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# 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 2023 – 31 January 2024. 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.

### **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.

<b>THE KEY AUDIT MATTER</b>	<b>HOW THE MATTER WAS ADDRESSED IN THE AUDIT</b>
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**Measurement of goodwill**

**(Notes 2 Management judgement and sources of uncertainty and 9 Goodwill and other intangible assets, including impairment testing to the consolidated financial statements)**

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| <ul style="list-style-type: none"> <li>— In the financial year 1 February 2023 – 31 January 2024, an impairment loss of EUR 5.0 million was recognized on goodwill, and at the financial year-end the consolidated balance sheet includes the goodwill balance of EUR 35.3 million, representing 41% of the total assets.</li> <li>— Goodwill is not amortized but is tested for impairment at least annually. Determination of the cash flow projections underlying impairment tests requires management judgement and estimates relating to profitability, discount rate and long-term growth rate, among others.</li> <li>— Due to the high level of judgement related to the forecasts used, the significant carrying amount involved, and the impairment loss recognized, measurement of goodwill is considered a key audit matter.</li> </ul> | <ul style="list-style-type: none"> <li>— We assessed key inputs in the impairment calculations such as revenue growth, profitability and discount rate, by reference to the budgets approved by the Board of the parent company, sources external to the Group and our own views.</li> <li>— We evaluated the historical accuracy of forecasts prepared by management by comparing the actual cash flows for the year with the original forecasts.</li> <li>— We involved our own valuation specialists that assessed the technical accuracy of the calculations and compared the assumptions used to market and industry information.</li> <li>— Furthermore, we considered the appropriateness of the Group's disclosures in respect of goodwill and impairment testing.</li> </ul> |
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**Group financing and going concern basis**

**(Sections 1. Basis of preparation - Going concern, notes 15. Loans and financial assets, 17. Management of Financial Risk, section Liquidity risk, 19. Capital risk management and notes to the parent company's financial statements, section Business continuity, and the report of the Board of Directors, sections Major events during the financial period and Business Continuity)**

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| <ul style="list-style-type: none"> <li>— During the financial year, the Group's long-term financing was primarily arranged through a bond issue of SEK 300.0 million and shareholder loans totalling EUR 10.8 million maturing on 12 February 2024. In</li> </ul> | <ul style="list-style-type: none"> <li>— We analyzed the Group's profit and finance forecast and related developments during the financial year and thereafter.</li> <li>— We followed up the progress of financing negotiations and the adequacy of financing during and after the financial year.</li> </ul> |
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- addition, a credit line of EUR 2.0 million matured during the financial year ended.
  - The consolidated comprehensive income for the financial year from 1 February 2023 to 31 January 2024 totalled negative EUR 13.3 million.
  - The financing agreement was subject to a leverage covenant (ratio of the Group's net debt to IFRS-adjusted EBITDA). The Group did not comply with the covenant in the last quarter of the financial year 2024.
  - During the financial year, the company's management conducted negotiations for the refinancing of the bond and has received the confirmation of the refinancing after the financial year-end, on 8 March 2024. As a result, the new maturity date for both the bond and the shareholder loans is 12 February 2027.
  - Given the criticality of refinancing and the challenges related to profitability, financing and the going concern aspect are considered a key audit matter.
  - After the financial year-end, we gained an understanding of the new financing agreements and assessed the presentation and classification of the loans with respect to the applicable financial reporting framework.
  - Furthermore, we considered the appropriateness of the Group's disclosures in respect of the financial position and the going concern basis.

### **Revenue recognition**

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

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- 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 consolidated revenue for the financial year ended 31 January 2024 totalled EUR 108.2 million.
- Revenue recognition is based on sales at multiple locations and, considering revenue accruals, projects may be ongoing at the reporting date.
- 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 standards.
- We tested the key controls over revenue recognition, including contract drafting and pricing.
- We tested a sample of sales transactions against the invoices, contracts, delivery documentation where applicable, and payments received.
- We tested revenue recognition to a correct financial period with a sample by comparing sales transactions, related invoices and their

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- Due to the large number of sales transactions, the variety of sales and considerations related to revenue recognition, revenue recognition is considered a key audit matter.
  - In addition, we considered the appropriateness of the disclosures in respect of revenue.
- terms of delivery to the recognition date and by inspecting credit notes from the beginning of the financial year 2024.

### **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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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. HLRE Holding Oyj became a public interest entity on 8 February 2022.

### **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 and the information included in the Annual Report, 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, and the Annual Report is expected to be made available to us after that date. 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 accordance with the applicable laws and regulations.

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 accordance with the applicable laws and regulations.



**HLRE Holding Oyj**  
*Auditor's report for the financial year*  
*1 February 2023 – 31 January 2024*

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 20 May 2024

KPMG OY AB

Assi Lintula  
APA