with water, to remove zinc from products. However, the water from the paint shop's washing processes is purified comprehensively enough to allow it to be discharged into the municipal sewer system. The Group has an environmental permit for this purpose. Another plant that requires an environmental permit is the Pirkkala thermal plant. However, the plant does not process any waste other than demolished wood and bricks from installation sites, and the impact and likelihood are not material. In addition, appropriate emission measurements have been carried out on the emissions of the thermal plant.

Measures and policies

At Vesivek Tuotteet, wastewater samples are regularly taken from the water discharged from the paint shop, and the results are reported to the authorities.

Water and marine resources

Material impacts, risks and opportunities related to water and marine resources

The Group's own operations do not cause significant emissions to waterways. Renovations are carried out on dry land, and the building permits specify the safety distances between buildings and bodies of water. The Orimattila paint shop is the most significant in terms of water consumption, but even its consumption amounts only to approximately 2,000 $m^3$ of water per year. In the Group's value chain, the most significant water consumption is associated with the excavation of ores required for steel processing.

Biodiversity and ecosystems

Material impacts, risks and opportunities related to biodiversity and ecosystems

There are no significant risks related to this topic in the Group's own operations. The most significant impact arises in connection with drainage renovations, but the excavations are limited to the vicinity of the foundations of the buildings, which means that their environmental impact is very low. In the value chain, the most significant risk is associated with environmental emissions from mining activities and the loss of biodiversity.

**IRO 2 Disclosure requirements in ESRS covered by the undertaking's sustainability report**

List of disclosure requirements included in the sustainability report

| Disclosure requirement | | Section |
|---|---|---|
| ESRS-2 General disclosures | | |
| BP-1 | General basis of preparation of the sustainability report | ESRS 2; BP-1 |
| BP-2 | Disclosures in relation to specific circumstances | ESRS 2; BP-2 |
| GOV-1 | The role of the administrative, management and supervisory bodies | ESRS 2, GOV-1 |
| GOV-2 | Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies | ESRS 2; GOV-2 |

| | | |
|---|---|---|
| GOV-3 | Integration of sustainability-related performance in incentive schemes | ESRS 2; GOV-3 |
| GOV-4 | Statement on sustainability due diligence | The Company does not have |
| GOV-5 | Risk management and internal controls over sustainability reporting | ESRS 2; GOV-5 |
| SBM-1 | Strategy, business model and value chain | ESRS 2; SBM-1 |
| SBM-2 | Interests and views of stakeholders | ESRS 2; SBM-2 |
| SBM-3 | Material impacts, risks and opportunities and their interaction with strategy and business model | ESRS 2; SBM-3, E1; SBM-3, S1; SBM-3, S4; SBM-3 |
| IRO-1 | Description of the processes to identify and assess material impacts, risks and opportunities | ESRS 2, IRO-1 |
| IRO-2 | Disclosure requirements in ESRS covered by the undertaking's sustainability report | ESRS 2 IRO-2 |
| Environmental information | | |
| ESRS E1 Climate change | | |
| ESRS 2, GOV-3 | Integration of sustainability-related performance in incentive schemes | ESRS 2, GOV-3 |
| E1-1 | Transition plan for climate change mitigation | E1; E1-1 |
| ESRS 2; SBM-3 | Material impacts, risks and opportunities and their interaction with strategy and business model | E1; SBM-3 |
| ESRS 2, IRO-1 | Description of the processes to identify and assess material climate-related impacts, risks and opportunities | ESRS 2, IRO-1 |
| E1-2 | Policies related to climate change mitigation and adaptation | E1; E1-2 |
| E1-3 | Actions and resources in relation to climate change policies | E1; E1-3 |
| E1-4 | Targets related to climate change mitigation and adaptation | E1; E1-4 |
| E1-5 | Energy consumption and mix | E1; E1-5 |
| E1-6 | Gross Scopes 1, 2, 3 and Total GHG emissions | E1; E1-6 |
| E1-7 | GHG removals and GHG mitigation projects financed through carbon credits | Defined as non-material |
| E1-8 | Internal carbon pricing | Defined as non-material |
| E1-9 | Anticipated financial effects from material physical and transition risks and potential climate-related opportunities | E1; E1-9 |
| ESRS E2 Pollution | | |
| ESRS 2, IRO-1 | Description of the processes to identify and assess material pollution-related impacts, risks and opportunities | Defined as non-material |
| E2-1 | Policies related to pollution | Defined as non-material |
| E2-2 | Actions and resources related to pollution | Defined as non-material |

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| E2-3 | Targets related to pollution | Defined as non-material |
| E2-4 | Pollution of air, water and soil | Defined as non-material |
| E2-5 | Substances of concern and substances of very high concern | Defined as non-material |
| E2-6 | Anticipated financial effects from pollution-related impacts, risks and opportunities | Defined as non-material |
| ESRS E3 Water and marine resources | | |
| ESRS 2, IRO-1 | Description of the processes to identify and assess material water and marine resources-related impacts, risks and opportunities | Defined as non-material |
| E3-1 | Policies related to water and marine resources | Defined as non-material |
| E3-2 | Actions related to water and marine resources | Defined as non-material |
| E3-3 | Targets related to water and marine resources | Defined as non-material |
| E3-4 | Water consumption | Defined as non-material |
| E3-5 | Anticipated financial effects from water and marine resources-related risks and opportunities | Defined as non-material |
| ESRS E4 Biodiversity and ecosystems | | |
| E4-1 | Transition plan and consideration of biodiversity and ecosystems in the strategy and business model | Defined as non-material |
| ESRS 2; SBM-3 | Material impacts, risks and opportunities and their interaction with strategy and business model | Defined as non-material |
| ESRS 2, IRO-1 | Description of processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities | Defined as non-material |
| E4-2 | Policies related to biodiversity and ecosystems | Defined as non-material |
| E4-3 | Actions and resources related to biodiversity and ecosystems | Defined as non-material |
| E4-4 | Targets related to biodiversity and ecosystems | Defined as non-material |
| E4-5 | Impact metrics related to biodiversity and ecosystems change | Defined as non-material |
| E4-6 | Anticipated financial effects from biodiversity and ecosystem-related risks and opportunities | Defined as non-material |
| ESRS E5 Resource use and circular economy | | |
| ESRS 2, IRO-1 | Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities | ESRS 2, IRO-1 |
| E5-1 | Policies related to resource use and circular economy | E5: E5-1 |

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| E5-2 | Actions and resources related to resource use and circular economy | E5: E5-2 |
| E5-3 | Targets related to resource use and circular economy | E5: E5-3 |
| E5-4 | Resource inflows | E5: E5-4 |
| E5-5 | Resource outflows | E5: E5-5 |
| E5-6 | Anticipated financial effects from resource use and circular economy-related risks and opportunities | E5: E5-6 |
| Social information | | |
| ESRS S1 Own workforce | | |
| ESRS 2; SBM-2 | Interests and views of stakeholders | ESRS 2; SBM-2 |
| ESRS 2; SBM-3 | Material impacts, risks and opportunities and their interaction with strategy and business model | S1-SBM3 |
| S1-1 | Policies related to own workforce | S1: S1-1 |
| S1-2 | Processes for engaging with own workers and workers' representatives about impacts | S1; S1-2 |
| S1-3 | Processes to remediate negative impacts and channels for own workers to raise concerns | S1; S1-3 |
| S1-4 | Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions | S1; S1-4 |
| S1-5 | Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities | Omitted in accordance with Appendix C of ESRS 1 General requirements |
| S1-6 | Characteristics of the undertaking's employees | S1; S1-6 |
| S1-7 | Characteristics of non-employee workers in the undertaking's own workforce | Defined as non-material |
| S1-8 | Collective bargaining coverage and social dialogue | Defined as non-material |
| S1-9 | Diversity metrics | Defined as non-material |
| S1-10 | Adequate wages | Defined as non-material |
| S1-11 | Social protection | Defined as non-material |
| S1-12 | Persons with disabilities | Defined as non-material |
| S1-13 | Training and skills development metrics | Defined as non-material |
| S1-14 | Health and safety metrics | S1; S1-14 |
| S1-15 | Work-life balance metrics | Defined as non-material |

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| S1-16 | Compensation metrics (pay gap and total compensation) | Defined as non-material |
| S1-17 | Incidents, complaints and severe human rights impacts | Defined as non-material |
| ESRS S2 Workers in the value chain | | |
| ESRS 2; SBM-2 | Interests and views of stakeholders | ESRS 2; SBM-2 |
| ESRS 2; SBM-3 | Material impacts, risks and opportunities and their interaction with strategy and business model | ESRS 2; SBM-3 |
| S2-1 | Policies related to value chain workers | S2; S2-1 |
| S2-2 | Processes for communicating about impacts with employees in the value chain | S2; S2-2 |
| S2-3 | Processes to remediate negative impacts and channels for value chain workers to raise concerns | Omitted in accordance with Appendix C of ESRS 1 General requirements |
| S2-4 | Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions | Omitted in accordance with Appendix C of ESRS 1 General requirements |
| S2-5 | Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities | Omitted in accordance with Appendix C of ESRS 1 General requirements |
| ESRS S3 Affected communities | | |
| ESRS 2; SBM-2 | Interests and views of stakeholders | Defined as non-material |
| ESRS 2; SBM-3 | Material impacts, risks and opportunities and their interaction with strategy and business model | Defined as non-material |
| S3-1 | Policies related to affected communities | Defined as non-material |
| S3-2 | Processes for engaging with affected communities about impacts | Defined as non-material |
| S3-3 | Processes to remediate negative impacts and channels for affected communities to raise concerns | Defined as non-material |
| S3-4 | Taking action on material impacts on affected communities, and approaches to managing material risks and pursuing material opportunities related to affected communities, and effectiveness of those actions | Defined as non-material |
| S3-5 | Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities | Defined as non-material |
| ESRS S4 Consumers and end-users | | |
| ESRS 2; SBM-2 | Interests and views of stakeholders | ESRS 2; SBM-2 |

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| ESRS 2; SBM-3 | Material impacts, risks and opportunities and their interaction with strategy and business model | ESRS 2; SBM-3, S4; SBM-3 |
| S4-1 | Policies related to consumers and end-users | S4; S1-4 |
| S4-2 | Processes for engaging with consumers and end-users about impacts | S4; S1-2 |
| S4-3 | Processes to remediate negative impacts and channels for consumers and end-users to raise concerns | Defined as non-material |
| S4-4 | Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions | Omitted in accordance with Appendix C of ESRS 1 General requirements |
| S4-5 | Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities | Omitted in accordance with Appendix C of ESRS 1 General requirements |
| Governance information | | |
| ESRS G1 Business conduct | | |
| ESRS 2, GOV-1 | The role of the administrative, management and supervisory bodies | ESRS 2, GOV-1 |
| ESRS 2, IRO-1 | Description of the processes to identify and assess material impacts, risks and opportunities | ESRS 2, IRO-1 |
| G1-1 | Corporate culture and business conduct policies and corporate culture | G1; G1-1 |
| G1-2 | Management of relationships with suppliers | Defined as non-material |
| G1-3 | Prevention and detection of corruption and bribery | Defined as non-material |
| G1-4 | Confirmed incidents of corruption or bribery | Defined as non-material |
| G1-5 | Political influence and lobbying activities | Defined as non-material |
| G1-6 | Payment practices | Defined as non-material |

Appendix B. List of data points in cross-cutting and topical standards that derive from other EU legislation

| Disclosure requirement | Data point | Sustainability report | SFDR reference | Pillar 3 reference | Benchmark Regulation reference | EU Climate Law reference | Section |
|---|---|---|---|---|---|---|---|
| ESRS 2, GOV-1 | paragraph 21 (d) | Board's gender diversity | Indicator number 13 of Table #1 of Annex 1 | | Commission Delegated Regulation (EU) 2020/1816 (27), Annex II | | ESRS 2, GOV-1 |

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|---|---|---|---|---|---|---|---|
| ESRS 2, GOV-1 | paragraph 21 (e) | Percentage of board members who are independent | | | Delegated Regulation (EU) 2020/1816, Annex II | | ESRS 2, GOV-1 |
| ESRS 2, GOV-4 | paragraph 30 | Statement on due diligence | Indicator number 10 Table #3 of Annex 1 | | | The Company does not have | |
| ESRS 2, SBM-1 | paragraph 40 (d) i | Involvement in activities related to fossil fuel activities | Indicator number 4 Table #1 of Annex 1 | Article 449a Regulation (EU) No 575/2013; | Delegated Regulation (EU) 2020/1816, Annex II | | Defined as non-material |
| | | | | Commission Implementing Regulation (EU) 2022/2453(6) Table 1: Qualitative information on Environmental risk and Table 2: Qualitative information on Social risk | | | |
| ESRS 2, SBM-1 | paragraph 40 (d) ii | Involvement in activities related to chemical production | Indicator number 9 Table #2 of Annex 1 | | Delegated Regulation (EU) 2020/1816, Annex II | | Defined as non-material |
| ESRS 2, SBM-1 | paragraph 40 (d) iii | Involvement in activities related to controversial weapons | Indicator number 14 Table #1 of Annex 1 | | Delegated Regulation (EU) 2020/1818(7), Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II | | Defined as non-material |
| ESRS 2, SBM-1 | paragraph 40 (d) iv | Involvement in activities related to cultivation and production of tobacco | | | Article 12(1) of Delegated Regulation (EU) 2020/1818, Annex II to Delegated Regulation (EU) 2020/1816 | | Defined as non-material |
| ESRS E1-1 | paragraph 14 | Transition plan to reach climate neutrality by 2050 | | | | Article 2(1) of Regulation (EU) 2021/1119 | E1; E1-1 |

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| ESRS E1-1 | paragraph 16 (g) | Undertakings excluded from Paris-aligned Benchmarks | | Article 449a \| Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book-Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity | Delegated Regulation (EU) 2020/1818, Article 12.1 (d) to (g), and Article 12.2 | | E1; E1-1 |
| ESRS E1-4 | paragraph 34 | GHG emission reduction targets | Indicator number 4 Table #2 of Annex 1 | Article 449a Regulation (EU) No 575/2013; | Delegated Regulation (EU) 2020/1818, Article 6 | | E1; E1-4 |
| | | | | komission täytäntöönpanoasetuksen (EU) 2022/2453 lomake 3: Kaupankäyntivaraston ulkopuoliset erät – Ilmastonmuutokseen liittyvä siirtymäriski: Mukauttamismittarit | | | |
| ESRS E1-5 | paragraph 38 | Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors) | Indicator number 5 Table #1 and Indicator n. 5 Table #2 of Annex 1 | | | | E1; E1-5 |
| ESRS E1-5 | paragraph 37 | Energy consumption and mix | Indicator number 5 Table #1 of Annex 1 | | | | E1; E1-5 |
| ESRS E1-5 | paragraphs 40 to 43 | Energy intensity associated with activities in high climate impact sectors | Indicator number 6 Table #1 of Annex 1 | | | | E1; E1-5 |

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| ESRS E1-6 | paragraph 44 | Gross Scope 1, 2, 3 and Total GHG emissions | Indicators number 1 and 2 Table #1 of Annex 1 | Article 449a \| Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book-Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity | Article 5(1), Article 6 and Article 8(1) of Delegated Regulation (EU) 2020/1818 | | E1; E1-6 |
| ESRS E1-6 | paragraphs 53 to 55 | Gross GHG emissions intensity | Indicator number 3 Table #1 of Annex 1 | Article 449a \| Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book-Climate Change transition risk: Alignment metrics | Delegated Regulation (EU) 2020/1818, Article 8(1) | | E1; E1-6 |
| ESRS E1-7 | paragraph 56 | GHG removals and carbon credits | | | | Article 2(1) of Regulation (EU) 2021/1119 | Defined as non-material |
| ESRS E1-9 | paragraph 66 | Exposure of the benchmark portfolio to climate-related physical risks | | | Delegated Regulation (EU) 2020/1818, Annex II; Delegated Regulation (EU) 2020/1816, Annex II | | Omitted in accordance with Appendix C of ESRS 1 General requirements |
| ESRS E1-9 | paragraph 66 (a) | Disaggregation of monetary amounts by acute and chronic physical risk | | Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraphs 46 and 47; Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk | | | Omitted in accordance with Appendix C of ESRS 1 General requirements |

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|---|---|---|---|---|---|---|---|
| ESRS E1-9 | paragraph 66 (c) | The location of significant assets at material physical risk | | Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraphs 46 and 47; Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk | | | Omitted in accordance with Appendix C of ESRS 1 General requirements |
| ESRS E1-9 | paragraph 67 (c) | Breakdown of the carrying value of the undertaking's real estate assets by energy-efficiency classes | | Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraph 34; Template 2: Banking book-Climate Change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral | | | Omitted in accordance with Appendix C of ESRS 1 General requirements |
| ESRS E1-9 | paragraph 69 | Degree of exposure of the portfolio to climate-related opportunities | | | Delegated Regulation (EU) 2020/1818, Annex II | | Omitted in accordance with Appendix C of ESRS 1 General requirements |
| ESRS E2-4 | paragraph 28 | Quantity of each air, water and soil pollutant listed in Annex II to E-PRTR (European Pollutant Release and Transfer Register) | Indicator number 8 Table #1 of Annex 1, Indicator number 2 Table #2 of Annex 1, Indicator number 1 Table #2 of Annex 1, Indicator number 3 Table #2 of Annex 1 | | | | Defined as non-material |
| ESRS E3-1 | paragraph 9 | Water and marine resources | Indicator number 7 Table #2 of Annex 1 | | | | Defined as non-material |

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| ESRS E3-1 | paragraph 13 | Dedicated policy | Indicator number 8 Table #2 of Annex 1 | | | | Defined as non-material |
| ESRS E3-1 | paragraph 14 | Sustainable oceans and seas | Indicator number 12 Table #2 of Annex 1 | | | | Defined as non-material |
| ESRS E3-4 | paragraph 28 (c) | Total water recycled and reused | Indicator number 6.2 Table #2 of Annex 1 | | | | Defined as non-material |
| ESRS E3-4 | paragraph 29 | Total water consumption in m3 per net revenue in the Company's own operations | Indicator number 6.1 Table #2 of Annex 1 | | | | Defined as non-material |
| ESRS 2 – IRO-1 – E4 | paragraph 16 (a) i | | Indicator number 7 Table #1 of Annex 1 | | | | Defined as non-material |
| ESRS 2 – IRO-1 – E4 | paragraph 16 (b) | | Indicator number 10 Table #2 of Annex 1 | | | | Defined as non-material |
| ESRS 2 – IRO-1 – E4 | paragraph 16 (c) | | Indicator number 14 Table #2 of Annex 1 | | | | Defined as non-material |
| ESRS E4-2 | paragraph 24 (b) | Sustainable land/agriculture practices or policies | Indicator number 11 Table #2 of Annex 1 | | | | Defined as non-material |
| ESRS E4-2 | paragraph 24 (c) | Sustainable oceans/seas practices or policies | Indicator number 12 Table #2 of Annex 1 | | | | Defined as non-material |
| ESRS E4-2 | paragraph 24 (d) | Policies to address deforestation | Indicator number 15 Table #2 of Annex 1 | | | | Defined as non-material |
| ESRS E5-5 | paragraph 37 (d) | Non-recycled waste | Indicator number 13 Table #2 of Annex 1 | | | | E5; E5-5 |
| ESRS E5-5 | paragraph 39 | Hazardous waste and radioactive waste | Indicator number 9 Table #1 of Annex 1 | | | | E5; E5-5 |
| ESRS 2 – SBM-3 – S1 | paragraph 14 (f) | Risk of incidents of forced labour | Indicator number 13 Table #3 of Annex I | | | | Defined as non-material |
| ESRS 2 – SBM-3 – S1 | paragraph 14 (g) | Risk of incidents of child labour | Indicator number 12 Table #3 of Annex I | | | | Defined as non-material |
| ESRS S1-1 | paragraph 20 | Human rights policy commitments | Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex I | | | | Defined as non-material |

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| ESRS S1-1 | paragraph 21 | Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8 | | | Delegated Regulation (EU) 2020/1816, Annex II | | Defined as non-material |
| ESRS S1-1 | paragraph 22 | Processes and measures for preventing trafficking in human beings | Indicator number 11 Table #3 of Annex I | | | | Defined as non-material |
| ESRS S1-1 | paragraph 23 | Workplace accident prevention policy or management system | Indicator number 1 Table #3 of Annex I | | | | S1; S1-1 |
| ESRS S1-3 | paragraph 32 (c) | Grievance/complaints handling mechanisms | Indicator number 5 Table #3 of Annex I | | | | Defined as non-material |
| ESRS S1-14 | paragraph 88 (b) and (c) | Number of fatalities and number and rate of work-related accidents | Indicator number 2 Table #3 of Annex I | | Delegated Regulation (EU) 2020/1816, Annex II | | Omitted in accordance with Appendix C of ESRS 1 General requirements |
| ESRS S1-14 | paragraph 88 (e) | Number of days lost to injuries, accidents, fatalities or illness | Indicator number 3 Table #3 of Annex I | | | | Omitted in accordance with Appendix C of ESRS 1 General requirements |
| ESRS S1-16 | paragraph 97 (a) | Unadjusted gender pay gap | Indicator number 12 Table #1 of Annex I | | Delegated Regulation (EU) 2020/1816, Annex II | | Defined as non-material |
| ESRS S1-16 | paragraph 97 (b) | Excessive CEO pay ratio | Indicator number 8 Table #3 of Annex I | | | | Defined as non-material |
| ESRS S1-17 | paragraph 103 (a) | Incidents of discrimination | Indicator number 7 Table #3 of Annex I | | | | Defined as non-material |
| ESRS S1-17 | paragraph 104 (a) | Non-respect of UNGPs on Business and Human Rights and OECD guidelines | Indicator number 10 Table #1 and Indicator n. 14 Table #3 of Annex I | | Annex II to Delegated Regulation (EU) 2020/1816; Article 12(1) of Delegated Regulation (EU) 2020/1818 | | Defined as non-material |

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| ESRS 2 – SBM-3 – S2 | paragraph 11 (b) | Significant risk of child labour or forced labour in the value chain | Indicators number 12 and n. 13 Table #3 of Annex I | | | | ESRS 2; SBM-3,S2; SBM-3 |
| ESRS S2-1 | paragraph 17 | Human rights policy commitments | Indicator number 9 Table #3 and Indicator n. 11 Table #1 of Annex 1 | | | | Omitted in accordance with Appendix C of ESRS 1 General requirement s |
| ESRS S2-1 | paragraph 18 | Policies related to value chain workers | Indicator number 11 and n. 4 Table #3 of Annex 1 | | | | Omitted in accordance with Appendix C of ESRS 1 General requirement s |
| ESRS S2-1 | paragraph 19 | Non-respect of UNGPs on Business and Human Rights and OECD guidelines | Indicator number 10 Table #1 of Annex 1 | | Annex II to Delegated Regulation (EU) 2020/1816; Article 12(1) of Delegated Regulation (EU) 2020/1818 | | S2; S2-1 |
| ESRS S2-1 | paragraph 19 | Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8 | | | Delegated Regulation (EU) 2020/1816, Annex II | | S2; S2-1 |
| ESRS S2-4 | paragraph 36 | Human rights issues and incidents connected to the upstream and downstream value chain | Indicator number 14 Table #3 of Annex 1 | | | | Omitted in accordance with Appendix C of ESRS 1 General requirement s |
| ESRS S3-1 | paragraph 16 | Human rights policy commitments | Indicator number 9 Table #3 and Indicator n. 11 Table #1 of Annex 1 | | | | Defined as non-material |

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| ESRS S3-1 | paragraph 17 | Non-respect of UNGPs on Business and Human Rights, ILO principles or and OECD guidelines | Indicator number 10 Table #1 of Annex 1 | | Annex II to Delegated Regulation (EU) 2020/1816; Article 12(1) of Delegated Regulation (EU) 2020/1818 | | Defined as non-material |
| ESRS S3-4 | paragraph 36 | Human rights issues and incidents | Indicator number 14 Table #3 of Annex 1 | | | | Defined as non-material |
| ESRS S4-1 | paragraph 16 | Policies related to consumers and end-users | Indicator number 9 Table #3 and Indicator n. 11 Table #1 of Annex 1 | | | | S4; S4-1 |
| ESRS S4-1 | paragraph 17 | Non-respect of UNGPs on Business and Human Rights and OECD guidelines | Indicator number 10 Table #1 of Annex 1 | | Annex II to Delegated Regulation (EU) 2020/1816; Article 12(1) of Delegated Regulation (EU) 2020/1818 | | S4; S4-1 |
| ESRS S4-4 | paragraph 35 | Human rights issues and incidents | Indicator number 14 Table #3 of Annex 1 | | | | Defined as non-material |
| ESRS G1-1 | paragraph 10 (b) | United Nations Convention against Corruption | Indicator number 15 Table #3 of Annex 1 | | | | G1; G1-1 |
| ESRS G1-1 | paragraph 10 (d) | Protection of whistleblowers | Indicator number 6 Table #3 of Annex 1 | | | | G1; G1-1 |
| ESRS G1-4 | paragraph 24 (a) | Fines for violation of anti-corruption and anti-bribery laws | Indicator number 17 Table #3 of Annex 1 | | Delegated Regulation (EU) 2020/1816, Annex II | | Defined as non-material |
| ESRS G1-4 | paragraph 24 (b) | Standards of anti-corruption and anti-bribery | Indicator number 16 Table #3 of Annex 1 | | | | Defined as non-material |

**EU taxonomy**

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. As in previous years, Vesivek has identified taxonomy-eligible activities during the financial year 2025 (1 February 2024–31 March 2025).

Turnover

For the financial year 2025, with regard to climate change mitigation, Vesivek has identified two activities that are taxonomy-eligible but not taxonomy-aligned: CCM 7.2 “Renovation of existing buildings” and CCM 7.6 “Installation, maintenance and repair of renewable energy technologies”. 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. Taxonomy-eligible activities under activity CCM 7.6 relate to solar panel installations for detached houses carried out by Vesivek Sverige Ab during the financial year. 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 the following activities related to the objective of climate change mitigation: CCM 7.2 "Renovation of existing buildings”, CCM 7.7 "Acquisition and ownership of 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 2024–31 January 2025 (EUR million):**

| Financial year 02/2024-01/2025 | | 2024 | | Substantial contribution criteria | | | | | | DNSH criteria ("Does Not Significantly Harm") | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Economic Activities (1) | Code (2) | Turnover (3) | Proportion of Turnover, 2024 (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 | 91,0 | 88,4 % | EL | N/EL | N/EL | N/EL | EL | N/EL | | | | | | | | 88,4 % | | |
| Installation, maintenance and repair of renewable energy technology | CCM 7.6 | 2,5 | 2,4 % | | | | | | | | | | | | | | | | |
| Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2) | | **93,5** | **90,9 %** | 91 % | % | % | % | 77 % | % | | | | | | | | **90,9 %** | | |
| A. Turnover of Taxonomy-eligible activities (A.1+A.2) | | **93,5** | **90,9 %** | 91 % | % | % | % | 77 % | % | | | | | | | | **90,9 %** | | |
| B. TAXONOMY-NON-ELIGIBLE ACTIVITIES | | | | | | | | | | | | | | | | | | | |
| Turnover of Taxonomy-non-eligible activities | | **9,4** | **9,1 %** | | | | | | | | | | | | | | | | |
| TOTAL (A+B) | | **102,9** | 100 % | | | | | | | | | | | | | | | | |

## Share of capital expenditure associated with products or services related to taxonomy-aligned economic activities for the financial period 1 February 2024–31 January 2025 (EUR million):

| Financial year 02/2024-01/2025 | | | | Substantial contribution criteria | | | | | | DNSH criteria ("Does Not Significantly Harm") | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Economic Activities (1) | Code (2) | CapEx (3) | Proportion of CapEx, 2024 (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 | 0,2 | 4,6 % | EL | N/EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 4,6 % | | |
| Acquisition and ownership of buildings | CCM 7.7 | 1,8 | 40,5 % | EL | N/EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 40,5 % | | |
| Motorcycle-, passenger car- and utility vehicle transporta | CCM 6.5 | 0,8 | 17,4 % | EL | N/EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 17,4 % | | |
| Road traffic services | CCM 6.6 | 1,3 | 30,6 % | EL | N/EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 30,6 % | | |
| CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2) | | **4,0** | **93,1 %** | 34,6 % | 0,0 % | 0,0 % | 0,0 % | 0,0 % | 0,0 % | | | | | | | | 93,1 % | | |
| A. CapEx of Taxonomy-eligible activities (A.1+A.2) | | **4,0** | **93,1 %** | 34,6 % | 0,0 % | 0,0 % | 0,0 % | 0,0 % | 0,0 % | | | | | | | | **93,1 %** | | |
| B. TAXONOMY-NON-ELIGIBLE ACTIVITIES | | | | | | | | | | | | | | | | | | | |
| CapEx of Taxonomy-non-eligible activities | | 0,3 | 6,9 % | | | | | | | | | | | | | | | | |
| TOTAL (A+B) | | **4,3** | **100 %** | | | | | | | | | | | | | | | | |

## Share of operating expenditure associated with products or services related to taxonomy-aligned economic activities for the financial period 1 February 2024–31 January 2025 (EUR million):

| Financial year 02/2024-01/2025 | | | | Substantial contribution criteria | | | | | | DNSH criteria ("Does Not Significantly Harm") | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Economic Activities (1) | Code (2) | OpEx (3) | Proportion of OpEx, 2024 (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 | 1,1 | 30,6 % | EL | N/EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 30,6 % | | |
| Motorcycle-, passenger car- and utility vehicle transportation | CCM 6.5 | 0,6 | 16,7 % | EL | N/EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 16,7 % | | |
| Road traffic services | CCM 6.6 | 1,4 | 38,9 % | EL | N/EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 38,9 % | | |
| **OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)** | | **3,1** | **86 %** | **86 %** | % | % | % | % | % | | | | | | | | 86,1 % | | |
| **A. OpEx of Taxonomy-eligible activities (A.1+A.2)** | | **3,1** | **86 %** | 86 % | % | % | % | % | % | | | | | | | | **86,1 %** | | |
| **B. TAXONOMY-NON-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | | | | | | |
| **OpEx of Taxonomy-non-eligible activities** | | **0,5** | **14 %** | | | | | | | | | | | | | | | | |
| **TOTAL (A+B)** | | **3,6** | 100 % | | | | | | | | | | | | | | | | |

## E1 – Climate change

Environmental responsibility is a central aspect of our operations, and it guides adherence to sustainable development and principles throughout the value chain. We focus on sustainable construction in order to minimise life-cycle environmental impacts. Our target is to reduce $CO_2$ emissions through concrete actions. Sustainable value chains and waste recycling are part of our operating models, which support extending the life cycle of buildings and reducing adverse environmental impacts.

Vesivek is committed to sustainable development and climate risk management as part of its business. We continuously assess climate-related factors, such as the impacts of weather phenomena and market changes, and strive to reduce environmental impacts in all areas of our operations. In cooperation with our stakeholders, we develop sustainable solutions and support the achievement of global climate goals through our actions.

Vesivek has identified risks and opportunities related to climate change in a double materiality assessment. The key themes identified include the risk related to climate change mitigation, which can be influenced by measures that reduce $CO_2$ emissions. At the same time, increased rainfall related to climate change can also be seen as a business opportunity. The core of Vesivek's business is external moisture control for properties, which will become increasingly significant for buildings in the future. It should also be noted that the warming climate may extend the Company's favourable installation season by reducing the duration of snow cover. However, some climate models have highlighted the possibility of a cooler climate in Finland due to the weakening of sea currents. If this scenario were to be realised, it would result in a shorter favourable installation season.

In connection with the double materiality assessment, Vesivek's emission sources were assessed by the same working group. Vesivek's most significant sources of emissions are its own vehicles and purchased products and services, especially steel purchased from SSAB. Vesivek aims to develop its operations towards a lower-carbon future. The Company does not have a transition plan related to climate change mitigation. The Company aims to develop a transition plan during the financial years 2026–2027.

### E1.SBM-3 Physical risks related to climate change adaptation and their management

<table>
<tr><th>Topic</th><th>Sub-topic and IRO</th><th>Type</th><th>Part of the value chain</th><th>Time horizon</th></tr>
<tr><td>E1 Climate change</td><td>E1 Climate change mitigation - reduction of CO2 emissions</td><td>Risk</td><td>Upstream and company's own operations</td><td>Long-term</td></tr>
<tr><td colspan="5">Explanation: Vesivek’s business causes significant CO2 emissions, which may pose a risk to the business due to, for example, increasing regulation or emissions trading, which may have a significant impact on raw material prices. Similarly, as climate change becomes increasingly prevalent, CO2 emissions can also be seen as having negative reputation-related impacts for the company.<br><br>Written policies: The Group's environmental policy. Monitored annually in connection with reporting.<br><br>Measures: A transition plan will be drawn up during the coming financial years.<br><br>Metrics: CO2 emissions</td></tr>
<tr><td></td><td>E1 Climate change mitigation; the operations cause emissions</td><td>Negative impact</td><td>Upstream and company's own operations</td><td>Short-, medium- and long-term</td></tr>
<tr><td colspan="5">Explanation: Vesivek’s business causes significant CO2 emissions that have a negative impact on climate change mitigation<br><br>Written policies: The Group's environmental policy. Monitored annually in connection with reporting.<br><br>Measures: A transition plan will be drawn up during the coming financial years.<br>Metrics: CO2 emissions</td></tr>
<tr><td></td><td>E1 Climate change mitigation and the opportunities it presents for Vesivek’s business</td><td>Opportunity</td><td>Upstream and Downstream</td><td>Long-term</td></tr>
<tr><td colspan="5">Explanation: Climate change is expected to lead to increased rainfall. As Vesivek operates in the field of external moisture control for properties, this can be seen as a source of opportunities for Vesivek’s business<br><br>Policies: The Group's environmental policy. Monitored annually in connection with reporting</td></tr>
</table>

Vesivek conducted a climate change-related risk assessment as part of the double materiality assessment. The assessment was carried out by the same working group as the double materiality assessment. The assessment was carried out during the financial years 2023 and 2024, and the conclusion was that Vesivek’s business could benefit from the warming of the climate due to a longer favourable installation season, for example. At the same time, increasing heat waves could complicate installation work during the summer season due to excessive heat. In addition, as the Company's operations are largely dependent on steel, increases in the pricing of $CO_2$ emissions could have a negative impact on the Company's business. The Company has taken its entire value chain into account in its climate-related analyses. With regard to climate change, the analysis is not based on any climate scenario, but the Company has taken into account assumptions of the climate warming by 1.5°C, in accordance with the Paris Agreement.

The time horizons applied in the analysis were short-term (one year), medium-term (1–5 years) and long-term (over 5 years).

| Physical risks | | |
|---|---|---|
| Temperature change and thermal stress | Negative / Positive | This is both a risk and an opportunity. A general rise in temperatures could shorten the winter season, providing the Company with opportunities to carry out installation work in more favourable weather conditions. However, summer heat waves, for example, have a negative impact on installation work by making the working conditions excessively hot. |
| Changing wind models | Negative | Strong gusts of wind make installation work challenging, especially for sheet metal roofs |
| Changing rainfall | Positive | Increased rainfall is an opportunity for the Company, as it increases the Company's business opportunities |

| Transition risks | | |
|---|---|---|
| Changing customer behaviour | Negative / Positive | In the long term, customers' interest in lower-emission products is certain to increase. Vesivek aims to respond to these customer requirements as effectively as possible. |
| Increased pricing of GHG emissions | Negative | The impacts could be significant, especially for steel prices. Vesivek aims to reduce emissions in its own operations and cooperates with SSAB on the development of fossil-free steel. |
| Increased raw material costs | Negative | Sheet metal is currently a high-emission product, and if it were to be subject to increased upward price pressure due to emissions, this would have extensive impacts on the entire business. With this in mind, Vesivek cooperates with SSAB on the development of fossil-free steel |

Vesivek has identified physical risks as the most critical climate risks, as they can pose significant challenges to business operations in the medium and long term. For example, it is practically impossible to carry out roof renovations in stormy conditions. Although storms and increasing rainfall temporarily hamper business operations, they simultaneously provide opportunities for business due to growing demand. Shorter winter periods, for their part, improve installation conditions when compared to winter months with high snowfall.

One significant future risk is also related to raw materials and the associated GHG emissions. If the pricing of emissions were to have a material impact on the prices of raw materials, this would likely be reflected in the price of the sheet metal used by the Group and pose challenges to the business in the long term.

The Company is able to adapt its operations to the challenges caused by climate change. Increasing rainfall increases demand for the Company's products, and the Company is able to create value for its customers by making properties long-lasting and safe to live in. Rising raw material prices are seen as the largest challenge by the Company. For this reason, the Company aims to use all available means to make the raw materials it uses more environmentally friendly and thereby reduce the price pressure on raw materials related to emissions trading.

### E1-2 Policies related to climate change mitigation and adaptation

The environmental policy adopted by Vesivek during the financial year is aimed at sustainable construction and climate change mitigation. Through its own actions, Vesivek strives to reduce the $CO_2$ emissions associated with its own vehicles and products, for example. Similarly, waste generated at factories and construction sites is sorted at source to the greatest possible extent and removed immediately. External moisture control solutions for properties are the core of Vesivek's business. This means that Vesivek's operations contribute to the longevity of buildings and thus provide their residents with long-lasting and healthy living. In the coming years, Vesivek will also take the environmental perspective into account in its investments and will also invest in the green transition. Vesivek's environmental policy is available in full in the sustainability section of the Company's website.

Vesivek's environmental policy takes into account the Company's entire value chain, from the origin of the materials to the end of the product life cycle of roof products and other products. Matters are communicated to the Company's employees in accordance with the Company's policy. In the future, the aim is to provide employees with instructions and guidance on what they need to take into consideration in performing duties, and how to do this. The implementation of the policy is the responsibility of the Group CEO together with the Group's management team, and it has also been confirmed by the Company's Board of Directors.

### E1-3 Actions and resources in relation to climate change policies

At Vesivek, environmental responsibility has been taken into account in the development of operations. Vesivek has developed a new sales model that helps optimise sales-related driving and thereby reduce $CO_2$ emissions. In installation work, the principle is to bring the required goods to the site as needed, and to take waste out when leaving. The Group has control over its entire supply chain from manufacture to installation, which enables efficient logistics. Waste is sorted on site and, as a rule, recycled or recovered as energy. One significant exception to the general operating model is asbestos in the context of renovations, which cannot be recovered or utilised. Vesivek also has its own thermal power plant in Pirkkala, which utilises demolished wood material from roof renovations.

Vesivek is also working with SSAB on the development of fossil-free steel that, if introduced, would significantly reduce Scope 3 $CO_2$ emissions.

Vesivek has taken several environmental measures throughout the Group's history. In 2024, Vesivek replaced some of the diesel used with biodiesel. The Company has also begun to assess opportunities to use electric cars in the Group's sales and installation functions. Similarly, during the year under review, Vesivek Oy and Vesivek Salaojat Oy developed a sales model that enables sales meetings to be more effectively conducted in the same direction, which reduces kilometres driven. These measures enable Vesivek to reduce the emissions generated by its own vehicles in the short term and the medium term.

Vesivek cooperates with SSAB on the development of fossil-free steel. This will enable Vesivek to reduce its emissions in the long term. It is also a key factor in the Company's preparation for the impacts of climate change and the management of financial risks.

The Company aims to draw up a climate roadmap during the financial years 2026–2027. In connection with this, the Company will also assess the extent to which its targets are aligned with the Paris Agreement and the Net Zero 2050 target. Also in connection with this, the Company will examine the emissions reductions achieved by its actions and the resources required for the actions.

### E1-4 – Targets related to climate change mitigation and adaptation

Vesivek's focus in recent years has been on restoring the profitability of its business. For this reason, the Company has not yet drawn up a climate roadmap. Vesivek's target is to draw up a climate roadmap and related targets during the financial years 2026–2027. In connection with this, Vesivek will also update its environmental policy and identify measures to achieve the set targets.

In 2024, Vesivek set a target of replacing 10% of the diesel it uses with biodiesel during the financial year 2025 when compared to 2024. Progress towards the target was monitored on the basis of the fuel supplier's report. This target was set internally by the Company's management.

### E1-5 Energy consumption and mix

| **Energy consumption and mix** | **FY 2025** |
|---|---|
| Fuel consumption from coal and coal products (MWh) | 0 |
| Fuel consumption from crude oil and petroleum products (MWh) | 16.399 |
| Fuel consumption from natural gas (MWh) | 0 |
| Fuel consumption from other fossil sources (MWh) | 0 |
| Consumption of purchased or acquired electricity, heat, steam, or cooling from fossil sources (MWh) | 510 |
| Total fossil energy consumption (MWh) | 16.909 |
| Share of fossil sources in total energy consumption (%) | 80% |
| Consumption from nuclear sources (MWh) | 2.898 |
| Share of consumption from nuclear sources in total energy consumption (%) | 14% |
| Fuel consumption from renewable sources, including biomass (also comprising industrial and municipal waste of biologic origin, biogas, renewable hydrogen, etc.) (MWh) | 1.258 |
| Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources (MWh) | 0 |
| Consumption of self-generated non-fuel renewable energy (MWh) | 78 |
| Total renewable energy consumption (MWh) | 1.336 |
| Share of renewable sources in total energy consumption (%) | 6% |
| Total energy consumption (MWh) | 21.144 |
| Energy intensity MWh/EUR million | 205 |

The energy intensity takes into account the entire Group's energy consumption and turnover. Vesivek Group's entire business has significant climate impacts.

Energy consumption takes into account the entire Group's fuel used for vehicles, as well as heating and electricity. The information has been obtained from each supplier and therefore does not contain assumptions.

Vehicle fuels account for most of the fossil energy consumed by the Company. Vesivek’s target was to replace 10% of diesel with biodiesel during the financial year under review when compared to the previous financial year, but this target was not achieved due to financial reasons. The actual figure was approximately 1%.

Most of the electricity used by Vesivek in Finland is within the scope of guarantees of origin and is produced by nuclear power.

**E1-6 Gross Scope 1, 2, 3 and Total GHG emissions**

| Emissions t/CO2 | Financial year 2024 | Financial year 2025 | Change, % |
|---|---|---|---|
| SCOPE 1 | 4.967 | 5.321 | 7% |
| Commercial buildings | 727 | 609 | -16% |
| Company vehicles | 4.24 | 4.712 | 11% |
| SCOPE2 | | 318 | |
| Purchased heating | | | |
| Purchased electricity, market-based | 0 | 318 | |
| Purchased electricity, location-based | 95 | 106 | 11% |
| SCOPE3 | 22.97 | 24.536 | 7% |
| Purchased goods and services | 21.641 | 22.419 | 4% |
| Capital goods | | | |
| Fuel- and energy-related activities | | 1.008 | |
| Upstream transportation and distribution | 206 | 218 | 6% |
| Waste | 122 | 24 | -80% |
| Business travel | 142 | 149 | 5% |
| Employee commuting | 726 | 616 | -15% |
| Upstream leased assets | | | |
| Downstream transportation and distribution | 132 | 102 | -23% |
| Processing of sold products | | | |
| Use of sold products | | | |
| End-of-life treatment of sold products | | | |
| Downstream leased assets | | | |
| Franchises | | | |
| Investments | | | |
| Total, location-based | 27.829 | 29.963 | 7% |
| Total, market-based | | 30.175 | |

| Emission intensity figures | Market-based tCO2eq/EUR million | Location-based tCO2eq/EUR million |
|---|---|---|
| 2024 | 293 | 291 |

Reporting principles

Reporting is first carried out at the company level and subsequently consolidated for Group-level emissions calculations. The GHG standard is applied in the calculation of emissions. Data collection is largely manual and the emission factors used are general emission factors. For purchased products, the calculation is based only on core raw materials, but they cover approximately 80% of purchases. This creates uncertainty in the calculation of emissions. The Company aims to develop the emissions calculation process in the future to eliminate errors and uncertainty.

Scope 1 and Scope 2 emissions calculation principles

Under Scope 1 emissions, Vesivek has included the emissions of the thermal power plant operating in Pirkkala, the LPG heating of Vesivek Tuotteet, the oil heating of Tuusulan Peltikeskus Oy and Vesivek Ab, and the fuels used by the Company's vehicles. An emissions report is available for the thermal power plant, and vehicle emissions have been calculated based on fuel consumption. Other nitrogen and sulphur particulate emissions have also been taken into account in the emissions of the thermal power plant. Some of the emission factors have been obtained directly from suppliers, while general emission factors are applied in some instances. The general emission factors are obtained from Statistics Finland.

Under Scope 1, the wood chips burned at the Pirkkala thermal power plant also cause biogenic emissions. Biogenic emissions for the financial year 2025 amounted to 460 tCO2.

Under Scope 1, 0% of Vesivek's emissions are covered by emissions trading.

The entire Group's electricity consumption is taken into account in the calculation of Scope 2 emissions. The emission factors are general emission factors. Most of the electricity used by Vesivek in Finland is within the scope of guarantees of origin and is produced by nuclear power.

Scope 3 emissions calculation principles

For purchased products, Vesivek has identified the most significant sources of emissions. Steel accounts for the majority of the company’s emissions, and the emissions also take into account the most significant raw materials. Some of the emission factors have been obtained directly from suppliers' EDPs, such as SSAB’s, which cover approximately 90% of emissions. Otherwise, general emission factors have been used, such as those obtained from the CO2 data of VTT Technical Research Centre of Finland and Defra.

For fuel-related activities, the WTT emissions of the fuels used by the Company, which are not included in Scope 1, are taken into account. Defra’s emission factors have been used for these.

For transport in the upstream production chain, transport of sheet metal from Pirkkala to the installation units is taken into account. The Company keeps records of kilometres driven for these transport activities, and Defra's emission factors are used.

With regard to waste, the Company’s reporting has been improved, but some of the waste calculations for Finnish units and some of the Swedish companies are calculated by estimation. The biggest change from the previous year is in the emission factors applied for metal, which affects CO2 emissions. The figure reported for the previous year was based on Defra's 2023 emission factors, while the figure for the year under review is based on Defra's 2024 emission factors.

For business travel, emissions are estimated based on kilometre allowances paid by the Company to employees. For these kilometres, the Company has estimated the shares of electric, petrol and diesel vehicles. Factors from the Lipasto database were used as the emission factors.

Emissions from employee commuting are estimated on the basis of postal codes. The number of working days per year is estimated, as is the share of different modes of transport. Factors from the Lipasto database were used as the emission factors.

Transportation in the downstream production chain takes into account the outbound transport activities of Vesivek Tuotteet. The emissions data is obtained directly from reports received from transport companies.

**E1-9 Anticipated financial effects from material physical and transition risks and potential climate-related opportunities**

For this section, Vesivek applies the transitional provisions and will report on these in later financial periods when the Company's transition plan has been drawn up.

**E-E5 Resource use and circular economy**

**E5-SBM3 Risks related to resource use and circular economy, and their management**

<table>
<tr><th>Topic</th><th>Sub-topic and IRO</th><th>Type</th><th>Part of the value chain</th><th>Time horizon</th></tr>
<tr><td>E5 Resource use and circular economy</td><td>E5 Resource inflows, including resource use - Availability of raw materials. Vesivek's business operations are largely based on a small number of core raw materials</td><td>Risk</td><td>Upstream and the Company's own operations</td><td>Long-term</td></tr>
<tr><td colspan="5">Explanation: Vesivek's operations are largely based on a few core raw materials, such as steel, aluminium and wood. Consequently, changes in the markets for these raw materials present a risk to the business.<br><br>Written policies: The Group's principle is to strive to make purchases directly as factory purchases without intermediaries. The Group aims to maintain inventories of the most critical raw materials so that operations are not jeopardised by market fluctuations.</td></tr>
<tr><td></td><td>E5 Resource inflows, including resource use - Availability of raw materials. Vesivek cooperates with SSAB on the development of fossil-free steel</td><td>Positive impact</td><td>Upstream and the Company's own operations</td><td>Medium- and long-term</td></tr>
<tr><td colspan="5">Explanation: Fossil-free steel is made from highly recycled steel, and it reduces the use of primary raw material. Steel is Vesivek's most used raw material, which is why fossil-free steel has a significant impact on Vesivek's raw materials. Because fossil-free steel is lower in emissions, its use leads to lower $CO_2$ emissions. This also helps avoid price pressure caused by emissions trading for steel.</td></tr>
</table>

| | | | | |
|---|---|---|---|---|
| | E5 Waste - Waste recycling - Vesivek’s construction sites generate large amounts of various waste. | Risk and positive impact | Company's own operations | Long-term |

**Explanation:** Vesivek’s construction sites generate large amounts of waste. The appropriate sorting of the waste reduces the Company’s waste fees and helps to reduce the consumption of primary raw material in general. Asbestos is also among the waste fractions generated at demolition sites, and its appropriate handling is important from the perspective of employee health.

**Written policies:** Vesivek's principle is to bring the required goods to the site as needed, and to take waste out when leaving. In addition, waste is sorted on site to the greatest possible extent. The waste management provider also sorts miscellaneous construction waste for recycling.

**Policies:** Cooperation started in Finland with Remeo Oy, which has helped to centralise waste management.

**Metrics:** Recycling rate

**Targets:** Progress towards the recycling rate target of over 70% is monitored regularly.

At Vesivek, we focus on sustainable resource use and circular economy principles. Our goal is to reduce the consumption of natural resources and the generation of waste by utilising recycling and the reuse of materials. This way, we promote environmental protection and resource efficiency while reducing the need for virgin raw materials.

### E5-1 Policies related to resource use and circular economy

At Vesivek's installation sites, the long-standing principle is to bring the required goods to the site as needed, and to take waste out when leaving. In addition, waste is sorted on site to the greatest possible extent. The Group also utilises the waste management provider's mechanical sorting for miscellaneous construction waste. Employees receive training in waste sorting, and waste volumes and the recycling rate are actively monitored in collaboration with suppliers. Vesivek is also in the process of applying for ISO 14001 certification for its operations. By recycling the waste generated by its operations as efficiently as possible, Vesivek aims to contribute to the circular economy. Vesivek's target is to have a recycling rate of over 70% for the waste generated by its own operations. This target is also related to obligations stipulated by Finnish legislation governing construction activities.

Vesivek will develop its procurement function in the short term. The aim is to ensure the Company's access to core raw materials and to take related sustainability matters, such as climate and human rights, into account in the procurement process.

### E5-2 – Actions and resources related to resource use and circular economy

Vesivek has systematically developed its procurement activities for several years now. For the core raw materials, procurement is based on long-term customer relationships and joint product development over several years. Vesivek Oy also hired a full-time Procurement Director during the financial year 2025. Vesivek has noted that the amounts of resources related to resource use and circular economy are not significant.

During the financial year, Vesivek Oy and Vesivek Salaojat Oy transitioned to a centralised waste management solution for most of their units, which enhanced the monitoring and sorting of waste. Surveys and training for the personnel were organised in cooperation with the waste management company Remeo. Remeo also provides efficient mechanical sorting for miscellaneous construction waste from Vesivek's installation sites.

### E5-3 Targets related to resource use and circular economy

Vesivek's target is to reduce the waste generated by its own operations and to have a recycling rate of over 70%. The target is set by the Company itself and is not a science-based target. Instead, the target is based on the goal laid down in the Finnish Building Act. The scope of Vesivek's target includes waste generated by the entire Group's own operations, including factories as well as installation operations. Vesivek has achieved the targeted recycling rate.

In order to facilitate the achievement and monitoring of this target, Vesivek has developed the monitoring of waste volumes with its partners. The waste management companies are also committed to Vesivek's target, and the achievement of the target is actively monitored in collaboration with them.

### E5-4 Resource inflows

Vesivek has recognised that it currently uses a lot of steel in its operations. Thus far, the steel used by Vesivek has been largely produced from primary raw material, meaning raw material obtained directly from nature by mining. The transition to fossil-free steel production will result in the steel used by Vesivek being largely produced from recycled raw materials. Vesivek also carries out tiled roof renovations, which provides the Company with an alternative if there are problems with the availability of steel.

The table below shows the Group's purchasing volumes for the most significant raw materials.

| Material | Quantity (tonnes) |
|---|---|
| Steel | 7.453 |
| Aluminium | 136 |
| Wood | 6.037 |

The data on purchased materials has been obtained from the Company's suppliers and from the purchasing statistics of the manufacturing companies, and it does not involve any assumptions. However, the information has not been externally certified.

### E5-5 Resource outflows

| Waste type | Tonnes in 2024 | Tonnes in 2025 | Change, % | Disposal |
|---|---|---|---|---|
| Metal | 2.903 | 2.738 | -6% | Repurposing |
| Mixed waste | 624 | 604 | -3% | Incineration with energy recovery |
| Cardboard | 26 | 25 | -4% | Repurposing |
| Concrete | 17 | 24 | 41% | Repurposing |

| | | | | |
|---|---|---|---|---|
| Construction waste | 2.903 | 2.738 | -22% | Repurposing |
| Hazardous waste | 14 | 14 | -3% | Incineration with energy recovery |
| Brick waste | 4.35 | 5.036 | 16% | Repurposing |
| Asbestos | 1.494 | 865 | -42% | Landfill |
| Wood | 1.456 | 935 | -36% | Incineration with energy recovery |
| Recycled wood | - | 41 | | Repurposing |
| Paper | 0.1 | 2 | 1445% | Repurposing |
| Energy fraction | 26 | 22 | -16% | Incineration with energy recovery |
| Biowaste | 2 | 4 | 75% | Repurposing |
| Total | 12.209 | 11.318 | -10% | |

| | | |
|---|---|---|
| Recycled | 8.594 | 8.878 |
| Recycling rate | 70.40% | 78.40% |

| | | |
|---|---|---|
| Recovered | 10.715 | 10.453 |

| Tonnes | 2025 |
|---|---|
| Preparation of non-hazardous waste for reuse | |
| Recycling of non-hazardous waste | 8.878 |
| Recovery operations for non-hazardous waste | 1.561 |
| **Amount of non-hazardous waste diverted from disposal** | 10.439 |
| Preparation of hazardous waste for reuse | |
| Recycling of hazardous waste | |
| Other recovery operations for hazardous waste | |
| **Total amount of hazardous waste diverted from disposal** | - |
| Incineration of non-hazardous waste | |
| Landfill of non-hazardous waste | |
| Disposal of non-hazardous waste | |
| **Total amount of non-hazardous waste directed to disposal** | - |
| Incineration of hazardous waste | 14 |
| Landfill of hazardous waste | 865 |
| Other disposal of hazardous waste | |
| **Total amount of hazardous waste directed to disposal** | 879 |
| **Total amount of non-recycled waste** | 2.440 |

| | |
|---|---|
| **Percentage of non-recycled waste** | 22% |
| **Total amount of hazardous waste generated** | 879 |
| **Total amount of waste generated** | 11.318 |

For Vesivek Oy and Vesivek Salaojat, the data on waste volumes has become more precise due to the Company adopting a more centralised waste management solution. The waste volumes have been calculated by estimation for only two units. For Vesivek Ab, the amount of brick waste has been estimated based on data on the square metres of demolished roofs. In other respects, the Group's reporting is based on statistics obtained from waste management companies. As a result, the risk of reporting errors has also decreased when compared to the previous year. The information has not been subject to third-party verification.

### E5-6 Anticipated financial effects from resource use and circular economy-related risks and opportunities

Vesivek has applied transition periods in this section and will report on the section in future periods.

### S-1 Own workforce

Transitional provisions are applied in this section.

Competent and professional personnel, and operations and leadership that are aligned with the Company's values, are at the heart of Vesivek's business. The Company develops its industry towards a society of greater sustainability and well-being through cooperation both internally and with partners. The Company invests in the development of personnel competence and encourages continuous learning and development.

Competent and committed employees are a key success factor. The company trains and supports its employees in key areas, such as leadership, work tasks and well-being at work. The health and safety of the personnel is at the heart of the operations, and the operations are guided by the company's equality and non-discrimination plan. The personnel are of paramount importance, and remuneration is part of engaging the commitment of the personnel. If any human rights violations, unethical conduct or other incidents of legal non-compliance are detected, the problems are addressed with the aim of achieving quick and effective remedies.

Significant impacts and key risks and opportunities related to social responsibility topics have been identified in the company's double materiality assessment. Social value creation, impact, risk and opportunity assessment and measures are focused on work-life balance, and health and safety. They are focused not only on the Company's own employees but also the health and safety of value chain workers, consumers and end-users, as well as child labour and forced labour.

### S1.SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model

| Topic | Sub-topic and IRO | Type | Part of the value chain | Time horizon |
|---|---|---|---|---|

<table>
<tr><td>S1 Own workforce</td><td>S1 Work-life balance - Personnel turnover</td><td>Risk</td><td>Company's own operations</td><td>Medium-term</td></tr>
<tr><td colspan="5">Explanation: Personnel turnover has been identified as a risk primarily in sales and installation operations. An excessive rate of personnel turnover leads to uncontrolled loss of competence and higher recruitment costs.<br><br>Written policies: The Group provides opportunities for flexible working hours and hybrid work for its personnel. The Group has also invested in supervisor training.<br>Metrics: Staff turnover</td></tr>
<tr><td>S1 Own workforce</td><td>S1 Health and safety - Occupational safety</td><td>Risk</td><td>Company's own operations</td><td>Medium-term</td></tr>
<tr><td colspan="5">Explanation: Roofing and factory work are known to involve a risk of accidents. Accidents affect the company's performance and can also cause risks related to access to construction sites or fines, for example.<br><br>Written policies: Safety plans have been drawn up for factories and installation sites, and they are monitored by carrying out inspections.<br>Policies: Occupational safety instructions have been developed. Site safety plans have been enhanced.<br>Metrics: Accident frequency<br>Target: Under 50 (Vesivek Oy)</td></tr>
<tr><td></td><td>S1 Health and safety - Occupational safety</td><td>Negative impact</td><td>Company's own operations</td><td>Medium-term</td></tr>
<tr><td colspan="5">Explanation: Workplace accidents can have serious consequences for employees. In the worst case, accidents can have long-term adverse impacts on an employee's life.</td></tr>
</table>

In reporting concerning its own workforce, the Company has taken into account all employees who worked in the Company during the reporting period. As a rule, the Company's own workforce is employed in permanent and full-time employment relationships. The Company's workers are primarily its own employees. Temporary agency workers represent less than 5% of the workers. The impacts of Vesivek's operations on the Company's own workforce concern all of the Company's employees, regardless of the location or work task. However, it should be noted that occupational safety issues are particularly emphasised at installation sites and in factory work. The operations are guided by the Company's equality and non-discrimination plan.

Vesivek's outputs are highly dependent on people. This includes sales, installation work and factory work. For this reason, the retention of skilled workers is one of the key factors for the company's success, and high personnel turnover and absences are risks.

The Company recognises that, among its activities, roof installation work and factory work involve a particular risk of workplace accidents. With this in mind, the Company has systematically developed occupational safety by, for example, using scaffolding and focusing on orientation training at installation sites and in the factory.

### S1-1 Policies related to own workforce

The Company's operations are strongly based on the Code of Conduct and the non-discrimination policy, which prohibit all forms of discrimination based on gender, age, origin, race, nationality, language, religion, conviction, opinion, political activity, trade union activities, family relationships, pregnancy, health, disability, sexual orientation and other reasons related to an individual's identity. Indirect discrimination is also prohibited. This prohibition of discrimination applies throughout the employment relationship, regardless of the form of employment (permanent, fixed-term or part-time).

The Company will update its equality and non-discrimination plan during the financial year 2026. The plan will be aligned with national and EU legislation. The Company monitors the realisation of these principles on a regular basis by means of equality and non-discrimination surveys.

Vesivek Oy/Vesivek Salaojat Oy, Vesivek Sverige Ab and Vesivek Tuotteet Oy each have their own occupational health and safety committee consisting of representatives of both employees and the employer. The committees meet regularly and/or as necessary. More detailed information is provided in the Company’s sustainability programme, which is available on the Company’s website

With regard to corporate responsibility, social responsibility is at the core of operations, and its foundation is compliance with requirements and regulations. The Company has developed a work ability management model and related processes to support the well-being and productivity of the personnel.

Responsibility and regulatory compliance related to the Company's own workforce is managed in accordance with the applicable legislation and the policies approved by the Company's Board of Directors and management. These policies and principles include the Company’s values, Code of Conduct, vision and mission, and management systems. The key policies that guide the well-being and occupational safety of the personnel include the remote work guidelines, the job descriptions of the JOT model, flexible working hours, work ability management, insurance instructions and models, the workplace community development plan, and recognising employees for milestones in their years of service and on other special occasions. These policies cover all of the personnel and ensure that the necessary occupational safety training is also provided to temporary agency workers. The Group has also prepared occupational safety plans for all Group companies.

The Company’s management and personnel development are guided by the work ability management model and the workplace community development plan. Their implementation is the responsibility of the management and the HR functions. Management and supervisory work is supported by training activities that are focused on the Company’s management practices, and the development of personnel competence is based on the Company’s strategy and goals. Competent and professional personnel and competence management are key aspects of the Company’s operations. In accordance with the Vesivek Academy training paths, we encourage our personnel to pursue continuous development. The training plan is part of the workplace community development plan, and we monitor the number of training days annually.

#### S1-2 Processes for engaging with own workers and workers’ representatives about impacts

The Company’s management is represented in the personnel cooperation groups, which ensures that information is also passed on to the Company’s Board of Directors and management teams. In addition, the Group companies have occupational safety and health committees that include management representatives. Any member of the personnel can register their interest in participating in these groups and committees.

#### S1-3 Processes to remediate negative impacts and channels for own workers to raise concerns

Targets are set annually in connection with business planning and budgeting to ensure that they are aligned with the Company's strategic objectives and HR planning.Business planning is carried out between senior and middle management, engaging the organisation’s key personnel in accordance with their respective areas of responsibility. Management forums in accordance with the management system, as well as oral and written information collected from the organisation, are utilised in the identification of development areas.

The Company's employees have the right to freedom of association. The Company also has an anonymous whistleblowing channel for reporting misconduct. Employees have been provided with instructions regarding the channel, and the instructions are also available on the Company's intranet and website. The cooperation groups that operate in the Group companies enable the engagement of the personnel and active dialogue between the Company and the personnel.

**S1-4 Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions**

The Company takes safety issues seriously, and the aim is to promote the creation of safe working methods and environments.The Company designs, manufactures and installs products, such as roof safety products, provides a safe working environment in and around buildings, and creates safe access routes and working areas for other professionals. The Company takes care of the safety and health of its employees by providing them with a safe working environment and the necessary protective equipment.

Vesivek has invested in occupational safety over the years. For example, the Company introduced scaffolding in roof renovations in 2018. Effective training and safety planning has led to a reduction in accidents. The Company has also developed a new sales and installation model that has improved work-life balance. Vesivek uses accident frequency and personnel turnover as metrics for these measures.

The Company measures job satisfaction by means of annual surveys and more frequent pulse surveys. The Company invests in competence through the Vesivek Academy's training paths and encourages continuous development. The operations are based on the equality and non-discrimination plan, and the personnel's experiences are monitored by means of equality and non-discrimination surveys. Training is a key part of development activities, and our management system supports continuous dialogue in workplace communities to address matters related to finances, safety and competence.

At Vesivek, performance reviews, sales target reviews and one-to-one discussions are an important part of performance management and good supervisory work.

**S1-6 Characteristics of the undertaking's employees**

<u>Personnel turnover</u>

| | HLRE Group Oy | Tuusulan Peltikeskus Oy | Vesivek Salaojat Oy | Vesivek Oy | Vesivek Tuotteet Oy | Vesivek Sverige Ab |
|---|---|---|---|---|---|---|
| Total number of employment relationships valid during the financial year | 20 | 10 | 135 | 682 | 75 | 100 |
| Started during the financial year | 2 | 0 | 58 | 260 | 0 | 54 |
| Ended during the financial year | 1 | 0 | 57 | 233 | 6 | 43 |

The information has been obtained directly from the Group's payroll system, and it does not include any assumptions.

### S1-14 Health and safety metrics

| Company | Number of accidents | Accident frequency per one million hours worked |
|---|---|---|
| Vesivek Oy | 51 | 66 |
| Vesivek Salaojat Oy | 5 | 35 |
| Vesivek Sverige Ab | 2 | 10 |
| Vesivek Tuotteet Oy | 0 | 0 |
| Tuusulan Peltikeskus Oy | 1 | 64 |

The information for the metrics has been obtained from the company’s payroll software. It does not contain assumptions. Instead, everything is recorded in the system. However, the information has not been subject to third-party verification.

Vesivek’s target for Vesivek Oy was to reduce accident frequency to 50, but this target was not quite achieved. Nevertheless, accident frequency decreased from the previous year's level of 75. At the time of reporting, Vesivek Tuotteet had operated for over a year without any accidents.

### S2 – Workers in the value chain

Transitional provisions are applied in this section.

Material impacts, risks and opportunities related to value chain workers

<table>
<tr><th>Topic</th><th>Sub-topic and IRO</th><th>Type</th><th>Part of the value chain</th><th>Time horizon</th></tr>
<tr><td>S2 Workers in the value chain</td><td>S2 Health and safety - Safety and working conditions of value chain workers</td><td>Negative impact</td><td>Upstream</td><td>Long-term</td></tr>
<tr><td colspan="5">Explanation: No measures were observed with respect to the Company’s own suppliers. In 2024, the Company did not have a clear view of the suppliers of suppliers, such as ore excavation and the supply chains of plastic products, which are seen as risks with regard to appropriate working conditions and equal treatment.<br><br>Measures: The Group aims to raise these issues on a regular basis in discussions with suppliers.</td></tr>
<tr><td></td><td>S2 Other work-related rights - Rights of value chain workers</td><td>Negative impact</td><td>Upstream</td><td>Long-term</td></tr>
</table>

| |
|---|
| **Explanation:** With regard to the suppliers of suppliers, the Company does not have a view of the use of child labour or forced labour in activities such as ore excavation or the international supply chains for plastic products.<br><br>**Measures:** The Group aims to raise these issues on a regular basis in discussions with suppliers. |

Vesivek has determined that, as a rule, its direct suppliers are companies that operate nearby, in either Finland or Sweden. The Group also has a few European suppliers whose operations are primarily well-organised. The suppliers are mainly large suppliers. For this reason, Vesivek has determined that the suppliers' practices concerning working life and their social responsibility processes are at an adequate level.

At the same time, Vesivek recognises that its key raw materials, such as steel and the plastic used to manufacture drainage pipes, are largely sourced through mining and oil refining, and the raw materials often originate from third countries. The subcontractors of the company's suppliers may have challenges with regard to compliance with regulations governing the working conditions of their employees and other legislation, as well as environmental regulations. If such challenges were to materialise, they would have a negative impact on the Company.

Policies

Vesivek recognises that its visibility to its suppliers’ subcontractors is limited. For this reason, Vesivek has included this theme in its discussions with suppliers. By doing this, Vesivek aims to underline the importance of the issue and encourage its suppliers to examine these issues.

Measures

During the year under review, Vesivek raised the issue in discussions with suppliers. In the coming years, Vesivek will draw up a Supplier Code of Conduct and encourage suppliers to commit to it.

### S4 – Consumers and end-users

Transitional provisions are applied in this section.

### S4.SBM-3 Material impacts, risks and opportunities related to consumers and end-users

| Topic | Sub-topic and IRO | Type | Part of the value chain | Time horizon |
|---|---|---|---|---|
| S4 Consumers and end-users | S4 Personal safety of consumers or end-users - Improvement of Vesivek’s customers' properties | Positive impact | Downstream | Long-term |
| **Explanation:** Property improvement. The services provided by Vesivek make properties longer-lasting, healthier and safer to live in.<br><br>**Written policies:** Vesivek's offering includes everything that is needed for the external moisture management of buildings.<br><br>**Policies:** Vesivek develops long-lasting products and invests in installation quality in order to make properties in Finland and Sweden as long-lasting as possible. | | | | |

Vesivek’s customers include consumers, construction companies, housing companies, property management companies, roofers and hardware stores. Vesivek’s operations affect all customer groups and, as a more significant opportunity, the Company has identified healthy and long-lasting properties, which Vesivek’s products and services help to accomplish through external moisture control solutions and roof safety products.

Vesivek does not supply its customers or end-users with products that are defective or otherwise harmful. Instead, the Company ensures that its products meet the regulatory requirements related to construction. Vesivek provides long warranties for its products and also provides operating and maintenance instructions in connection with renovations and offers statutory inspections. Vesivek also operates responsibly in consumer sales and does not offer renovation services if the condition inspection does not indicate a genuine need for renovation. In addition, Vesivek does not offer renovations if it suspects that the customer is in a vulnerable position. In such cases, Vesivek requests that the customer be accompanied in the process by a trusted person. Vesivek’s objective is that, through its operations, the Company can provide consumers and end-users with healthy and long-lasting housing while safeguarding the value of the customer’s property.

Vesivek strives to be a reliable and trustworthy operator in all of its activities, and to operate responsibly. The Company believes that operating responsibly also has a positive impact on the Company's reputation and thereby promotes better financial performance.

S4.1- 4 Policies

Vesivek’s sales-related policies and principles are documented in the Company’s sales playbook, which is a tool for every salesperson. The instructions emphasise respect for the customer’s home in sales and inspection meetings, and that Vesivek always operates with openness, transparency, clarity and integrity in all of its activities and is committed to keeping its promises. The Company's quality manual includes documentation of installation instructions.

The instructions emphasise respect for the customer’s home in sales and inspection meetings, and that Vesivek always operates with openness, transparency, clarity and integrity in all of its activities and is committed to keeping its promises.

Vesivek's principle is to keep the customer informed of the progress of the process throughout its duration. This is achieved through customer communication at different stages of the process, from the customer encounter to the warranty inspection.

S4 1- 4 Measures

Vesivek has drawn up sales instructions, and new project managers and customer-facing employees receive in-depth orientation training for their work. The orientation training also covers the Company’s operating practices with regard to responsible in-home sales.

Vesivek also has its own product development function, which is responsible for the compliance of products and monitors the quality of the products. In-house product development also enables an unbroken chain directly from the installer to product development, through which products can be developed exactly as needed. Product development also involves actively listening to feedback and developing products in response to feedback and changing regulations.

## G1 - Governance

**G1.GOV-1 Governance bodies**

The Group's Board of Directors

The Group’s Board of Directors consists of six (6) members, three (3) of whom are Board members independent of the Company. The Board of Directors consists of one (1) female member and five (5) male members.

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.

Composition of the Board (31 January 2025):

- Pentti Tuunala, Chair of the Board since 2014
- Ari Haapakoski, member of the Board since 2018
- Kimmo Riihimäki, member of the Board since 2014
- Anu Syrmä, member of the Board since 2018
- Timo Pirskanen, member of the Board since 2018
- Mika Uotila, member of the Board since 2020

Group Management Team (31 January 2025):

The Group Management Team consists of six (6) representatives from the Group’s various business functions and administration. The Group Management Team has one (1) female member and five (5) male members.

The 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 by 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.

In the financial year 2025, the management team’s tasks also included new tasks related to sustainability reporting.

The management team informs the Group'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 of relevance in view of the duties or responsibility of the Group’s Board of Directors.

Composition of the Management Team on 31 January 2025:

- Kimmo Riihimäki, Group CEO since 2014
- Antti Astejoki, Chief Operative Officer of Vesivek Oy/Vesivek Salaojat Oy since 2024
- Jani Jylhä, Managing Director of Vesivek Sverige AB since 2015
- Pasi Heikkonen, Managing Director of Vesivek Tuotteet Oy/Tuusulan Peltikeskus Oy since 2018
- Anu Lapiolahti, interim HR Director since 2023
- Jari Raudanpää, CFO since 2018

### G1-1 Corporate culture and business conduct policies

<table>
<tr><th>Topic</th><th>Sub-topic and IRO</th><th>Type</th><th>Part of the value chain</th><th>Time horizon</th></tr>
<tr><td>G1 Business conduct</td><td>G1 Corporate culture - Vesivek’s Code of Conduct</td><td>Risk</td><td>Upstream, Company's own operations, Downstream</td><td>Long-term</td></tr>
<tr><td colspan="5">Explanation: Vesivek’s Code of Conduct and conducting business in accordance with it<br>Written policies: The Company's Code of Conduct<br>Policies: The Code of Conduct is included in employment contracts as an appendix. In the future, the Company also intends to obtain written confirmation of commitment to the Code of Conduct from all personnel and suppliers.</td></tr>
<tr><td></td><td>G1 Corporate culture - Vesivek’s Code of Conduct - Engaging the personnel's commitment to the Code of Conduct promotes the improvement of the corporate culture</td><td>Positive impact</td><td>Company's own operations</td><td>Medium-term</td></tr>
<tr><td colspan="5">Explanation: Engaging the personnel's commitment to the Company's Code of Conduct helps to strengthen the Company's corporate culture.</td></tr>
</table>

The Group CEO is responsible for the Group's legal and ethical compliance and reports to the Audit Committee and the parent company's Board of Directors as necessary with regard to significant processes involving legal proceedings and the authorities.

The sustainability of the Group's business conduct is guided by the applicable legislation, as well as the values, Code of Conduct and policies approved by the parent company's Board of Directors.

The Code of Conduct applies to all of the Group’s personnel. The aim and purpose of the Code of Conduct is to present shared operating practices and the Company's expectations for all members of the organisation in their day-to-day work and interaction.

The foundation for the Company's operations is compliance with laws, regulations and practices, including anti-bribery and anti-corruption practices and environmental issues. The Company has an equal and non-discriminatory workplace environment. Shared operating practices create cohesion and help to address challenging situations. The Company also requires its upstream suppliers to adhere to the same principles.

The Company complies with an anti-corruption and anti-bribery policy that is aligned with the United Nations Convention against Corruption (127).

The Group's target is that 80% of the personnel have verifiably reviewed and accepted the Code of Conduct by taking a one-time action during the financial year 2026. At the end of March 2025, approximately 45% of the Group's personnel had verifiably accepted and signed the Code of Conduct. Code of Conduct orientation and acceptance takes place via a service maintained by an external party, using a personal link. The Company's HR Director has real-time access to data in the service. The measurement has not been validated by an external party.

Vesivek also has separate ethical guidelines for in-home sales, the aim of which is to provide Vesivek salespersons with clear operational instructions for customer encounters. The instructions emphasise respect for the customer’s home in sales and inspection meetings, and that Vesivek always operates with openness, transparency, clarity and integrity in all of its activities and is committed to keeping its promises.

The sustainability of the Group's business conduct is guided by the Code of Conduct and the values approved by the Board of Directors.

## Mechanisms for identifying and reporting illegal and inappropriate conduct

Personnel and stakeholders are encouraged to report any observed violations of legislation and ethical misconduct related to Vesivek Group’s operations. Observations can be reported to one's supervisor. The Group has a whistleblowing channel in place.

## Whistleblowing channel

The whistleblowing channel is available on the Company's website in three languages: Finnish, Swedish and English. The website also includes instructions on how to use the channel. In addition, training has been provided to the Company’s own personnel on how to use the channel, and instructions are also available on the Company’s intranet. Managed and maintained by an external service provider, the channel is a secure and information security-audited cloud service that complies with the requirements of EU Directives and the GDPR. The channel provides the Group with access to information on concerns and suspected misconduct in the organisation and among its external stakeholders.

Whistleblowers can use the channel to report concerns either in their own name or in complete anonymity. After submitting a whistleblower report, the whistleblower receives a code that is known only to the whistleblower. The information security risk is highly contained. The whistleblower can use the code to view open questions that the whistleblower has not yet answered. The code cannot be used to access the original report or previous responses to requests for additional information.

### Processing of whistleblower reports

The Group CEO has appointed members of the Group's management and Group administration to a group that processes whistleblower reports.

The members of the Group, numbering three in January 2025, receive e-mail alerts of all new whistleblower reports. The members read the message and designate a person responsible for the report from among their number. The report is assessed to determine whether it concerns a legal violation or a supervisory matter, for example, and to assess the urgency and severity of the issue. If the matter does not lead to further measures, the decision to terminate the processing of the issue is recorded in the system along with the reasons for the decision. If the report requires further processing, the persons responsible for the investigation are appointed, the investigation is carried out, and the observations are documented. If the observations lead to corrective measures, they are implemented systematically, for example, by updating the relevant instructions, carrying out training, pursuing labour law sanctions or reporting a crime. Finally, the measures are documented and reported to the whistleblower.

The task of the group responsible for handling reports received through the whistleblowing channel is to ensure that the consequences of investigations are consistent in cases of similar severity and that the corrective measures are sufficient as described in the Company's Code of Conduct and according to the principles governing the reporting of violations and their interpretation. Illegal actions are reported to the authorities. Neither the person whom the report concerns nor their supervisor ever participate in the investigation of violations or suspected violations. If it is deemed necessary due to the significance of the violation being investigated, the group reports the incident to the Group CEO, who then communicates the matter to the Audit Committee and the parent company's Board of Directors in a regularly scheduled meeting or immediately if the situation so requires.

No confirmed incidents related to bribery or corruption were reported via the whistleblowing channel in 2022–2024. No whistleblower reports have been received regarding forced labour or the use of child labour.

Total number of reports received via the whistleblowing channel in 2022–2024 and incidents of misconduct by type:

| | **2024** | **2023** | **2022** | **All** |
|---|---|---|---|---|
| **Total number of incidents** | **5** | **2** | **5** | **12** |
| **Types of misconduct** | | | | |
| **Customer and stakeholder relations** | 1 | 0 | 2 | 3 |
| **Financial and administrative matters** | 1 | 1 | 1 | 3 |
| **Employment- and personnel-related matters** | 3 | 1 | 1 | 5 |
| **Subcontractors and partners** | 0 | 0 | 1 | 1 |

**G1 - Business conduct**

| | | | |
|---|---|---|---|
| Values and Code of Conduct | The Group’s actions to strengthen the values and promote an ethical corporate culture enable a safe working environment for the personnel and an ethically reliable partner for stakeholders. | Opportunity: The perceptions of the personnel and other stakeholders of the Group as an ethical operator are strengthened further. | The personnel are provided with information during orientation training and later through separate training. |
| | The impact is positive. | Risk: Unethical or unlawful conduct undermines the Group’s reputation as an ethical operator. Unequal treatment and harassment have a negative impact on employee satisfaction and engagement. | The aim is to strengthen awareness among supervisors in particular. The Company has a whistleblowing channel that is open to everyone. |
| Whistleblower protection | Failure to ensure the anonymity of whistleblowers could result in retaliation against whistleblowers. No such incidents have occurred in 2022–2024.<br><br>The impact is negative. | Risk: Trust in the whistleblowing channel would decrease and suspected incidents of misconduct would no longer be reported. As a result, actions that are contrary to the Company's values and Code of Conduct could go undetected. Unlawful actions may cause financial losses and decrease employee satisfaction. | The whistleblowing channel can be used to report concerns in full anonymity and with a high level of information security. Whistleblower reports are handled equally, consistently and confidentially, in accordance with an established process. |

# Financial statements

## Consolidated statement of comprehensive income

| 1000 EUR | Note | 1.2.2024-31.1.2025 | 1.2.2023-31.1.2024 |
|---|---|---|---|
| **REVENUE** | **4** | **102,929** | **108,161** |
| Other operating income | 5 | 997 | 1,330 |
| Material and services | 6 | -39,350 | -39,864 |
| Employee benefits expense | 7 | -43,459 | -46,487 |
| Depreciation and amortisation | 6 | -6,937 | -12,810 |
| Other operating expenses | 6 | -19,232 | -21,001 |
| **OPERATING PROFIT** | | **-5,052** | **-10,671** |
| | | | |
| Finance income | 16 | 587 | 259 |
| Finance costs | 16 | -5,166 | -4,635 |
| Finance income and costs total | | -4,579 | -4,376 |
| | | | |
| **PROFIT/LOSS BEFORE TAX** | | **-9,630** | **-15,047** |
| | | | |
| Tax on income from operations | 21 | 1,206 | 1,769 |
| | | | |
| **PROFIT/LOSS FOR THE PERIOD** | | **-8,425** | **-13,278** |
| | | | |
| **Profit attributable to:** | | | |
| Owners of the parent company | | -8,011 | -13,113 |
| Non-controlling interests | | -414 | -165 |
| | | **-8,425** | **-13,278** |
| **Other comprehensive income:** | | | |
| | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Exchange differences on translating foreign operations | | -33 | 12 |
| | | **-33** | **12** |
| | | | |
| **TOTAL COMPREHENSIVE INCOME** | | **-8,458** | **-13,266** |
| | | | |
| **Total comprehensive income attributable to:** | | | |
| Owners of the parent company | | -8,041 | -13,102 |
| Non-controlling interests | | -417 | -164 |
| | | **-8,458** | **-13,266** |
| | | | |
| **Undiluted and dilution-adjusted earnings per share** | | **-0.49** | **-0.79** |

# Consolidated balance sheet

| 1000 EUR | Note | 31.1.2025 | 31.1.2024 |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Intangible assets | 9 | 629 | 685 |
| Goodwill | 9 | 35,273 | 35,273 |
| Property, plant, equipment | 10 | 9,310 | 11,288 |
| Property, plant, equipment Right-of-use | 10 | 13,384 | 14,975 |
| Other non-current financial assets | | 48 | 48 |
| Loan receivables | 15 | 5 | 13 |
| Deferred tax assets | 21 | 3,256 | 1,940 |
| **NON-CURRENT ASSETS** | | **61,904** | **64,221** |
| | | | |
| **CURRENT ASSETS** | | | |
| Inventories | 11 | 11,228 | 12,833 |
| Trade receivables and other receivables | 12 | 6,618 | 6,261 |
| Loan receivables | 15 | 47 | 52 |
| Income tax receivable | | 724 | 713 |
| Cash and cash equivalents | | 2,498 | 2,574 |
| **CURRENT ASSETS** | | **21,115** | **22,433** |
| | | | |
| **ASSETS** | | **83,019** | **86,654** |
| | | | |
| **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 | -170 | -140 |
| Retained earnings | 18 | -11,683 | -3,599 |
| Owners of the parent company | | **6,229** | **14,343** |
| Non-controlling interests | | **-458** | **-91** |
| **EQUITY** | | **5,771** | **14,252** |
| | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Finance and lease liabilities | 15 | 58,318 | 10,738 |
| Employee benefit obligation | 7 | 374 | 400 |
| Deferred tax liabilities | 21 | 74 | 105 |
| **NON-CURRENT LIABILITIES** | | **58,766** | **11,243** |
| | | | |
| **CURRENT LIABILITIES** | | | |
| Finance and lease liabilities | 15 | 5,299 | 42,066 |
| Other current liabilities | 13 | 13,125 | 17,098 |
| Derivatives | 15 | 0 | 1,852 |
| Income tax liabilities | | 59 | 143 |
| **CURRENT LIABILITIES** | | **18,483** | **61,159** |
| | | | |
| **Liabilities** | | **77,249** | **72,401** |
| | | | |
| **EQUITY AND LIABILITIES** | | **83,019** | **86,654** |

# Consolidated statement of changes in equity

| 1000 EUR | Note | Share capital | Reserve for invested unrestricted equity | Translation differences | Retained earnings | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| | 18 | | | | | | | |
| **EQUITY 1.2.2024** | | **80** | **18,002** | **-140** | **-3,599** | **14,343** | **-91** | **14,252** |
| **Comprehensive income** | | | | | | | | |
| Profit/loss for the period | | | | | -8,011 | -8,011 | -414 | -8,425 |
| Other comprehensive income | | | | | | | | |
| Translation differences | | 0 | 0 | -30 | 0 | -30 | -3 | -33 |
| **TOTAL COMPREHENSIVE INCOME** | | **0** | **0** | **-30** | **-8,011** | **-8,041** | **-417** | **-8,458** |
| Other changes | | 0 | 0 | 0 | -22 | -22 | 0 | -22 |
| **Total transactions with owners** | | **0** | **0** | **0** | **-22** | **-22** | **0** | **-22** |
| **Changes in ownership interests in subsidiaries** | | | | | | | | |
| Changes in ownership interest without loss of control | | | | | -52 | -52 | 50 | -2 |
| **TOTAL EQUITY 31.1.2025** | | **80** | **18,002** | **-170** | **-11,683** | **6,229** | **-458** | **5,771** |

| 1000 EUR | Note | Share capital | Reserve for invested unrestricted equity | Translation differences | Retained earnings | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **EQUITY 1.2.2023** | 18 | **80** | **18,002** | **-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 | 11 | 0 | 11 | 1 | 12 |
| **TOTAL COMPREHENSIVE INCOME** | | **0** | **0** | **11** | **-13,113** | **-13,102** | **-164** | **-13,266** |
| Other changes | | 0 | 0 | 0 | 4 | 4 | 2 | 6 |
| **Total transactions with owners** | | **0** | **0** | **0** | **4** | **4** | **2** | **6** |
| **TOTAL EQUITY 31.1.2024** | | **80** | **18,002** | **-140** | **-3,599** | **14,343** | **-91** | **14,252** |

# Consolidated cash flow statement

| 1000 EUR | Note | 1.2.2024-31.1.2025 | 1.2.2023-31.1.2024 |
|---|---|---|---|
| **Cash flows from operating activities** | **Note** | | |
| PROFIT/LOSS FOR THE PERIOD | | -8,425 | -13,278 |
| Adjustments to the profit/loss for the period | | | |
| Depreciation, amortisation and impairment | 6 | 6,937 | 12,810 |
| Financial income and expenses | 16 | 4,995 | 3,801 |
| Tax on income from operations | 21 | -1,206 | -1,769 |
| Other adjustments | | -546 | 169 |
| Adjustments total | | 10,180 | 15,011 |
| **Working capital changes** | | | |
| Increase / decrease in inventories | 11 | 1,569 | 2,947 |
| Increase /decrease in trade and other receivables | 12 | -465 | 3,584 |
| Increase / decrease in trade payables | 13 | 1,478 | -541 |
| Interest paid | 16 | -1,628 | -3,030 |
| Interest received | 16 | 155 | 192 |
| Other financial items | 16 | -2,477 | -12 |
| Income taxes paid | 21 | -239 | -551 |
| **Net cash from operating activities** | | **148** | **4,322** |
| **Cash flows from investing activities** | | | |
| Purchase of tangible and intangible assets | 9,10 | -614 | -999 |
| Proceeds from sale of tangible and intangible assets | 9,10 | 412 | 587 |
| Acquisition of subsidiaries, net of cash acquired | 9,20 | -2 | 0 |
| Loans granted | | -1 | -9 |
| Proceeds from repayments of loans | | 13 | 14 |
| **Net cash used in investing activities** | | **-191** | **-407** |
| **Cash flows from financing activities** | | | |
| Proceeds from current borrowings | 14 | 976 | 0 |
| Proceeds from non-current borrowings | 15 | 3,066 | 0 |
| Payment of lease liabilities | | -4,074 | -4,898 |
| **Net cash used in financing activities** | | **-32** | **-4,898** |
| **Net change in cash and cash equivalents** | | **-75** | **-983** |
| Cash and cash equivalents, opening amount | 15 | 2,574 | 3,557 |
| Net increase/decrease in cash and cash equivalents | | -75 | -983 |
| Cash and cash equivalents | 15 | 2,498 | 2,574 |

# 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 2025 and 31 January 2024, and notes thereto. The Company’s Board of Directors approved the consolidated financial statements for publication on 28 May 2025.

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 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 2/1/2024-1/31/2025 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 loss for the financial year ended 1/31/2025 was EUR -8.4 million. The consolidated result for the previous financial year was EUR -13.3 million, which included an impairment of goodwill of EUR 5.0 million. The Company's operating cash flow came to EUR 0.1 (4.3) million, and net debt amounted to EUR 61.1 (55.2) million. During the financial year, the Company refinanced the SEK 300 million bond issued by the Company that matured in February 2024. The bond will mature in February 2027. The bond includes a Swedish krona exchange rate risk that was not hedged at the time of signing the financial statements. A change of +-10% in the exchange rate of the Swedish krona against the euro would affect the result by approximately EUR +/-2.6 million before taxes. The terms and conditions of the bond are described in more detail in sections 15 Loans and financial assets and 17 Financial risk management.

The bond includes a cash covenant of EUR 2 million and, effective from 1 August 2025, a leverage covenant. The Group’s cash and cash equivalents amounted to EUR 2.50 million on 31 January 2025. The Group has an unused overdraft facility of EUR 1.0 million that was negotiated in March 2024 in connection with the restructuring of the SEK 300 million bond.

The Group’s operating environment is subject to uncertainty caused by the impairment of the general security situation in Europe and continued increases 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. In addition, the potential impacts of the significant and extensive tariffs imposed by the US in April 2025 and the uncertainty they cause are difficult to estimate and predict. They can present both challenges and opportunities to the development of the Group’s business. Ideally, the impacts will accelerate the recovery of development activity in the property market. At the same time, uncertainty about the future impacts of trade policy causes delays in decision-making concerning property investments.

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 the development of its profitability.

In the first quarter of the financial year 2025, the Group continued the organisational efficiency improvement measures it initiated in 2023 in a few of Vesivek Oy's units. All in all, the efficiency improvement measures initiated in 2023 have had extensive impacts on the Group's Finnish companies. The executive management closely monitors the development of the Group’s various companies and businesses, and is prepared to react further if the performance of the businesses is not in line with the set plans.

With due account taken of the refinancing of the bond and the extensive efficiency improvement measures taken, 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. Consequently, the financial statements have been prepared on the basis of the going concern principle. The forecasts assume that there will be a moderate positive turn in the market. In addition, the Group’s management has taken measures to improve the cash position by, for example, switching to the use of consignment stock for steel products. Due to the general economic uncertainty, the cyclical nature of the industry and the short term of the order book, forecasting is subject to more management judgement than usual. If the business does not develop according to the forecasts, there is a risk of liquidity being jeopardised and the covenants being breached, which may cause significant grounds for doubting the ability of the Company and the Group to continue as a going concern. Such circumstances would also have an impact on the balance sheet valuation of the Group’s goodwill and the parent company’s shares in, and receivables from, its subsidiaries.

Conversion of items denominated in foreign currencies

Transactions denominated in foreign currencies are converted 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 converted into EUR at the exchange rate of the closing date. The income and expenses of the Swedish subsidiary are converted into EUR monthly at the average exchange rate. Conversion differences arising from the translation of a subsidiary’s financial statements are recognised in other comprehensive income, and they are accumulated in a separate Conversion 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, 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. In spite of the challenging market situation and general uncertainty, the management is confident in the Company's ability to cope with its challenges and take advantage of its opportunities. According to the management's estimate, the Company’s current liquid assets and projected cash flow from operations are sufficient to cover known liabilities and obligations for at least the next 12 months. 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. The calculations involve management judgement and uncertainties related to future cash flows, the discount rate and growth factors. The decrease in interest rates has affected the result of the testing in the financial statements dated 31 January 2025.

For the Nesco subgroup and the Vesivek Oy/Vesivek Salaojat Oy businesses, 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. At the end of the financial year 2025, 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** | **1.2.2024-31.1.2025** | | **1.2.2024-31.1.2025** | **Consolidated statement of comprehensive income** |
| Turnover | 102,929 | | 102,929 | Turnover |
| **EBITDA (*)** | -2,904 | | | |
| Depreciation, amortisation and impairment | -2,505 | -4,432 | -6,937 | Depreciation, amortisation and impairment |
| **Operating profit** | -5,409 | -357 | -5,052 | **Operating profit** |
| | | | -4,579 | Financial income and expenses |
| | | | -9,631 | Profit/loss before tax |
| | | | 1,206 | Income tax |
| | | | -8,425 | **Profit/loss for the financial year** |

| 1000 EUR | **FAS** | Oikaisut | **IFRS** | |
|---|---|---|---|---|
| **Consolidated income statement** | **1.2.2023-31.1.2024** | | **1.2.2023-31.1.2024** | **Consolidated statement of comprehensive income** |
| Turnover | 108,161 | | 108,161 | Turnover |
| **EBITDA (*)** | -2,427 | | | |
| Depreciation, amortisation and impairment | -8,029 | -4,781 | -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 |

| | |
|---|---|
| -13,278 | **Profit/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 comprise 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. More information on goodwill impairment is provided in note 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 home 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".

### Breakdown of revenue by income stream for the financial year ended 31 January 2025 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 2025 and for the comparison years was broken down by income streams as follows:

| 1000 EUR | 1.2.2024-31.1.2025 | % | 1.2.2023-31.1.2024 | % | 1.2.2022-31.1.2023 |
|---|---|---|---|---|---|
| **Products** | 11,356 | 11.0 % | 12,878 | 11.9 % | 16,953 |
| **Services** | 91,573 | 89.0 % | 95,283 | 88.1 % | 112,502 |
| **Total** | 102,929 | 100.0 % | 108,161 | 100.0 % | 129,455 |

**Breakdown of revenue by country for the financial year ended 31 January 2025 and for two comparison years**

During the financial year ended 31 January 2025, the HLRE Holding Group operated in Finland and Sweden. In 2023, Vesivek Salaojat Oy expanded its operations into Turku, operating as a separate business in conjunction with Vesivek Oy's unit. The Company did not open any new units in the financial year 2025. In addition, a marginal share of the Group's revenue came from direct sales of Vesivek Tuotteet Oy's products to the Baltic countries.

| 1000 EUR | 1.2.2024-31.1.2025 | % | 1.2.2023-31.1.2024 | % | 1.2.2022-31.1.2023 |
|---|---|---|---|---|---|
| **Finland** | 82,372 | 80.0 % | 89,354 | 82,6 % | 107,387 |
| **Sweden** | 19,964 | 19.4 % | 18,174 | 16,8 % | 21,389 |
| **Baltic countries** | 593 | 0.6 % | 633 | 0,6 % | 679 |
| **Total** | 102,929 | 100.0 % | 108,161 | 100,0 % | 129,455 |

Of the Group's revenue for the financial year 1 February 2024–31 January 2025, Finland accounted for 79.2% (82.6%), Sweden for 20.2% (16.8%) and export sales to the Baltic countries for 0.6% (0.6%).

The Group's non-current assets totalled EUR 58.6 million (EUR 62.3 million) on 31 January 2025, of which Sweden accounted for EUR 2.2 million (EUR 2.8 million) converted into 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 liabilities of EUR 33 (0) thousand based on volume discounts and advance payments from customers of EUR 110 (83) thousand.

### *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 when 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 work carried out in thawed soil is mainly carried out within one day and its 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 in 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 discretionary decisions and estimates

The Company’s management exercises judgement to assess whether revenue has been recognised for the appropriate period at each balance sheet date, taking into account materiality.

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.

## 5. Other operating income

| 1000 eur | 1.2.2024-31.1.2025 | 1.2.2023-31.1.2024 |
|---|---|---|
| Proceeds from sale of property, plant and equipment and intangible assets | 129 | 405 |
| Rent income | 92 | 100 |
| Commission income | 391 | 467 |
| Other operating income | 385 | 358 |
| | **997** | **1,330** |

Other operating income comprises 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

| 1000 eur | 1.2.2024-31.1.2025 | 1.2.2023-31.1.2024 |
|---|---|---|
| Purchases during the financial period | -29,349 | -29,603 |
| Change in inventories of finished goods and work in progress | -970 | 41 |
| Production for own use | 62 | 140 |
| Increase/decrease in inventories | -595 | -2,984 |
| External services | -8,498 | -7,459 |
| Materials and services | -39,350 | -39,864 |

External services comprise scaffolding subcontracting expenses to a significant extent and, as of the beginning of the financial year 2022, subcontracting costs associated with transport for the drainage business.

## Depreciation, amortisation and impairment

| 1000 eur | | |
|---|---|---|
| **Depreciation according to plan, intangible** | **1.2.2024-31.1.2025** | **1.2.2023-31.1.2024** |
| Development expenses | -46 | -18 |
| Intangible rights | -104 | -133 |
| | **-150** | **-151** |
| **Depreciation according to plan, tangible** | | |
| Buildings and structures | -2,770 | -2,871 |
| Machinery and equipment | -4,012 | -4,490 |
| Other tangible assets | -5 | -9 |
| | **-6,787** | **-7,370** |
| **Impairment** | | |
| Intangible rights | 0 | -257 |
| Goodwill | 0 | -5,032 |
| | **0** | **-5,289** |

## Other operating expenses

| 1000 eur | 1.2.2024-31.1.2025 | 1.2.2023-31.1.2024 |
|---|---|---|
| Premises expenses | -1,118 | -1,350 |
| Machinery and equipment expenses | -5,634 | -6,160 |
| Marketing expenses | -2,092 | -2,820 |
| Other operating expenses | -10,387 | -10,672 |
| | **-19,232** | **-21,001** |

The other largest unspecified items are voluntary personnel costs of EUR 1,605 thousand (EUR 1,568 thousand) and mileage and daily allowances of EUR 2,202 thousand (EUR 2,378 thousand).

## Auditors' fees

| 1000 eur | 1.2.2024-31.1.2025 | 1.2.2023-31.1.2024 |
|---|---|---|
| **Statutory audit** | **-96** | **-169** |
| PricewaterhouseCoopers Oy | 0 | -74 |
| KPMG Oy Ab | -96 | -95 |
| **Statements and advisory opinions** | **-50** | **0** |
| KPMG Oy Ab | -50 | 0 |
| **Other exper services** | **0** | **-19** |
| PricewaterhouseCoopers Oy | 0 | -7 |
| KPMG Oy Ab | 0 | -12 |
| | -146 | -188 |

# 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 735 (801) FTE, a decrease of 66 employees, or -8.2 per cent.

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

| **1000 eur** | **1.2.2024-31.1.2025** | **1.2.2023-31.1.2024** |
|---|---|---|
| Wages, salaries and fees | 34,417 | 36,991 |
| Pension expenses - defined contribution plans | 5,815 | 6,198 |
| Other social security contributions | 3,227 | 3,298 |
| | **43,459** | **46,487** |

Personnel expenses decreased by approximately -6.4% during the financial period when compared to the previous financial period.

Wages and salaries mainly comprise monthly salaries, hourly wages and performance bonuses paid to the employees. Employees are entitled to extensive occupational health care services, and some employees have company cars and phone benefits. In addition to statutory insurance, 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 the employer's statutory insurance contributions ("TyEL") paid between May and December 2020. The decrease has been 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:

| | | | |
|---|---|---|---|
| **5 years** | **1 week salary** | **30 years** | **3 weeks salary** |
| **10 years** | **1,5 weeks salary** | **35 years** | **3 weeks salary** |
| **15 years** | **2 weeks salry** | **40 years** | **3 weeks salary** |
| **20 years** | **2 weeks salry** | | |

| | |
|---|---|
| **25 years** | **2 weeks salry** |

| **1000 eur** | **1/31/2025** | **1/31/2024** |
|---|---|---|
| **Employee benefit obligation** | | |
| Balance sheet | | |
| Defined benefit obligation | 299 | 320 |
| Statutory employee benfit expense | 75 | 80 |
| **Employee benefit obligation** | **374** | **400** |
| | | |
| Opening net balance sheet liability | 320 | 341 |
| Items recognized in operating profit | | |
| Expense(+)/income(-) recognized in Profit or Loss | 40 | 46 |
| Contributions paid | -61 | -67 |
| **Net defined benefit liability in balance sheet** | **299** | **320** |
| | | |
| **Assumptions and census data statistics** | | |
| Discount rate | 3.0% | 3.2% |
| Inflation rate | 2.0% | 2.1% |
| Rate of salary increases | 2.5% | 2.6% |
| Employee turnover | 15.0% | 15.0% |

The Group anticipates that it will pay EUR 100 thousand relating to years of service benefits during the financial year ending on 31 January 2026.

## *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 leave associated with long service or sabbaticals, anniversary benefits or other benefits relating to long service and long-term unemployment benefits.

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

# 8. Information about key management personnel (incl. key management 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 the rest of the Group's management team for the financial year ended 31 January 2025 are presented below. The compensation paid comprises a fixed monthly salary and fringe benefits.

| **1000eur** | **1.2.2024-31.1.2025** | **1.2.2023-31.1.2024** |
|---|---|---|
| **Remuneration of the CEO** | | |
| Salary, other remunerations and benefits | 122 | 11 |
| Pension expense - defined contribution plan | 13 | 12 |
| Total | 135 | 23 |
| | | |
| **Remuneration of the group management team (excluding the CEO)** | | |
| Salary, other remunerations and benefits | 502 | 540 |
| Pension expense - defined contribution plan | 110 | 114 |
| Total | 612 | 654 |
| | | |
| **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** | 783 | 713 |

The employment contract of CEO Kimmo Riihimäki can be terminated by either party with a period of notice of three (3) months. 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 realised share issues and transfers of treasury shares directed at the Group's key personnel in 2014–2023. For 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 2024–31 January 2025, the company held 201,304 treasury shares.

Because the key employees' share purchases took place at fair value, 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 the original subscription prices of the share issues or fair value as specified in the shareholders' agreement in the case of the resignation 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 145,509 shares.

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

The shareholdings of Board members, the CEO and members of the management team Group's parent company HLRE Holding Oyj on 31 January 2025 are presented in the following table:

<u>Management shareholdings</u>

The management held shares on 1/31/2025 as follows:

| | **1/31/2025** | | **1/31/2024** | |
|---|---|---|---|---|
| | 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 below 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 2/1/2024 | 141 | 787 | 0 | 194 | 40,304 | 41,427 |
| Additions | 0 | 4 | 0 | 90 | 0 | 94 |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 |
| Reclassifications | 186 | 4 | 0 | -191 | 0 | 0 |
| Cost 1/31/2025 | 328 | 796 | 0 | 93 | 40,304 | 41,520 |
| | | | | | | |
| Cumulative amortization and impairment 2/1/2024 | -60 | -378 | 0 | 0 | -5,032 | -5,470 |
| Cumulative amortization on disposals and reclassifications | 0 | 0 | 0 | 0 | 0 | 0 |
| Amortization | -46 | -104 | 0 | 0 | 0 | -150 |
| Impairment | 0 | 0 | 0 | 0 | 0 | 0 |
| Cumulative amortization and impairment 1/31/2025 | -106 | -482 | 0 | 0 | -5,032 | -5,620 |
| | | | | | | |
| Carrying amount 2/1/2024 | 81 | 409 | 0 | 194 | 35,273 | 35,957 |
| **Carrying amount 1/31/2025** | **221** | **314** | **0** | **93** | **35,273** | **35,901** |

| 1000 EUR | Development expenses | Intangible rights | Other intangible assets | Advance payments for intangible assets | Goodwill | Total |
|---|---|---|---|---|---|---|

| | | | | | | |
|---|---|---|---|---|---|---|
| Cost 2/1/2023 | 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 1/31/2024 | 141 | 787 | 0 | 194 | 40,304 | 41,427 |
| | | | | | | |
| Cumulative amortization and impairment 2/1/2023 | -42 | -1,081 | 0 | 0 | 0 | -1,122 |
| Cumulative amortization on disposals and reclassifications | 0 | 1,093 | 0 | 0 | 0 | 1,093 |
| Amortization | -18 | -133 | 0 | 0 | 0 | -151 |
| Cumulative amortization and impairment 1/31/2024 | -60 | -378 | 0 | 0 | -5,032 | -5,470 |
| | | | | | | |
| Carrying amount 2/1/2023 | 43 | 358 | 0 | 575 | 40,304 | 41,280 |
| **Carrying amount 1/31/2024** | **81** | **409** | **0** | **194** | **35,273** | **35,957** |

Intangible rights and other intangible assets comprise 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, which was renamed Vesivek Salaojat Oy in February 2021. 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. At the end of the financial year 2025, Vesivek Oy’s shareholding in Vesivek Salaojat Oy was 74.52%.

## *Accounting principle*

Goodwill

Goodwill arises from the acquisition of subsidiaries, and it corresponds to the amount by which the acquisition cost exceeds the Group’s share of the net fair value of the assets 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 for 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 for 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 discretionary decisions and estimates

Key assumptions used in testing goodwill for impairment

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

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

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

The market environment for roof and drainage renovations was challenging during the financial year under review, as was the case in the preceding financial year. For the Company, this was reflected in subdued consumer demand, with necessary renovations being postponed. The consumer confidence indicator increased slightly in 2024 from the historically low level seen in 2023, but it nevertheless remained weaker than average in Finland in 2024.

Roof and drainage renovations are often financed by loan financing, and the further tightening of lending policies by credit institutions, together with relatively high 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 2025 and 31 January 2024.

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

| **Thousands of euros** | **1/31/2025** | **31.1.2024** |
|---|---|---|
| Installation of roof and rainwater systems and underground drain renovations in Finland | 30,403 | 30,403 |
| 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:

| **2025** | EBITDA in one year period of time, % | Long-term EBITDA, % | Discount rate before taxes, % | Long-term growth factor, % |
|---|---|---|---|---|
| Installation of roof and rainwater systems and underground drain renovations in Finland | 6.5 | 6.3 | 10.3 | 2.0 |
| Production of rainwater management systems and roof safety products | 13.5 | 13.9 | 10.3 | 2.0 |

| 2024 | EBITDA in one year 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 management systems and roof safety products | 13.2 | 14.0 | 11.8 | 2.0 |

The profitability (measured by EBITDA) of CGU2 producing rainwater systems and roof safety products is expected to improve slightly over a period of five years compared to the previous year's forecast and remain practically unchanged in the long term thereafter.

With regard to CGU 1 installing roof and roof safety products, in the latest financial year 2025 calculations, the five-year profitability (measured by EBITDA) will decrease to 6.5% (8.5%), as will long-term profitability, while still remaining at a level lower than that of the five-year period, being 6.3% (6.5%).

## Sensitivity analysis

No impairment loss was recognised in respect of CGU 1 installing roof and roof safety products and drainage systems in Finland, and 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 1 exceeded the book value by EUR 2.4 million as at 31 January 2025 (EUR -5.0 million as at 31 January 2024). The recoverable cash flow of CGU 2 installing roofs, roof safety products and drainage systems in Finland exceeded the book value by EUR 7.1 million as at 31 January 2025 (exceeded the book value by EUR 5.9 million as at 31 January 2024).

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:

| | 1/31/2025 | 31.1.2024 |
|---|---|---|
| **Installation of roof and rainwater systems and underground drain renovations in Finland** | | |
| Discount rate change, percentage points | 0.4 % | -0,8 % |
| EBITDA margin decrease, percentage points | -0.3 % | 0,6 % |
| **Production of rainwater management systems and roof safety products** | | |
| Discount rate change, percentage points | 3.4 % | 2,8 % |
| EBITDA margin decrease, percentage points | -3.0 % | -3,6 % |

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 on 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.

4. The significant strengthening of the Swedish krona against the euro weakens the Group's EBITDA, increases financing costs and affects the amount of net debt.

# 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 2/1/2024 | 319 | 30,433 | 36,528 | 391 | 155 | 67,826 |
| Translation differences | 0 | -52 | -60 | -1 | 0 | -114 |
| Additions | 0 | 1,866 | 2,470 | 6 | 0 | 4,342 |
| Disposals | -73 | -583 | -3,212 | 0 | 0 | -3,869 |
| The impact of changes in lease agreements | 0 | -451 | 0 | 0 | 0 | -451 |
| Cost 1/31/2025 | 246 | 31,212 | 35,726 | 395 | 155 | 67,734 |
| Cumulative amortization and impairment 2/1/2024 | 0 | -17,751 | -23,432 | -379 | | -41,563 |
| Translation differences | 0 | 34 | 35 | 1 | | 71 |
| Cumulative amortization on disposals and reclassifications | 0 | 423 | 2,816 | 0 | | 3,239 |
| Amortization | 0 | -2,770 | -4,012 | -5 | | -6,787 |
| Cumulative amortization and impairment 1/31/2025 | 0 | -20,064 | -24,592 | -383 | | -45,039 |
| Carrying amount 2/1/2024 | 319 | 12,682 | 13,096 | 12 | 155 | 26,263 |
| **Carrying amount 1/31/2025** | **246** | **11,148** | **11,133** | **12** | **155** | **22,694** |

| 1000 EUR | Land and water | Buildings and structures | Machinery and equipment | Other tangible assets | Advance payments and work in progress | Total |
|---|---|---|---|---|---|---|
| Cost 2/1/2023 | 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 1/31/2024 | 319 | 30,433 | 36,528 | 391 | 155 | 67,826 |
| | | | | | | |
| Cumulative amortization and impairment 2/1/2023 | 0 | -15,434 | -22,860 | -370 | | -38,664 |
| Translation differences | 0 | -17 | -10 | -1 | | -28 |
| Cumulative amortization on disposals and reclassifications | 0 | 572 | 3,927 | 0 | | 4,499 |
| Amortization | 0 | -2,871 | -4,490 | -9 | | -7,370 |
| Cumulative amortization and impairment 1/31/2024 | 0 | -17,751 | -23,432 | -379 | | -41,563 |
| | | | | | | |
| Carrying amount 2/1/2023 | 319 | 10,565 | 15,166 | 21 | 190 | 26,261 |
| **Carrying amount 1/31/2024** | **319** | **12,682** | **13,096** | **12** | **155** | **26,263** |

## *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** | **31.1.2025** | **31.1.2024** |
|---|---|---|
| **Right-of-use assets*** | | |
| Buildings | 9,321 | 10,450 |
| Vehicles and machinery | 4,063 | 4,525 |
| | 13,384 | 14,975 |

*included in balance sheet item property, plant and equipment

| | | |
|---|---|---|
| **Lease liabilities*** | | |
| Current lease liability | 4,323 | 4,662 |
| Non-current lease liability | 9,684 | 10,488 |
| | 14,007 | 15,150 |

*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 1.2.2024 | 24,963 | 10,598 | 35,562 |
| Translation differencies | -52 | -29 | -82 |
| Additions | 1,866 | 1,956 | 3,822 |
| Disposals | -178 | -3,067 | -3,246 |
| Cost 31.1.2025 | 26,148 | 9,457 | 35,604 |
| | | | |
| Cumulative amortisation and impairment 1.2.2024 | -14,513 | -6,073 | -20,586 |

| | | | |
|---|---|---|---|
| Translation differencies | 34 | 17 | 51 |
| Cumulative amortisation on disposald and reclassifications | 179 | 2,741 | 2,920 |
| Amortisation | -2,527 | -2,079 | -4,606 |
| Cumulative amortisation and impairment 31.1.2025 | -16,827 | -5,394 | -22,221 |
| Carrying amount 1.2.2024 | 10,450 | 4,525 | 14,975 |
| **Carrying amount 31.1.2025** | **9,321** | **4,063** | **13,384** |

| **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 differencies | 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 differencies | -17 | -2 | -19 |
| Cumulative amortisation on disposald and reclassifications | 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** |

| **Included in profit and loss statement** | **1.2.2024-31.1.2025** | **1.2.2023-31.1.2024** |
|---|---|---|
| **1000 eur** | | |
| **Depreciation of right-of-use assets** | | |
| Buildings | -2,527 | -2,614 |
| Vehicles and machinery | -2,079 | -2,264 |
| Interest expense (included on finance cost) | -437 | -285 |
| Expense relating to short-term leases (included in other expenses) | -1,047 | -951 |
| Expenses relating to leases of low-value assets that are not short-term leases (included in other expenses) | -199 | -175 |

Cash outflow for lease agreements during the financial year 2025 totaled 6 386 (6 660) thousand euros.

### *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 comprises the amount of the lease liability at the original value and rents paid by the start of the lease less incentives received in association 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 primarily comprise office equipment.

### Key discretionary decisions and estimates

The duration of leases on business premises is 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

| **1000 eur** | **31.1.2025** | **31.1.2024** |
|---|---|---|
| Materials and supplies | 5,980 | 5,678 |
| Work in progress | 1,835 | 3,013 |
| Finished products | 3,413 | 4,141 |
| | **11,228** | **12,833** |

### *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 discretionary decisions and estimates

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

## 12. Trade and other receivables

| **1000 eur** | **31.1.2025** | **31.1.2024** |
|---|---|---|
| Accounts receivable from finance companies | 616 | 650 |
| Accounts receivable | 4,458 | 4,116 |
| Other receivables | 76 | 10 |
| Current prepayments and accrued income | 1,468 | 1,484 |
| | **6,618** | **6,261** |

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

Accrued income mainly comprises 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*

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 the recognition of credit loss provisions has been applied, as described in Note 17.

# 13. Other current liabilities

| 1000 eur | 31.1.2025 | 31.1.2024 |
|---|---|---|
| Current advances received | 111 | 83 |
| Current trade payables | 4,941 | 4,763 |
| Other current liabilities | 3,022 | 2,270 |
| Current accrued liabilities | 5,052 | 9,982 |
| | 13,125 | 17,098 |

Accrued charges primarily comprise accrued personnel expenses, interest liabilities and allocated purchases.

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

## *Accounting principle*

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

# CAPITAL STRUCTURE AND FINANCING

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

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

## 14. Net debt

| **1000 eur** | **1/31/2025** | **1/31/2024** |
|---|---|---|
| Non-current interest-bearing liabilities | 50,055 | 10,738 |
| Capitalised interest debt, non-interest-bearing | 8,263 | 4,984 |
| Current interest-bearing liabilities | 5,299 | 42,066 |
| Cash and cash equivalents | -2,498 | -2,574 |
| | **61,119** | **55,213** |

**Reconciliation**

| | **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 1.2.2024** | 2,574 | -4,662 | -10,488 | -42,387 | -250 | -55,213 |
| Cash flow | -75 | 4,836 | | -976 | -3,066 | 719 |
| Increase | | -469 | -2,225 | | | -2,694 |
| Exchange rate adjustment | | -29 | | | 464 | 432 |
| Other changes | | -3,999 | 3,029 | 42,387 | -45,782 | -4,364 |
| **Net debt 31.1.2025** | 2,498 | -4,323 | -9,684 | -976 | -48,634 | -61,119 |

**Reconciliation**

| | **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 | 0 | 0 | 0 | 3,843 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Increase | | -1,273 | -5,710 | | | -6,983 |
| Exchange rate adjustment | | -10 | 0 | -186 | 0 | -195 |
| Other changes | 0 | -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 |

# 15. Loans and financial assets

| **1000 eur** | **1/31/2025** | **1/31/2024** |
|---|---|---|
| Non-current bonds | 26,266 | 0 |
| Non current convertible bonds | 3,066 | 0 |
| Non-current subordinated loans | 250 | 250 |
| Non-current loans from related parties | 10,789 | 0 |
| Non-current lease liability | 9,684 | 10,488 |
| Capitalised interest | 8,263 | 0 |
| **Non-current interest-bearing liabilities** | **58,318** | **10,738** |

| **1000 eur** | **1/31/2025** | **1/31/2024** |
|---|---|---|
| Current bonds | 0 | 26,614 |
| Loans from financial institutions | 976 | 0 |
| Current liabilities to related parties, interest-bearing | 0 | 10,789 |
| Short-term lease liability | 4,323 | 4,662 |
| Capitalised interest | 0 | 4,984 |
| **Current interest-bearing liabilities** | **5,299** | **47,050** |

## Loans from financial institutions and other financing

### Bond

The Group's parent company HLRE Holding Oyj 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 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 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 annual interest rate on the bond is the 3-month STIBOR +7.85% (previously 6.60%). The terms and conditions include an interest premium of 7.85% 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.

If the STIBOR interest rate increases by one percentage point, the annual interest cost would increase by approximately SEK 3.3 million, corresponding to about EUR 0.3 million. If the Swedish krona were to appreciate by 5% against the euro, the annual interest liability would increase by EUR 0.15–0.2 million.

The bond includes a 1.5% consent fee and a 4% premium on the principal, which will fall due on the maturity date, and an unwithdrawn overdraft facility of EUR 1 million.

The updated terms and conditions of the bond include a net debt/EBITDA covenant that enters into effect in August 2025. The covenant will be 5.0 until January 2026, 4.5 from February 2026 to July 2026, and 4.0 from August 2026 to the bond's maturity date in February 2027. On the financial statements date, 31 January 2025, the Company’s net debt/EBITDA ratio was 22.0. The Company forecasts that the covenants will be met at the end of October 2025 and February 2026.

The updated financing terms also include a new liquidity covenant of EUR 2 million, which will be reviewed on a monthly basis. The undrawn overdraft facility related to the agreement can be taken into account as part of the liquidity covenant of EUR 2 million. Without the limit, the Group’s cash and cash equivalents amounted to EUR 2.50 million on 31 January 2025.

## Collateral for the bond and overdraft facility

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

In May 2024, Vesivek Oy transferred the Lieto property at market value and on normal commercial terms, releasing the property's mortgage deeds for a total value of EUR 46,800,000.

## Convertible Bond

The terms and conditions of the bond 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 is 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 convertible bonds maturing in February 2029 can be converted into a maximum of 6,131,704 shares in HLRE Holding Oyj, corresponding to 37.3% of the outstanding HLRE Holding shares issued at the end of the financial year. The applicable conversion price is EUR 0.50 per share.

## Shareholder loan

The Group has shareholder loans from the parent company's shareholders. At the end of the financial year 2025, the amount of shareholder loans was EUR 10.8 million. The interest accrued on the loans totalled EUR 5.5 million pursuant to the coupon rate of 6.00% p.a. The terms and conditions of the shareholder loan have been renegotiated in previous financial years so that interest will be paid together with the principal at the latest when the bond issued during the financial year falls due.

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.

## Subordinated loan

The Group companies have a subordinated loan totalling EUR 250 thousand. The interest rate on the loan is 5%, and unrecognised interest of EUR 25 thousand has accrued on the loan. No repayment date has been agreed for the loan.

## *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, that is, when the obligation specified in the agreement has been fulfilled or revoked or its validity has expired.

Bonds, convertible bonds, loans from financial institutions and other loans are initially recognised at fair value less transaction costs on the settlement date. They are subsequently measured at amortised cost using the effective interest method. Transaction costs are accrued over the term of the loan using the effective interest method. The financial liability of part thereof is derecognised when the liability has ceased to exist, that is, when the obligation specified in the agreement has been performed or revoked or its validity has expired. For listed instruments, the fair value of non-current and current interest-bearing liabilities has been calculated using quoted prices. For other loans, the fair value has been calculated on discounted cash flows using the return on the reporting date.

Convertible bonds are classified as compound instruments, the components of which are recognised as liabilities and equity in accordance with the substance of the arrangement. The liability component is initially recognised at the fair value of a corresponding non-convertible liability. The equity component is initially recognised as the difference between the fair values of the full instrument and the liability component. Transaction costs are allocated to the liability component and the equity component in proportion to their initial carrying amounts. The fair value includes the value of the conversion right. Subsequently, the liability component is measured at amortised cost using the effective interest method. The equity component is reclassified between equity items when bonds are converted into shares or the validity expires.

## Financial assets

| **1000 eur** | **1/31/2025** | **1/31/2024** |
|---|---|---|
| **Non-current** | | |
| Other non-current financial assets | 48 | 48 |
| Loan receivables | 5 | 13 |
| | 53 | 61 |

| **1000 eur** | **1/31/2025** | **1/31/2024** |
|---|---|---|
| **Current** | | |
| Loan receivables | 47 | 52 |
| Cash and cash equivalents | 2,498 | 2,574 |
| | 2,546 | 2,626 |

Loan receivables comprise 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. No credit losses are expected to be incurred from these items.

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 comprise cash and demand deposits.

## Derivative instruments

The Company's Board of Directors had, in its meeting held on 24 September 2021, approved a currency hedge of SEK 200 million proposed by Nordea Finland Branch to the Audit Committee. The forward contract matured on 12 February 2024, and its fair value at maturity was approximately EUR -1.95 million. The Company paid half of this in February 2024. For the other half, the Company negotiated an amortisation schedule with Nordea Finland Branch in late 2024 so that the remaining principal, amounting to approximately EUR 0.98 million, will be amortised in equal instalments in February, May and August 2025, including interest. The annual interest rate on the loan is 4.0 percentage points over the six-month Euribor rate.

### *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 an observable direct or indirect price other 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

| **1000 eur** | **1.2.2024-31.1.2025** | **1.2.2023-31.1.2024** |
|---|---|---|
| Interest income | 157 | 193 |
| Exchange rate gains | 430 | 67 |
| **Financial income total** | **587** | **259** |

| **1000 eur** | **1.2.2024-31.1.2025** | **1.2.2023-31.1.2024** |
|---|---|---|
| Interest expenses from liabilities to others | -4,494 | -3,674 |
| Interest expenses from leases | -437 | -285 |
| Unrealised losses at fair value, derivatives | 0 | -391 |
| Exchange rate losses | -51 | -233 |
| Other debt financial expenses | -184 | -53 |
| **Financial expenses total** | **-5,166** | **-4,635** |
| | | |
| **Financial income and expenses total** | **-4,579** | **-4,376** |

### *Accounting principle*

Financial expenses comprise 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 comprises the CEO, CFO and financial and accounting manager, and it operates in accordance with instructions given by the Board of Directors and the 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 comprises 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 2,498 thousand on 31 January 2025 (EUR 2,574 thousand on 31 January 2024).

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 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 Group’s operating environment is subject to uncertainty caused by the impairment of the general security situation in Europe and continued increases 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. In addition, the potential impacts of the significant and extensive tariffs imposed by the US in April 2025, and the uncertainty they cause, are difficult to estimate and predict. They can present both challenges and opportunities to the development of the Group’s business.

In the first quarter of the financial year 2025, the Group continued the organisational efficiency improvement measures it initiated in 2023 in a few of Vesivek Oy's units. All in all, the efficiency improvement measures initiated in 2023 have had extensive impacts on the Group's Finnish companies. The executive management closely monitors the development of the Group’s various companies and businesses, and is prepared to react further if the performance of the businesses is not in line with the set plans.

With due account taken of the refinancing of the bond and the extensive efficiency improvement measures taken, 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.

The updated terms and conditions of the bond include a net debt/EBITDA covenant that enters into effect in August 2025. The covenant will be 5.0 until January 2026, 4.5 from February 2026 to July 2026, and 4.0 from August 2026 to the bond's maturity date in February 2027. On the financial statements date, 31 January 2025, the Company's net debt/EBITDA ratio was 22.0. The Company forecasts that the covenants will be met at the end of October 2025 and February 2026.

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

**Maturities of contracts of financial liabilities 31 January 2025**

| **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 | 4,941 | | | | 4,941 | 4,941 |
| Lease liabilities | 4,792 | 3,935 | 5,956 | 121 | 14,804 | 14,007 |
| Bonds | 1,663 | 2,691 | 32,011 | 0 | 36,365 | 28,767 |
| Convertible bonds | 0 | 0 | 3,784 | 0 | 3,784 | 3,287 |
| Shareholder loans | 0 | 0 | 18,512 | 0 | 18,512 | 16,581 |
| Loans from financial institutions | 976 | 0 | 0 | 0 | 976 | 976 |
| Total | 12,372 | 6,626 | 60,263 | 121 | 79,382 | 68,559 |

**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 |
| Total | 54,000 | 3,811 | 6,550 | 492 | 64,853 | 64,152 |

| | | 1/31/2025 | | 31.1.2024 | |
|---|---|---|---|---|---|
| | **Fair value hierarchy level** | **Book value** | **Fair value** | **Book value** | **Fair value** |
| **Financial liabilities** | | | | | |
| Loans from financial institutions | 2 | 976 | 976 | 0 | 0 |
| Bonds | 2 | 28,767 | 23,514 | 26,614 | 25,633 |

| | | | | | |
|---|---|---|---|---|---|
| Convertible bonds | 2 | 3,287 | 3,211 | 0 | 0 |
| Shareholder loans | 2 | 16,420 | 15,742 | 15,773 | 15,741 |
| Derivatives | 2 | 0 | 0 | 1,852 | 1,852 |

**Credit risk and counterparty 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 concerns 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 by 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) are deducted from the balance of trade receivables in the calculation because the associated credit risk is minor.

| **31.1.2025%** | **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 | 0.14% | 0.82% | 1.34% | 20.00% | 40.00% | 70.00% | |
| Gross carrying amount | 3,967 | 294 | 105 | 112 | 8 | 215 | 4,700 |
| Loss allowance provision VAT 0% | 5 | 2 | 1 | 18 | 2 | 120 | 148 |

| **31.1.2024%** | **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 |

| **Credit losses, EUR 1,000** | **2025** | **2024** |
|---|---|---|

| | | |
|---|---|---|
| At 1st February | 252 | 290 |
| Decrease in loss allowance recognised in profit or loss in the period | 30 | 180 |
| Receivables recognised as unrecoverable credit losses in the period | -132 | -218 |
| At 31st January | 148 | 252 |

## Key discretionary decisions 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 also aimed to 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.

Shareholder loans, totalling EUR 10.789 million, and convertible bonds, totalling EUR 3.066 million, have fixed interest rates. The interest rate on shareholder loans is 6% p.a. and the interest rate on convertible bonds is 8% p.a. The SEK 300 million 3-year, non-amortising bond refinanced by the Company in February 2024 is a floating-rate bond, three-month STIBOR +7.85% p.a. As future interest payments had not been hedged by the date of signing the financial statements, the Company is exposed to interest risk. A one-percentage-point change in the reference rate (STIBOR) would affect interest expenses by EUR 0.3 million (at the exchange rate on the financial statements date).

**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 primarily comprises 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. The fair value of the hedge at the time of termination was approximately EUR -1.95 million. The Company paid half of this in February 2024 and, in late 2024, negotiated an amortisation schedule consisting of equal instalments for the remaining amount. The instalments will be paid, with interest, in February, May and August 2025. By the time of signing the financial statements, the bond has not been re-hedged. A change of +/-10% in the exchange rate of the Swedish krona would have an effect of approximately EUR +/-2.6 million on the consolidated result before taxes.

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, including profile production steel sheets, rainwater management systems, externally sourced timber and other supplies included in the concept. During the financial year ended 31 January 2025, approximately EUR 6.0 million of the Swedish subsidiary's purchases of approximately EUR 3.15 million were made in euros.

The SEK-denominated trade payables and other current liabilities in the financial statements amounted to SEK 32.7 million (SEK 30.7 million), trade and other current receivables to SEK 19.6 million (SEK 22.5 million), and cash and cash equivalents to SEK 22.6 million (SEK -6.56 million). In 2024, the average exchange rate of the Swedish krona strengthened by approximately 0.4 per cent when compared to the previous year. As the average exchange rate remained practically unchanged during the year, the marginal change in the average exchange rate did not have an impact on the result for the financial year.

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**<br>**Exchange rate gains and losses** | **1.2.2023-31.1.2025** | **1.2.2023-31.1.2024** |
|---|---|---|
| Exchange rate gains | 430 | 67 |
| Exchange rate losses | -65 | -271 |
| | 366 | -204 |

**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 20 per cent (17 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 of 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

Shareholders 31.1.2025

| | | |
|---|---|---|
| Sentica Buyout IV funds | 8,783,695 | 52.8 % |
| Kimmo Riihimäki | 5,497,826 | 33.1 % |
| Other key persons | 1,065,322 | 6.4 % |
| Other shareholders | 1,078,576 | 6.5 % |
| Treasury shares | 201,304 | 1.2 % |
| | 16,626,723 | 100.0 % |

The total number of shares in HLRE Holding Oy did not change during the financial year 1 February 2024–31 January 2025.

| **Earnings per share calculated on profit attributable to equity holders of the parent** | **1.2.2024-31.1.2025** | **1.2.2023-31.1.2024** |
|---|---|---|
| Profit attributable to equity holders of the parent company | -8,010,562 | -13,113,359 |
| Average number of shares | 16,440,211 | 16,592,112 |
| **Undiluted and dilution-adjusted earnings per share** | **-0.49** | **-0.79** |

## Share capital

The share capital comprises 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 differencies

Translation differences resulting from the conversion 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 comprises share capital, invested non-restricted equity reserve, conversion differences and retained earnings. Changes in treasury shares are recognised in retained earnings. Expenses incurred directly due to the issue of new shares are reported less taxes in shareholders' equity as a decrease in income from share issue.

## 19. Capital risk management

The Group monitors the shareholders' equity and net debt on the consolidated balance sheet. Net debt is calculated by deducting cash and cash equivalents from current and non-current interest-bearing liabilities, as calculated in note 14. Seasonal fluctuations in business and related changes in liquidity and net working capital require active liquidity management. The Company is exposed to risks related to the solvency and payment behaviour of its customers, which may affect the Company's cash flow or lead to credit losses.

On 12 February 2021, the company issued a SEK 300 million 3-year, floating rate, secured non-amortising bond. 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 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 that is 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 % 31.1.2025 | Holding % 31.1.2024 | 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 | Ruotsi | 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 | 75 | 71 | Drainage renovations |

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

### *Accounting principle*

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

HLRE uses the acquisition method in consolidating business operations. Intra-Group transactions, balances and unrealised gains from transactions between Group companies are eliminated. Unrealised losses are also 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 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 that 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 comprise the tax expense based on the taxable income for the period and deferred tax expenses.

| **1000 eur** | **1.2.2024-31.1.2025** | **1.2.2023-31.1.2024** |
|---|---|---|
| Tax on income from operations | -140 | 18 |
| Deferred taxes | 1,345 | 1,751 |
| Income tax | 1,206 | 1,769 |

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** | **1.2.2024-31.1.2025** | **1.2.2023-31.1.2024** |
|---|---|---|
| Accounting profit before taxes | -9,630 | -15,047 |
| | | |
| Tax calculated at the parent company's tax rate of 20% | 1,926 | 3,009 |
| Effect of different tax rates in foreign subsidiaries | 0 | -2 |
| Tax-free income included in the accounting profit | 1 | 6 |
| Non-deductible expenses included in the accounting profit | -615 | -1,285 |
| Application of loss from previous years for which deferred tax asset was not recognised | 5 | 40 |

| | | |
|---|---|---|
| Previous years' loss for which deferred tax asset was recognised / de-recognised | -111 | 0 |
| Tax expense on profit and loss statement | 1,206 | 1,769 |

| **1000 EUR** | **2/1/2024** | **Translation differencies +/-** | **Changes through income statement** | **31.1.2025** |
|---|---|---|---|---|
| **Deferred tax asset** | | | | |
| Inventories, internal margin | 112 | 0 | 41 | 153 |
| Provision for credit losses | 50 | 0 | -20 | 30 |
| Unused tax loss | 1,678 | 0 | 1,537 | 3,215 |
| Non-current assets, leasing | 3,060 | -6 | -226 | 2,828 |
| Other items | 567 | 0 | -392 | 175 |
| **Total** | **5,467** | **-6** | **940** | **6,401** |
| Net deferred tax item | -3,527 | | | -3,145 |
| Deferred tax asset on balance sheet | 1,940 | | | 3,256 |

| **1000 EUR** | **2/1/2024** | **Translation differencies +/-** | **Changes through income statement** | **31.1.2025** |
|---|---|---|---|---|
| **Deferred tax liability** | | | | |
| Property, plant and equipment | 610 | -2 | -91 | 517 |
| Lease liability | 3,005 | -6 | -312 | 2,687 |
| Other items | 16 | 0 | -2 | 14 |
| **Total** | **3,631** | **-8** | **-405** | **3,218** |
| Net deferred tax item | -3,527 | | | -3,145 |
| Deferred tax liability on balance sheet | 105 | | | 74 |

| **1000 EUR** | **2/1/2023** | **Translation differencies +/-** | **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** |
| Net deferred tax item | -3,282 | | | -3,527 |
| Deferred tax asset on balance sheet | 235 | | | 1,940 |

| **1000 EUR** | **2/1/2023** | **Translation differencies +/-** | **Changes through income statement** | **31.1.2024** |
|---|---|---|---|---|
| **Deferred tax liability** | | | | |
| Lease liability | 2,649 | 7 | 349 | 3,005 |

| | | | | |
|---|---|---|---|---|
| Other items | 104 | 0 | -88 | 16 |
| **Total** | 3,432 | 8 | 191 | 3,631 |
| Net deferred tax item | -3,282 | | | -3,527 |
| Deferred tax liability on balance sheet | 150 | | | 105 |

On 1/31/2025 the Group had confirmed tax losses carried forward of EUR 1,411,367.54 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 33,270.22 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 1/31/2025 the Group had related party interest carryforwards of EUR 11,345,636.56. Of these, no deferred tax assets have been recognised for EUR 10,665,408.07, as 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) that are prescribed or practically enabled by the closing date and that 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 to which 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:

| **1000 eur** | | |
|---|---|---|
| **With entities controlled by the management** | **31.1.2025** | **31.1.2024** |
| Sales of goods and services | 0 | 9 |
| Purhases of goods and services | 586 | 565 |
| Trade payables | 4 | 7 |
| | | |
| **With the acting management** | **31.1.2025** | **31.1.2024** |
| Non-current liabilities | 13,571 | 250 |
| Current liabilities | 0 | 10,789 |
| Interest liabilities | 5,659 | 4,984 |
| Interest expense | 621 | 647 |

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

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

Vesivek Salaojat Oy has loan receivables from shareholders amounting to EUR 44 thousand.

# 23. Commitments and contingent liabilities

## Guanrantees 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. An obligation that probably does not require fulfilling a payment obligation or the amount of which cannot be reliably determined is also considered to be a contingent liability.

The Group has pending ordinary complaints whose financial effects are not material and their realisation is not certain.

Guarantees are described in note 15 Loans and financial assets.

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

The IASB has made an amendment to IAS 1 Presentation of Financial Statements concerning the classification of liabilities as current and non-current, and non-current liabilities that include a covenant. The amendments are to promote consistency in application and clarify the requirements for determining if a liability is current or non-current. The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Information about such covenants must be disclosed in the notes to the financial statements. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability. If a liability includes a conversion option, it may affect the classification of the liability as current or non-current unless the conversion options are recognised as equity in accordance with IAS 32.

The IASB has made amendments to IFRS 16 Leases regarding lease liability in a sale and leaseback arrangement. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since the implementation of IFRS 16 in 2019.

The IASB has made amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures. The amendments aim to enhance the transparency of finance arrangements concerning suppliers of goods or services, and clarify their effects on a company's liabilities, cash flows and exposure to liquidity risk. The amendments require the disclosure of quantitative and qualitative information on supplier finance arrangements.

These amendments will enter into effect for financial periods beginning on or after 1 January 2024.

The amendments have not had an effect on the HLRE Group's reporting

IFRS 18 Presentation and Disclosure in Financial Statements will replace the previous IAS 1 Presentation of Financial Statements. The application of IFRS 18 will begin from the first IFRS financial statements for financial periods starting on or after 1 January 2027. The key new requirements of IFRS 18 are as follows:

• Income and expenses in the income statement to be classified into three new defined categories — operating,

investing and financing — and two new subtotals — "Operating profit or loss" and

"Profit or loss before financing and income tax".

• Disclosures about management-defined performance measures (MPMs) in the financial statements.

MPMs are subtotals of income and expenses used in public communications to communicate the management's

view of the company's financial performance.

• Disclosure of information based on enhanced general requirements

on aggregation and disaggregation. In addition, specific requirements to disaggregate certain expenses, in the notes,

will be required for companies that present operating expenses by function in the income statement.

The HLRE Group will start to assess the impact of the standard on its financial statements during 2025.

The HLRE Group has not identified any other new standards, amendments or interpretations published by the IASB that will be applied for the first time in reporting periods beginning on or after 1 January 2025 that are expected to have a material impact on the HLRE Group's result, financial position or presentation of the financial statements.

# 25. Events after the reporting date

In February–March 2025, the Group continued the temporary layoffs of a maximum of 90 days in its Finnish companies, which had been announced in December 2024. The Group further announced in late March that, as the demand situation had slightly improved, the Group would deviate from the previously announced plan by not continuing the temporary layoffs in April in any of the Group companies.

# Parent company's financial statements, FAS

# Parent company's income statement

| 1 EUR | Note | 1.2.2023-31.1.2024 | |
|---|---|---|---|
| **TURNOVER** | | **492,249.26** | **322,499.94** |
| Employee benefit expense | 1 | -190,068.92 | -63,449.65 |
| Depreciation, amortisation and impairment | | 0.00 | -21,920.38 |
| Other operating expenses | 2 | -322,950.80 | -146,773.76 |
| **OPERATING PROFIT (LOSS)** | | **-20,770.46** | **90,356.15** |
| Financial income and expenses | 3 | | |
| Financial income | | 4,289,729.65 | 2,522,661.54 |
| Financial expenses | | -6,603,983.50 | -3,576,120.74 |
| **PROFIT (LOSS) BEFORE TAXES** | | **-2,335,024.31** | **-963,103.05** |
| Direct taxes | 4 | 175.80 | 0.00 |
| **Profit or loss for the financial year** | | **-2,334,848.51** | **-963,103.05** |

# Parent company’s balance sheet

| 1 EUR | Note | 31.1.2025 | 31.1.2024 |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Intangible assets | 5 | 22,770.00 | 0.00 |
| Investments | 6 | 19,802,563.00 | 19,802,563.00 |
| | | 19,825,333.00 | 19,802,563.00 |
| **CURRENT ASSETS** | | | |
| Non-current receivables | 7 | 33,888,448.98 | 33,888,448.98 |
| Current receivables | 8 | 19,085,642.87 | 9,226,201.76 |
| Cash and cash equivalents | | 1,377,505.84 | 36,327.16 |
| | | 54,351,597.69 | 43,150,977.90 |
| **ASSETS** | | **74,176,930.69** | **62,953,540.90** |
| | | | |
| **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 | | 317,930.99 | 1,281,034.04 |
| Profit or loss for the financial year | | -2,334,848.51 | -963,103.05 |
| **SHAREHOLDERS' EQUITY** | **9** | **16,064,905.48** | **18,399,753.99** |
| | | | |
| **LIABILITIES** | | | |
| Non-current liabilities | 10 | 42,723,127.57 | 37,412,895.61 |
| Current liabilities | 11 | 15,388,897.64 | 7,140,891.30 |
| **LIABILITIES** | | 58,112,025.21 | 44,553,786.91 |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | **74,176,930.69** | **62,953,540.90** |

# Parent company’s cash flow

| 1 EUR | | 1.2.2024-31.1.2025 | 1.2.2023-31.1.2024 |
|---|---|---|---|
| **Cash flow from operating activiteis** | | | |
| **PROFIT (LOSS) FOR THE PERIOD** | | -2,334,849 | -963,103 |
| Adjustments to profit (loss) for the period | | 2,314,078 | 1,075,380 |
| Operating cash flow before working capital changes | | -20,770 | 112,277 |
| Working capital changes | | | |
| Increase (decrease) in trade and other receivables | | -500,344 | -22,811 |
| Increase (decrease) in trade payables | | 517,949 | 3,540 |
| Cash flows from operations before financial items and taxes | | -3,166 | 93,005 |
| Interest paid | | -1,161,206 | -2,731,686 |
| Interest received | | 3,088,843 | 1,731,342 |
| Other financial items | | -2,658,668 | 7,585 |
| Income taxes paid | | 176 | -119,653 |
| **Cash flow from operating activiteis** | | **-734,021** | **-1,019,406** |
| **Cash flows from investing activities** | | | |
| | 0 | -22,770 | 0 |
| Addition (deduction) of cash equivalents | | -8,586,987 | 1,161,397 |
| **Net cash used in investing activities** | | **-8,609,757** | **1,161,397** |
| **Cash flows from financing activities** | | | |
| | 0 | 976,000 | 0 |
| Addition (deduction) of current borrowings | | 6,643,105 | 1,358,562 |
| | 0 | 3,065,852 | 0 |
| Group contribution received and paid | | 0 | -1,500,000 |
| **Net cash used in financing activities** | | **10,684,957** | **-141,438** |
| **Net change in cash and cash equivalents** | | **1,341,179** | **553** |
| Cash and cash equivalents, opening balance | | 36,327 | 35,774 |
| Net increase (decrease) in cash and cash equivalents | | 1,341,179 | 553 |
| Cash and cash equivalents | | 1,377,506 | 36,327 |

# Parent company’s notes

HLRE Holding Oyj is the parent company of the HLRE Holding Group (Vesivek Group). 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).

Accounting policies

Contrary to the recognition principles for micro-enterprises, the withdrawal fee for the Company’s bond is accrued over the loan period.

Shares in subsidiaries are measured at cost.

- The Company’s management has estimated that the value of the shares has not declined permanently based on the financial forecasts prepared by the Company’s management regarding the development of turnover, expenses and the amount of investments. In assessing the continuity of operations, the forecasts assume that there will be a moderate positive turn in the market. In addition, the Group’s management has taken measures to improve the cash position. Due to the general economic uncertainty, the cyclical nature of the industry and the short term of the order book, forecasting is subject to more management judgement than usual. If the business does not develop according to the forecasts, there is a risk of liquidity being jeopardised and the covenants being breached, which would also have an impact on the measurement of the parent company's shares in subsidiaries and receivables from subsidiaries on the balance sheet.

Business continuity

The financial statements for the financial period 1 February 2024–31 January 2025 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 2025 was EUR -8.4 million. The consolidated result for the previous financial year was EUR -13.3 million, which included an impairment of goodwill of EUR 5.0 million. The Company's operating cash flow came to EUR 0.1 (4.3) million, and net debt amounted to EUR 61.1 (55.2) million. During the financial year, the Company refinanced the SEK 300 million bond issued by the Company that matured in February 2024. The bond will mature in February 2027. The bond includes a Swedish krona exchange rate risk that was not hedged at the time of signing the financial statements. A change of +-10% in the exchange rate of the Swedish krona against the euro would affect the result by approximately EUR +/-2.6 million before taxes. The terms and conditions of the bond are described in more detail in sections 15 Loans and financial assets and 17 Financial risk management in the notes to the consolidated financial statements.

The bond includes a cash covenant of EUR 2 million and, effective from 1 August 2025, a leverage covenant. The Group’s cash and cash equivalents amounted to EUR 2.50 million on 31 January 2025. The Group has an unused overdraft facility of EUR 1.0 million that was negotiated in March 2024 in connection with the restructuring of the SEK 300 million bond.

The Group’s operating environment is subject to uncertainty caused by the impairment of the general security situation in Europe and continued increases 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. In addition, the potential impacts of the significant and extensive tariffs imposed by the US in April 2025 and the uncertainty they cause are difficult to estimate and predict. They can present both challenges and opportunities to the development of the Group’s business. Ideally, the impacts will accelerate the recovery of development activity in the property market. At the same time, uncertainty about the future impacts of trade policy causes delays in decision-making concerning property investments.

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 the development of its profitability.

In the first quarter of the financial year 2025, the Group continued the organisational efficiency improvement measures it initiated in 2023 in a few of Vesivek Oy's units. All in all, the efficiency improvement measures initiated in 2023 have had extensive impacts on the Group's Finnish companies. The executive management closely monitors the development of the Group’s various companies and businesses, and is prepared to react further if the performance of the businesses is not in line with the set plans.

With due account taken of the refinancing of the bond and the extensive efficiency improvement measures taken, 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. Consequently, the financial statements have been prepared on the basis of the going concern principle. The forecasts assume that there will be a moderate positive turn in the market. In addition, the Group’s management has taken measures to improve the cash position by, for example, switching to the use of consignment stock for steel products. Due to the general economic uncertainty, the cyclical nature of the industry and the short term of the order book, forecasting is subject to more management judgement than usual. If the business does not develop according to the forecasts, there is a risk of liquidity being jeopardised and the covenants being breached, which may cause significant grounds for doubting the ability of the Company and the Group to continue as a going concern. Such circumstances would also have an impact on the balance sheet valuation of the parent company’s shares in, and receivables from, its subsidiaries.

# 1. Notes concerning the personnel and members of governing organs

**1 EUR**

| **Personnel expenses** | **1.2.2024-31.1.2025** | **1.2.2023-31.1.2024** |
|---|---|---|
| Wages, salaries and fees | -170,779.12 | -46,620.88 |
| Pension expenses | -12,838.22 | -12,488.79 |
| Other social security contributions | -6,451.58 | -4,339.98 |
| Total | -190,068.92 | -63,449.65 |
| | | |
| Management salaries, fees and fringe benefits | | |
| CEO | 121,840.00 | 10,000.00 |
| Board members | 36,000.00 | 36,000.00 |
| Total | 157,840.00 | 46,000.00 |
| | | |
| **Number of personnel** | | |
| Average during the year | 1 | 1 |

## 2. Other operating expenses and auditors' fees

| 1 EUR | 1.2.2024-31.1.2025 | 1.2.2023-31.1.2024 |
|---|---|---|
| **To the auditor: staturoty audit** | **-24,161.53** | **-28,779.49** |
| PricewaterhouseCoopers Oy | 0.00 | -13,254.49 |
| KPMG Oy Ab | -24,161.53 | -15,525.00 |
| **To the auditor: other expert services** | **-17,254.33** | **-16,469.16** |
| PricewaterhouseCoopers Oy | 0.00 | -4,000.00 |
| KPMG Oy Ab | -17,254.33 | -12,469.16 |
| Legal and consulting services | -194,126.66 | -36,588.31 |
| Other operating expenses | -128,824.14 | -64,936.80 |
| | -322,950.80 | -146,773.76 |

## 3. Financial income and expenses

| 1 EUR | 1.2.2024-31.1.2025 | 1.2.2023-31.1.2024 |
|---|---|---|
| Interest income from group companies | 3,845,852.89 | 2,498,437.65 |
| Interest income from others | 15,099.54 | 2,904.86 |
| Exchange rate gains | 428,777.22 | 21,319.03 |
| Financial income total | 4,289,729.65 | 2,522,661.54 |
| | | |
| Interest expense from liabilities to others | -3,945,315.53 | -3,378,547.44 |
| Other financial expenses | -2,631,142.10 | -13,733.54 |
| Exchange rate losses | -27,525.87 | -183,839.76 |
| Financial expenses total | -6,603,983.50 | -3,576,120.74 |
| | | |
| Financial income and expenses total | -2,314,253.85 | -1,053,459.20 |

## 4. Direct taxes

| 1 EUR | 1.2.2024-31.1.2025 | 1.2.2023-31.1.2024 |
|---|---|---|
| Tax for previous accounting periods | 175.80 | 0.00 |
| | 175.80 | 0.00 |

## 5. Intangible assets

| 1 EUR | Intangible rights | Total |
|---|---|---|
| Cost 1 February 2024 | 115,744 | 115,744 |
| Increase | 22,770 | 22,770 |
| Cost 31 January 2025 | 138,514 | 138,514 |
| | | |
| Accumulated depreciation, amortisation and impairment 1 February 2024 | -115,744.42 | -115,744.42 |
| Accumulated depreciation, amortisation and impairment 31 January 2025 | -115,744.42 | -115,744.42 |
| | | |
| **Book value 31 January 2025** | **22,770** | **22,770** |

| | | |
|---|---|---|
| Book value 31 January 2024 | 0 | 0 |

## 6. Investments

| **1 EUR** | Shares in Group companies | Total |
|---|---|---|
| Cost 1 February 2024 | 19,802,563.00 | 19,802,563.00 |
| Cost 31 January 2025 | 19,802,563.00 | 19,802,563.00 |
| | | |
| **Book value 31 January 2025** | **19,802,563.00** | **19,802,563.00** |
| Book value 31 January 2024 | 19,802,563.00 | 19,802,563.00 |

HLRE Holding Oyj owns 100% of the shares in HLRE Group Oy. The other Group companies are presented in note 20 to the consolidated financial statements.

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## 7. Non-current receivables

| **1 EUR** | **31.1.2025** | **31.1.2024** |
|---|---|---|
| Non-current intra-group loan receivables | | |
| HLRE Group Oy | 19,696,332.67 | 19,696,332.67 |
| Vesivek Tuotteet Oy | 4,510,442.67 | 4,510,442.67 |
| Nesco Invest Oy | 8,446,713.58 | 8,446,713.58 |
| Vesivek Oy | 1,234,960.06 | 1,234,960.06 |
| | 33,888,448.98 | 33,888,448.98 |

## 8. Current receivables

| **1 EUR** | **31.1.2025** | **31.1.2024** |
|---|---|---|
| Receivables from Group companies | | |
| Trade receivables from Group companies | 215,127.09 | 0.00 |
| Interest receivables on intra-group loans | 8,760,010.25 | 7,987,900.67 |
| Group account receivables | 9,722,882.54 | 1,135,895.22 |
| Receivables from others | | |
| Other receivables | 0.00 | 5,745.34 |
| Accrued income | 313,380.55 | 22,418.04 |
| Income tax receivable | 74,242.44 | 74,242.49 |
| | **19,085,642.87** | **9,226,201.76** |

## 9. Shareholders’ equity

| **1 EUR** | | |
|---|---|---|
| Restricted shareholders' equity | **31.1.2025** | **31.1.2024** |
| Share capital | 80,000.00 | 80,000.00 |
| **Total restricted equity at the end of 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 | 317,930.99 | 1,281,034.04 |
| Profit or loss for the financial year | -2,334,848.51 | -963,103.05 |
| **Total non-restricted shareholders' equity at the end of the financial year** | **15,984,905.48** | **18,319,753.99** |

| Distributable non-restricted shareholders' equity | | |
|---|---|---|
| Retained earnings | 317,930.99 | 1,281,034.04 |
| Profit or loss for the financial year | -2,334,848.51 | -963,103.05 |
| Invested non-restricted equity reserve | 18,001,823.00 | 18,001,823.00 |
| Total distributable funds | 15,984,905.48 | 18,319,753.99 |

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

The company acquired 145,509 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 the original subscription prices of the share issues or fair value as specified in the shareholders' agreement in the case of the resignation of the key employees. The key individuals whose shares were acquired by the Company during the financial year left the Company's employment during the financial year.

At the balance sheet date, the Company held 201,304 treasury shares, corresponding to 1.21%.

# 10. Non-current liabilities

| **1 EUR** | **31.1.2025** | **31.1.2024** |
|---|---|---|
| Bonds | 28,647,453.11 | 26,623,595.61 |
| Liabilities to related parties | 14,075,674.46 | 10,789,300.00 |
| | 42,723,127.57 | 37,412,895.61 |

The loans were refinanced in March 2024.

# 11. Current liabilities

| **1 EUR** | **31.1.2025** | **31.1.2024** |
|---|---|---|
| Liabilities to group companies | | |
| Trade payables | 500 | 500 |
| Group account liabilities | 8202575.3 | 1559470.72 |
| Liabilities to others | | |
| Loans from financial institutions | 976,000.00 | 0.00 |
| Trade payables | 11,028.33 | 5,026.47 |
| Other liabiliteis | 45,059.63 | 11,342.85 |
| Interest liabilities | 5,673,661.77 | 5,562,709.22 |

| | | |
|---|---|---|
| Accrued expense | 480,072.61 | 2,441.94 |
| | 15,388,897.64 | 7,140,891.30 |

# 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, intra-Group receivables amounting to EUR 33.9 million have been 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

# 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 |
| Operating cash flow | 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 |

## Independent auditor's report on the ESEF financial statements of HLRE Holding Oyj

To the Board of Directors of HLRE Holding Oyj

We have performed a reasonable assurance engagement on the financial statements 743700UNWAM0XWPHXP50-2025-01-31-0-en.zip of HLRE Holding Oyj (Business ID 2611405-7) that have been prepared in accordance with the Commission's regulatory technical standard for the financial year ended 31.1.2025.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the company's report of the Board of Directors and financial statements (the ESEF financial statements) in such a way that they comply with the requirements of the Commission's regulatory technical standard. This responsibility includes:

- preparing the ESEF financial statements in XHTML format in accordance with Article 3 of the Commission's regulatory technical standard
- tagging the primary financial statements, notes and company's identification data in the consolidated financial statements that are included in the ESEF financial statements with iXBRL tags in accordance with Article 4 of the Commission's regulatory technical standard and
- ensuring the consistency between the ESEF financial statements and the audited financial statements.

The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of ESEF financial statements in accordance with the requirements of the Commission's regulatory technical standard.

### Auditor’s independence and quality management

We are independent of the company in accordance with the ethical requirements that are applicable in Finland and are relevant to the engagement we have performed, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The auditor applies International Standard on Quality Management (ISQM) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Auditor’s responsibilities

Our responsibility is to, in accordance with Chapter 7, Section 8 of the Securities Markets Act, provide assurance on the financial statements that have been prepared in accordance with the Commission's regulatory technical standard. We express an opinion on whether the consolidated financial statements that are included in the ESEF financial statements have been tagged, in all material respects, in accordance with the requirements of Article 4 of the Commission's regulatory technical standard.

Our responsibility is to indicate in our opinion to what extent the assurance has been provided. We conducted a reasonable assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000.

The engagement includes procedures to obtain evidence on:

- whether the primary financial statements in the consolidated financial statements that are included in the ESEF financial statements have been tagged, in all material respects, with iXBRL tags in accordance with the requirements of Article 4 of the Commission's regulatory technical standard and

- whether the notes and company's identification data in the consolidated financial statements that are included in the ESEF financial statements have been tagged, in all material respects, with iXBRL tags in accordance with the requirements of Article 4 of the Commission's regulatory technical standard and
- whether there is consistency between the ESEF financial statements and the audited financial statements.

The nature, timing and extent of the selected procedures depend on the auditor's judgment. This includes an assessment of the risk of a material deviation due to fraud or error from the requirements of the Commission's regulatory technical standard.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Opinion*

Our opinion pursuant to Chapter 7, Section 8 of the Securities Markets Act is that the primary financial statements, notes and company's identification data in the consolidated financial statements that are included in the ESEF financial statements of HLRE Holding Oyj 743700UNWAM0XWPHXP50-2025-01-31-0-en.zip for the financial year ended 31.1.2025 have been tagged, in all material respects, in accordance with the requirements of the Commission's regulatory technical standard.

Our opinion on the audit of the consolidated financial statements of HLRE Holding Oyj for the financial year ended 31.1.2025 has been expressed in our auditor's report dated 3.6.2025. With this report we do not express an opinion on the audit of the consolidated financial statements nor express another assurance conclusion.

Tampere 6 June 2025

KPMG OY AB

Assi Lintula
*Authorised Public Accountant, KHT*

*This document is an English translation of the Finnish Assurance Report on the Sustainability Report. Only the Finnish version of the report is legally binding.*

## Assurance Report on the Sustainability Report

To the Annual General Meeting of HLRE Holding Oyj

We have performed a limited assurance engagement on the group sustainability report of HLRE Holding Oyj (business identity code 2611405-7) that is referred to in Chapter 7 of the Accounting Act and that is included in the report of the Board of Directors for the financial year 1.2.2024–31.1.2025.

### *Opinion*

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the group sustainability report does not comply, in all material respects, with

1) the requirements laid down in Chapter 7 of the Accounting Act and the sustainability reporting standards (ESRS);

2) the requirements laid down in Article 8 of the Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (EU Taxonomy).

Point 1 above also contains the process in which HLRE Holding Oyj has identified the information for reporting in accordance with the sustainability reporting standards (double materiality assessment) and the tagging of information as referred to in Chapter 7, Section 22 of the Accounting Act.

Our opinion does not cover the tagging of the group sustainability report with digital XBRL sustainability tags in accordance with Chapter 7, Section 22, Subsection 1(2), of the Accounting Act, because sustainability reporting companies have not had the possibility to comply with that provision in the absence of the ESEF regulation or other European Union legislation.

### *Basis for Opinion*

We performed the assurance of the group sustainability report as a limited assurance engagement in compliance with good assurance practice in Finland and with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

Our responsibilities under this standard are further described in the *Responsibilities of the Authorized Group Sustainability Auditor* section of our report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other Matter*

We draw attention to the fact that the group sustainability report of HLRE Holding Oyj that is referred to in Chapter 7 of the Accounting Act has been prepared and assurance has been provided for it for the first time for the financial year 1.2.2024–31.1.2025. Our opinion does not cover the comparative information that has been presented in the group sustainability report. Our opinion is not modified in respect of this matter.

### *Authorized group sustainability auditor's Independence and Quality Management*

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our engagement, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The authorized group sustainability auditor applies International Standard on Quality Management ISQM 1, which requires the authorized sustainability audit firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### *Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors and the Managing Director of HLRE Holding Oyj are responsible for:

— the group sustainability report and for its preparation and presentation in accordance with the provisions of Chapter 7 of the Accounting Act, including the process that has been defined in the sustainability reporting standards and in which the information for reporting in accordance with the sustainability reporting standards has been identified as well as the tagging of information as referred to in Chapter 7, Section 22 of the Accounting Act and

— the compliance of the group sustainability report with the requirements laid down in Article 8 of the Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088;

— such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of a group sustainability report that is free from material misstatement, whether due to fraud or error.

### *Inherent Limitations in the Preparation of a Sustainability Report*

Preparation of the sustainability report requires company to make materiality assessment to identify relevant matters to report. This includes significant management judgement and choices. It is also characteristic to the sustainability reporting that reporting of this kind of information includes estimates and assumptions as well as measurement and estimation uncertainty. Furthermore, when reporting forward looking information company has to disclose assumptions related to potential future events and describe company´s possible future actions in relation to these events. Actual outcome may differ as forecasted events do not always occur as expected.

### *Responsibilities of the Authorized Group Sustainability Auditor*

Our responsibility is to perform an assurance engagement to obtain limited assurance about whether the group sustainability report is free from material misstatement, whether due to fraud or error, and to issue a limited assurance report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the group sustainability report.

Compliance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) requires that we exercise professional judgment and maintain professional skepticism throughout the engagement. We also:

- Identify and assess the risks of material misstatement of the group sustainability report, whether due to fraud or error, and obtain an understanding of internal control relevant to the engagement in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Design and perform assurance procedures responsive to those risks to obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

### *Description of the Procedures That Have Been Performed*

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. The nature, timing and extent of assurance procedures selected depend on professional judgment, including the assessment of risks of material misstatement, whether due to fraud or error. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our procedures included for ex. the following:

- We interviewed group management and persons responsible for the preparation and gathering of the sustainability information.
- We familiarized with interviews to the key processes related to collecting and consolidating the sustainability information.
- We got acquainted with the relevant guidances and policies related to the sustainability information disclosed in the sustainability report.
- We acquainted ourselves to the background documentation and other records prepared by the company, as appropriate and assessed how they support the information included in the sustainability report.
- In relation to the double materiality assessment process, we interviewed persons responsible for the process and familiarized ourselves with the process description prepared of the double materiality assessment and other documentation and background materials.
- In relation to the EU taxonomy information we interviewed the management of the company and persons with key roles in reporting taxonomy information to understand how taxonomy eligible activities have been identified, we obtained evidence supporting the interviews and reconciled the reported EU taxonomy information to supporting documents and to the bookkeeping, as applicable.

— We assessed the application of the ESRS sustainability reporting standards reporting principles in the presentation of the sustainability information.

Tampere 2 June 2025

KPMG OY AB

ASSI LINTULA

*Authorized Sustainability Auditor, KRT*

*This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.*

## Auditor's Report

To the Annual General Meeting of HLRE Holding Plc

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of HLRE Holding Plc (business identity code 2611405-7) for the financial year 1 February 2024 – 31 January 2025. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including material accounting policy information, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

— the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with IFRS Accounting Standards as adopted by the EU

— the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

### *Basis for Opinion*

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 6 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We would like to draw attention to the section 1. *Accounting Principles – Business continuity* in the notes to the consolidated financial statements, and to the section *Business continuity* of the accounting policies in the notes to the parent company financial statements. As described in the notes, the consolidated loss for the financial year ended 31 January 2025 was EUR -8.4 million, the company's operating cash flow was EUR 0.1 million, and net debt amounted to EUR 61.1 million. During the financial year, the company refinanced the SEK 300 million bond issued by the company that matured in February 2024. The bond will mature in February 2027. The bond includes a cash covenant of EUR 2 million and, effective from 1 August 2025, a leverage covenant. In assessing the going concern assumption, management believes that the company's current liquid funds and projected operating cash flows are sufficient to cover its liabilities and obligations arising from its operations for at least 12 months, and consequently the financial statements have been prepared on a going concern basis. Due to the general economic uncertainty, the cyclical nature of the industry and the short time horizon of the order book, forecasting involves a higher degree of judgment than usual. If the business does not develop according to the forecasts, there is a risk of liquidity being compromised and covenants being breached, which could cast significant doubt on the ability of the company and the group to continue as a going concern. As stated in the notes, these events or circumstances, together with the other matters discussed in the section *Business continuity*, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

In addition to the matter described in the Material uncertainty related to going concern -section, we have determined the matters described below to be the key audit matters to be communicated in our report.

| THE KEY AUDIT MATTER | HOW THE MATTER WAS ADDRESSED IN THE AUDIT |
| --- | --- |
| **Measurement of consolidated goodwill and subsidiary shares and receivables from subsidiaries in the parent company and emphasis of matter**<br>**(Consolidated financial statements: Note 1 Accounting principles – Business continuity, 2 Management judgement and sources of uncertainty and 9 Goodwill and other intangible assets, including impairment testing – Parent company financial statements: Accounting policies and Business continuity in the notes)** | |
| We would like to draw attention to the circumstances described in Note 1. *Accounting Principles –* | |

*Business continuity* to the consolidated financial statements, and in the section Business continuity of the accounting policies in the notes to the parent company financial statements, that could also have an impact on the measurement of the group's goodwill as well as that of the subsidiary shares and receivables from subsidiaries of the parent company in the balance sheet. Our opinion is not modified in respect of  this matter.

— The goodwill balance in the consolidated financial statements at 31 January 2025 totals EUR 35.3 million, representing approximately 43% of the total assets and 618% of the consolidated equity at the financial year-end.

— The total net amount of the subsidiary shares and receivables from subsidiaries is EUR 64.2 million in the balance sheet of the parent company HLRE Holding Plc at 31 January 2025.

— Goodwill is not amortised but is tested for impairment at least annually. In the previous financial statements, an impairment loss of EUR 5 million was allocated to goodwill.

— Subsidiary shares held by the parent company are carried at cost or written down if the value of the shares is permanently impaired. Receivables are measured at face value, however, not in excess of their probable value.

— Determination of the cash flow projections underlying the calculations prepared to support the impairment testing of goodwill, subsidiary shares and receivables from subsidiaries, requires management judgments and estimates related to, among others, profitability, discount rate and long-term growth rate.

— Material uncertainty related to the going concern assumption could compromise the group's liquidity and lead to a breach of the covenants, which would also have an impact on the valuation of the consolidated goodwill and subsidiary shares and receivables from subsidiaries in the parent company's balance sheet.

— Due to management estimates underlying the forecasts used in impairment testing,

— We assessed key inputs in the impairment calculations such as revenue growth rate, profitability and discount rate, by reference to the budgets and subsequent cash flow projections approved by the Board of Directors of the parent company and our own views.

— We evaluated the historical accuracy of forecasts prepared by management by comparing the actual cash flows for the year with the original forecasts.

— We involved our own valuation specialists that assessed the technical accuracy of the calculations and compared certain assumptions used to market and industry information.

— We compared the amounts of the subsidiary shares and receivables from subsidiaries on the parent company's balance sheet, net of intercompany liabilities, with the cash flow forecasts of the business units and the company-specific forecasts for the current financial year.

— Furthermore, we assessed the disclosures in respect of both goodwill and impairment testing in the consolidated financial statements, and of measurement of subsidiary shares and receivables from subsidiaries in the parent company financial statements.

the significant carrying amounts involved, and the material uncertainty related to the going concern assumption, measurement of consolidated goodwill and subsidiary shares and receivables from subsidiaries in parent company is considered a key audit matter.

**Revenue recognition**
**(Notes 4 Turnover and 12 Trade and other receivables to the consolidated financial statements)**

- The consolidated revenue for the financial year ended 31 January 2025 totalled EUR 102.9 million.
- Revenue recognition is based on sales at multiple locations and, considering revenue accruals, projects may be ongoing at the reporting date.
- Due to the significant number of sales transactions, the variety of sales and considerations related to revenue accruals, revenue recognition is considered a key audit matter.

- We gained an understanding of the accounting policies and practices for the various revenue streams, and assessed the revenue recognition principles by reference to the applicable IFRS Accounting Standards.
- Our audit procedures included evaluation of the internal control environment for sales processes, testing key controls, as well as substantive testing.
- We assessed the appropriateness and timeliness of revenue transactions.
- In addition, we assessed the disclosures related to turnover in the consolidated financial statements.

*Responsibilities of the Board of Directors and the Managing Director for the Financial Statements*

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company’s and the group’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

*Auditor’s Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

— Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Other Reporting Requirements

### *Information on our audit engagement*

We were first appointed as auditors by the Annual General Meeting on 26 May 2023, and our appointment represents a total period of uninterrupted engagement of two years.

*Other Information*

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors but does not include the financial statements or our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in compliance with the applicable provisions, excluding the sustainability report information on which there are provisions in Chapter 7 of the Accounting Act and in the sustainability reporting standards.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in compliance with the applicable provisions. Our opinion does not cover the sustainability report information on which there are provisions in Chapter 7 of the Accounting Act and in the sustainability reporting standards.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Tampere 3. June 2025

KPMG OY AB

Assi Lintula
*Authorised Public Accountant, KHT*