



Tallinn, 31/10/2025

INVESTMENT FRIENDS CAPITAL SE

STATEMENT OF THE MANAGEMENT BOARD OF THE COMPANY

The Issuer hereby publishes the Company's annual report without the auditor's opinion attached.

Due to delays on the part of the auditor (KPMG Baltics OÜ), the Issuer has not received the audit opinion on the financial statements to date. Today, the Issuer received only a draft version of the opinion, indicating that the auditor intends to issue a disclaimer of opinion.

Below, the Issuer presents a draft of the auditor's opinion on the financial statements (covering the substantive part; the elements related to the reporting format will be published together with the final audit opinion):

„As of 30 June 2025, the Company has recognized short-term financial assets amounting to EUR 3,928 thousand (30 June 2024: EUR 5,111 thousand) and interest income from loans of EUR 91 thousand for 2024/2025 (2023/2024: EUR 135 thousand). The amounts presented in the financial statements are in nominal value. The presentation of interest income on a nominal basis does not comply with the recognition and measurement principles set out in IFRS 9 Financial Instruments, which require the use of the EIR method for financial assets measured at amortized cost. Due to the absence of appropriate application of the EIR method, we were unable to obtain sufficient and appropriate audit evidence to determine the adjustments necessary to correct interest income and related balances. Consequently, we could not assess the potential impact of this matter on several elements of the accompanying financial statements, including interest income from loans, short-term and long-term financial assets, and retained earnings.

The financial statements include foreign exchange gains and losses in profit or loss under the line item “Financial costs” amounting to EUR 41 thousand for the year ended 30 June 2025 (2023/2024: EUR 66 thousand) and disclose their impact in the cash flow statement under “Other adjustments” amounting to EUR 39 thousand (2023/2024: EUR (1,248) thousand). In our professional judgment, this accounting treatment does not comply with IAS 21 The Effects of Changes in Foreign Exchange Rates. The loans issued under contractual terms do not meet the definition of foreign currency transactions under IAS 21, as actual cash flows occurred in the functional currency. The Company applied contractual exchange rates rather than the actual rate on the transaction date and the closing rate at the reporting date, as required by IAS 21. As a result, the foreign exchange remeasurement recognized in profit or loss and the related adjustments in the cash flow statement and in Note 9 are materially misstated.

As of 30 June 2025, the financial statements include an exchange differences reserve balance of EUR (472) thousand (30 June 2024: EUR (345) thousand). The changes in exchange differences recognized in other comprehensive income were EUR 41 thousand for 2024/2025 and EUR (127) thousand for 2023/2024. The accounting treatment of functional and presentation currencies has not been applied consistently or in accordance with IAS 21 The Effects of Changes in Foreign

Exchange Rates. The reserve has been used to offset reporting currency adjustments rather than to reflect actual foreign-exchange differences arising from the translation of functional-currency balances.

The reserve also contains a material misstatement related to the financial year ended 30 June 2024. The Company repurchased and cancelled its own shares for EUR 1,248 thousand, while the nominal value of these shares was EUR 1,049 thousand. The difference of EUR 200 thousand was incorrectly recorded within the exchange differences reserve. Under IAS 32 Financial Instruments: Presentation, this amount should have been presented as a reduction of share premium or, if insufficient, within retained earnings. The misstatement should have been corrected retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Due to insufficient documentation and the lack of clarity in the methodology applied, we were unable to verify the accuracy of the reserve or determine the adjustments required to correct the misstatement in equity.

As at 30 June 2024, the Company had decided to repurchase its own shares for EUR 1,837 thousand, which was subsequently confirmed by the Shareholders on 31 March 2025. The shares were repurchased from Patro Invest OÜ. Under IAS 32 Financial Instruments: Presentation, the Company should recognize its own shares in equity once a binding obligation has occurred and, at the same time, record a liability to the shareholder for the agreed amount. The Company has disclosed the related transaction information under Note 13 "Events after the balance sheet date," but has not recognized the repurchased shares as a deduction from share capital in the statement of changes in equity, nor the corresponding liability in the statement of financial position. As a result, the share capital presented in equity and other liabilities presented in the statement of financial position are not, in all material respects, prepared in accordance with IFRS.

Furthermore, given the significance of related-party transactions underlying several of the identified misstatements and the absence of adequate disclosures in accordance with IAS 24 Related Party Disclosures, we were unable to express an opinion on the completeness and accuracy of the related-party disclosures.

The financial statements do not comply with IFRS, specifically IAS 1 Presentation of Financial Statements. During our audit, we identified missing or incomplete elements, including required disclosures and properly structured primary statements. In addition, the presentation lacks clarity, contains formatting inconsistencies, and deviates from IFRS-prescribed structure and terminology. These deficiencies impair the understandability and comparability of the financial information.

Having regards to the number, size, and gravity of the deficiencies in financial reporting process, potential adjustments cannot be confined to a defined financial statement caption or specific disclosure. Accordingly, the possible effects on the financial statements could be both material and pervasive."

The Issuer raises significant objections to the content of this draft opinion. The facts are as follows: the annual report was prepared by the Issuer on 24 July 2025 and has been ready for audit since that date. During a meeting with the auditor and in subsequent email correspondence, it was agreed that the Issuer's annual report would be prepared based on the template used for the 2023/2024 financial year report, which was also audited by KPMG Baltics OÜ.

The first comments on the report were provided to the Issuer on October 22 and concerned ambiguities related to the calculation of interest using the EIR method. The Issuer notes that, due

to the nature of the loan agreements - comprising fixed - interest loans without origination costs, additional fees, or interest paid in advance for extended periods - there is no other way to apply the EIR method than at the level corresponding to the nominal interest rate. In accordance with IFRS 9, the EIR method applies only to loans from which an entity derives income other than interest. In situations where no such additional income exists and interest is paid on an ongoing basis, the effective interest rate (EIR) equals the nominal rate.

In the previous year, the audit firm KPMG Baltics OÜ decided that the Issuer's report should present the nominal value of the loans granted, without including their value calculated using the EIR method. Accordingly, the Issuer prepared the financial statements based on the same model that had been applied in the published annual report. However, since the EIR calculation method adopted and accepted by KPMG Baltics OÜ in the previous year was, in the Issuer's opinion, misleading, the Issuer decided to remove this method from the financial statements prepared for the current year.

In the Issuer's opinion, the auditor's decision to issue a disclaimer of opinion results primarily from the auditor's inclination to engage in academic discussions that, in practice, have no impact on the substance or reliability of the financial statements. This is confirmed both by the auditor's remaining comments and by the analysis of other items included in the report.

With regard to KPMG Baltics OÜ's comments concerning foreign exchange differences, the Issuer notes that they are purely cosmetic in nature and have no impact on the Company's equity, financial result, or the value of its assets or liabilities. These comments had not been previously communicated to the Issuer and were presented for the first time today, in the auditor's draft opinion. Had the Issuer received them earlier, it would, in all likelihood, have implemented the suggested adjustments. In the Issuer's assessment, both the approach presented by the auditor and the one adopted by the Company are correct; therefore, in order to avoid unnecessary academic discussions on a matter of marginal significance, the Issuer would have introduced the relevant correction to the financial statements.

With regard to the issue of the incomplete presentation of the Company's future share capital in Note No. 13, the Issuer points out that this note should contain a description of the most significant events after the balance sheet date, rather than create a balance sheet reflecting those events. Information on the new amount of share capital was already disclosed by the Management Board in Current Report No. 3/2025. Had the auditor previously expressed the need to include these data in the note, the Management Board could have made the appropriate adjustment to the financial statements within just a few minutes.

With regard to the remaining comments, the Issuer finds it difficult to respond, as the Management Board does not understand how the financial statements - which are nearly identical to those of the previous year and were audited by the same auditor - could suddenly fail to comply with IAS 1 requirements concerning the presentation of financial statements. Throughout the internal correspondence conducted with the Issuer, KPMG Baltics OÜ never raised any objections in this regard.

The Management Board notes that throughout the entire audit process, no comments were made regarding the content of the financial statements. The auditor directed correspondence exclusively to the Issuer's sister company (company FON SE), while contacting the Issuer itself only today —



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at 3:52 p.m. Polish time (4:52 p.m. Estonian time). This, quite obviously, made it impossible for the Issuer to introduce any adjustments to the financial statements.

The Company's financial statements have been prepared in accordance with applicable legal regulations and accurately and fairly reflect the Company's financial position.

The Issuer notes that this disclaimer of opinion should have no impact on its financial or operational situation. A far more serious issue is that, as a result of the circumstances described above, the Issuer was unable to meet the statutory deadline for publishing the financial statements together with the auditor's opinion.

On behalf of the Management Board of
INVESTMENT FRIENDS CAPITAL SE

Damian Patrowicz - Member of the Management Board