

# Independent Auditor's Report on Annual Financial Statements

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For the Shareholders of Firma Oponiarska Dębica Spółka Akcyjna

## Report on the Annual Financial Statements

### *Opinion*

We have audited the annual financial statements of Firma Oponiarska Dębica Spółka Akcyjna (the Company) with its registered office in Dębica, 1 Maja St. 1, which comprise the introduction to the annual financial statements, balance sheet as of December 31, 2024, the profit and loss account, statement of changes in equity, cash flow statement for the financial year then ended, additional notes and explanations.

In our opinion, the accompanying annual financial statements:

- give a true and fair view of the financial position of the Company as of December 31, 2024 and of its financial performance and of its cash flows for the financial year then ended in accordance with the Accounting Act of September 29, 1994 (the Accounting Act) and adopted accounting principles (policy),
- were prepared on the basis of properly maintained books of account,
- comply with the laws affecting the content and form of the annual financial statements including the Regulation of the Minister of Finance of 29 March 2018 (Regulation on current and periodic information) and the provisions of the Company's articles of association.

This opinion is consistent with the supplementary report to the Audit Committee issued as of the date of this audit report.

### *Basis for Opinion*

We conducted our audit in accordance with

- the Act of May 11, 2017 on statutory auditors, audit firms, and public supervision (the Act on Statutory Auditors) and
- National Standards on Auditing in the wording of International Standards on Auditing adopted by resolutions of the National Council of Statutory Auditors and the Council of Polish Agency for Audit Oversight (NSA).

- Regulation (EU) No. 537/2014 of the European Parliament and of the Council of April, 16 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (the Regulation 537/2014).

Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Financial Statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including *International Independence Standards*) (IESBA Code) adopted by the National Council of Statutory Auditors' resolution together with the ethical requirements that are relevant to our audit of the financial statements in Poland. In particular, in conducting the audit the Key Audit Partner and the Audit Firm in accordance with the provisions of the Act on Statutory Auditors and the Regulation 537/2014. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the annual financial statements of the current period. They include the most significant assessed risks of material misstatement, including assessed risk of material misstatement due to fraud. These matters were addressed in the context of the audit of the annual financial statements as a whole, and in forming the auditor's opinion thereon. Below, we provided a summary of our response to those risks and where relevant, key observations arising with those risks. We do not provide a separate opinion on these matters.

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## ACCOUNTING FOR THE PRODUCTION HALL FIRE AT FINANCIAL STATEMENT LEVEL AND THE RISK OF MISREPRESENTATION OF THE EFFECTS OF A FIRE IN THE FINANCIAL STATEMENTS

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### **Description**

As a result of a fire that broke out on 20 August 2023 at the factory in Dębica, the company incurred significant costs related to: liquidation of fire damage (PLN 32,432 thousand), liquidation of fixed assets (PLN 714 thousand) and unused capacity (PLN 75,329 thousand). In Q4 2024, the company fully restored production capacity after the fire. In 2024, the company incurred expenditure on fixed assets after fire in the amount of PLN 158 179 thousand. In addition, in 2024, the Company recognized revenue for partial payment of compensation from the insurance company in the amount of PLN 150,981 thousand.

In view of the above and the extraordinary nature of the event, which was the fire at the factory, its impact on many items in the financial statements, and judgement related to the estimation of asset impairment and an assessment as to the certainty of the impact of future compensation benefits, we considered this issue to be a key research question.

Disclosures relating to the fire, its impact and the areas of the financial statements affected are in notes: 21.2, 22a, 23a.

### **Auditor's response**

Audit procedures carried out in this area included:

- familiarization with the processes involved in the internal control of fixed assets and fire accounting,
- assessment of the accounting policy for impairment of property, plant and equipment, unused capacity and compensation income received, and presentation of property, plant and equipment in accordance with the Accounting Act,

- retail tests on a sample of liquidated fixed assets through verification of accounting documents and inspection of the area of the production hall affected by the fire,
- verification of documents relating to property insurance covering the Company's factory and supporting documents part of the compensation due,
- verification of unused capacity calculations,
- analysis of expenditures on fixed assets under construction,
- assessment of the correct presentation of fixed assets under construction / fixed assets,
- completeness and adequacy of disclosures in the financial statements.

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## RISK OF FRAUD IN THE RECOGNITION OF REVENUE FROM SALES TO UNRELATED PARTIES

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### Description

In 2024, net revenues from sales of products, goods and services to unrelated parties amounted to PLN 257,188 thousand.

Sales revenue is one of the key figures indicating the results of the Company's operations and indicate the capacity utilization rate, cover the fixed costs of the business and are an indicator of market share. Therefore, there is a risk that the financial statements may be distorted as a result of intentional overstatement of sales revenue in the financial statements by e.g. the recognition of fictitious sales transactions, the recognition of transactions in the wrong reporting period or through additional accounting overstating the value of revenue. With this in mind, we considered that the risk of fraud in the sales process to unrelated parties was a key issue for our study.

Disclosures relating to sales revenue are set out in notes 19a, 19b, 20a, 20b to the financial statements.

### Auditor's response

Audit procedures carried out in this area included:

- familiarization with the processes involved in internal sales controls,
- assessment of the accounting policy for the recognition of sales revenue,
- retail testing of revenue recognized during the financial year through verification of documents such as invoices, documents evidencing the delivery of products and documents evidencing payment by the recipient,
- independent confirmation of the existence of and values of selected items of trade receivables at the balance sheet date (for a selected sample).

### *Responsibilities of Management Board and Supervisory Board for the Annual Financial Statements*

The Management Board of the Company is responsible for the preparation, on the basis of properly maintained books of account, of these annual financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Act, regulations issued on the basis thereof, adopted accounting principles (policy), other legal regulations, and the Company's articles of association. The Management Board of the Company is also responsible for such internal control as the Management Board determines is necessary to enable the preparation of annual financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the annual financial statements, the Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern

and using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease the operations, or has no realistic alternative but to do so.

In accordance with the Accounting Act, the Management Board and the Supervisory Board of the Company are obliged to assure compliance of the annual financial statements with the requirements of the Accounting Act. The Supervisory Board is responsible for overseeing the Company's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Annual Financial Statements*

Our objectives are to obtain reasonable assurance about whether the annual 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 NSAs 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 these annual financial statements.

The scope of the audit does not include assurance on the future viability of the Company or on the efficiency or effectiveness with which the Management Board has conducted or will conduct the affairs of the Company.

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

- Identify and assess the risks of material misstatement of the annual 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board'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 Company'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 annual 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

From matters communicated with the Supervisory Board, 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 the 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 Information including the Report on the Company's operations*

The other information comprises the Report on the Company's operations for the financial year ended December 31, 2024, the Corporate Governance Statement and the Sustainability Reporting which are separate parts of the Report on the Company's operations and the Annual Report for the year ended December 31, 2024 (but does not include the financial statements and our auditor's report thereon).

#### *Responsibilities of the Management Board and the Supervisory Board*

The Management Board is responsible for the preparation of the other information in accordance with the Accounting Act and other legal regulations. The Management Board and the Supervisory Board are obliged to assure compliance of the Report on the Company's operations with the requirements of the Accounting Act.

#### *Responsibilities of the Auditor*

Our opinion on the annual financial statements does not cover the other information and we do not express any form of assurance conclusion thereon that results from NSAs. In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether it is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report regarding the Other Information.

Our responsibility under the requirements of the Auditors Act is also to issue an opinion as to whether the management report, to the extent that it does not relate to sustainability reporting, has been prepared in accordance with the regulations and whether it is consistent with the information contained in the annual financial statements. In addition, we are required to give an opinion on whether the Company has included the required information in the corporate governance statement. We have obtained the Report on the Company's operations, including the Chairman's letter to shareholders, prior to the date of this audit report, and the remaining elements of the annual report will be made available to us after that date. In the event that we identify a material misstatement in the annual report, we are required to inform the Company's Supervisory Board.

#### *Opinion on the Report on the Company's operations*

In our opinion, the management report, insofar as it does not concern sustainability reporting, has been prepared in accordance with the applicable regulations, i.e. in accordance with the provisions of section 49 of the Accounting Act and section 70 of the Regulation on current and periodic information, and is consistent with the information contained in the accompanying annual financial statements. We further declare that, in the light of our knowledge of the Company and its environment obtained in the course of our audit of the annual financial statements, we have not identified any material misstatements in the management report, to the extent not relevant to sustainability reporting

*Information on sustainability reporting and its attestation*

The Company's sustainability reporting, presented as a separate part of the Company's management report and set out in the 'Sustainability Statement' section of that report, is subject to a separate attestation engagement carried out by our audit firm and by the same key auditor who audited the financial statements.

*Opinion on the Corporate Governance Statement*

In our opinion, the Company has included in the corporate governance statement the information specified in § 70 section 6 item 5 of the Regulation on current and periodic information. The information specified in § 70 section 6 item 5 letters c-f, h and letter i of this Regulation on current and periodic information contained in the corporate governance statement is consistent with the applicable regulations and the information included in the annual financial statements.

## **Report on Other Legal and Regulatory Requirements**

*Statement on non-audit services*

To the best of our knowledge and belief we confirm that we have not provided non-audit services prohibited in accordance with the provisions of Article 136 of the Act on Statutory Auditors and Article 5 clause 1 of the Regulation 537/2014.

*Appointment of the Audit Firm*

We were appointed to audit the annual financial statements of Company's for the years 2024 and 2025 by the Supervisory Board's resolution of 06.03.2024. The 2024 financial statements are the first annual financial statements of the Company that we audit.

**THIS IS TRANSLATION ONLY.** The Polish language version of the report is the only valid and legally binding version. This translation into English is provided to facilitate understanding of the report.