



Independent Auditors' Report to the shareholders of AD Plastik d.d.

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of AD Plastik d.d. ("the Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position of the Group as at 31 December 2023, and its consolidated statements of comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising material accounting policies and other explanatory information (further referred to as "the financial statements").

In our opinion, the accompanying financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Croatia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Independent Auditors' Report to the shareholders of AD Plastik d.d. (continued)

Report on the Audit of the Financial Statements (continued)

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.

REVENUE RECOGNITION

Revenue in 2023: EUR 123,832 thousand (2022: EUR 108,186 thousand). As at 31 December 2023, trade receivables: EUR 21,534 thousand; accrued revenue: EUR 403 thousand (31 December 2022: trade receivables: EUR 14,974 thousand; accrued revenue: EUR 954 thousand).

Please refer to the Note 2.4 Revenue recognition of Significant accounting policies and Note 4 Segment information in the financial statements.

Key audit matter

Revenue is an important metric used to evaluate the financial performance of the Group. In the year ended 31 December 2023, its principal revenue streams included sales of car parts and of customized tools developed by the Group. As discussed in Note 2.4, revenue is recognized when control over the goods is transferred to the customer.

Application of the revenue recognition principles of the relevant financial reporting standard, IFRS 15 *Revenue from Contracts with Customers* ("the Standard"), is complex and requires making significant assumptions and judgment. In the Group's case, particular complexity is associated with the following aspects:

- Determination of whether a customer contract exists requires the Group to assess whether one document or a combination of documents, including general terms of business, nomination letter, agreement with customer and purchase orders, create enforceable rights and obligations of the parties to the arrangement.
- Goods with different revenue recognition patterns, such as spare parts and tooling, may be sold as part of one contract or several contracts accounted for as one arrangement. The Group applies significant judgment in identifying contracts which require to be combined and accounted for as one arrangement, and in identifying performance obligations therein.

How our audit addressed the matter

Our audit procedures in this area included among others:

- Assessing the accounting policy for recognition of revenue and its compliance with the requirements of the Standard;
- Updating our understanding of the Group's revenue recognition process, and testing the design and implementation of selected internal controls within. This also included testing selected general IT controls supporting revenue-related IT application controls;
- For a sample of sales transactions in the current year, inspecting underlying contractual provisions and making inquiries of relevant sales and finance personnel, in order to challenge:
 - The existence of a customer contract, by reference to the relevant criteria of the Standard, including, among other things, those relating to the parties' commitment to their obligations and probability of collecting the consideration due;
 - Identification of the contracts which require to be accounted for on a combined basis and of performance obligations within those contracts, by among other things, assessment of whether the goods and services in the arrangements are distinct and also whether any subsequent changes to the contract price arising from the learning curve result in the reduced price representing the parts' stand-alone selling price;
 - Inspecting underlying contracts with customers for tooling sales transactions to identify any lease component embedded within those contracts, mainly by evaluating ownership rights, the party directing the use of the tool and whether there is a separate performance obligation in relation to the sale of car parts.



Independent Auditors' Report to the shareholders of AD Plastik d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

REVENUE RECOGNITION *(continued)*

Key audit matter <i>(continued)</i>	How our audit addressed the matter <i>(continued)</i>
<ul style="list-style-type: none">— Many contracts with customers entitle customers to price reductions after a certain period of purchase orders (as a result of expected reduction in the Group's costs along its learning curve). Judgement is required to determine whether such 'efficiency savings' provide customers with material rights to be accounted for as separate performance obligations.— Tooling arrangements are typically contracts or framework agreements between the Group and its customers for the sale of tools to be used in the production of customized parts for a given customer. Since such tooling arrangements may vary with respect to transfer of development activities and ownership, careful assessment to determine whether, among other things, an arrangement is a sale, a lease or development of its own equipment, whether it contains a lease and whether it is a separate performance obligation from the sale of car parts.	<ul style="list-style-type: none">— For a sample of sales transactions selected as part of the preceding procedure, challenging the timing of the transfer of control, the resulting pattern of revenue recognition and revenue amounts, by reference to sales invoices, inventory and shipping documents, customer acceptance forms and other documents as appropriate;— For a sample of customers, obtaining confirmations of the amounts receivable outstanding as at the reporting date, and evaluating any differences between the amounts confirmed and the Group's records by inspecting the underlying documentation such as contracts, invoices, shipping documents, customer acceptance forms and payments made by customers;— Inspecting journal entries posted to revenue accounts focusing on unusual and irregular items;— Examining whether the Group's revenue recognition-related disclosures in the financial statements appropriately address the relevant quantitative and qualitative requirements of the applicable financial reporting framework.
<p>In the wake of the above factors, we considered revenue recognition to be associated with a significant risk of material misstatement in the consolidated financial statements. Therefore, the area required our increased attention in the audit and as such was determined to be a key audit matter.</p>	



Independent Auditors' Report to the shareholders of AD Plastik d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Other Information

Management is responsible for the other information. The other information comprises the Management Report and Corporate Governance Statement included in the Annual Report of the Group, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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 Management Report and Corporate Governance Statement, we also performed procedures required by the Accounting Act in Croatia ("Accounting Act"). Those procedures include considering whether:

- the Management Report has been prepared in accordance with the requirements of Articles 21 and 24 of the Accounting Act,
- the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and procedures above, in our opinion:

- the information given in the Management Report and Corporate Governance Statement for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the financial statements;
- the Management Report has been prepared, in all material respects, in accordance with the requirements of Articles 21 and 24 of the Accounting Act, respectively;
- the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in the Management Report and Corporate Governance Statement. We have nothing to report in this respect.



Independent Auditors' Report to the shareholders of AD Plastik d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with EU IFRS, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group'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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' 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 auditors' 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 International Standards on Auditing 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 financial statements.

As part of an audit in accordance with International Standards on Auditing, 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 controls.
- 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 Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management'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 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 auditors' 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 auditors' report. However, future events or conditions may cause 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 in a manner that achieves fair presentation.



Independent Auditors' Report to the shareholders of AD Plastik d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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 controls 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, actions taken to eliminate threats or safeguards applied.

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 auditors' 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.

Report on Other Legal and Regulatory Requirements

We were appointed by those charged with governance on 20 July 2023 to audit the consolidated financial statements of AD Plastik d.d. for the year ended 31 December 2023. Our total uninterrupted period of engagement is four years, covering the years ended from 31 December 2020 to 31 December 2023.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 24 April 2024;
- we have not provided any prohibited non-audit services (NASs) referred to in Article 44 of the Audit Act. We also remained independent of the audited entity in conducting the audit.

The engagement partner on the audit resulting in this independent auditors' report is Domagoj Hrkać.



Independent Auditors' Report to the shareholders of AD Plastik d.d. *(continued)*

Report on Compliance with the ESEF Regulation

In accordance with the requirements of Article 462 paragraph 5 of Capital Market Act, we are required to express an opinion on compliance of the consolidated financial statements of the Group as at and for the year ended 31 December 2023, as included in the attached electronic file *adplastik-grupa-2023-12-31-en.zip*, with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "RTS on ESEF").

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation of the consolidated financial statements in a digital format that complies with the RTS on ESEF. This responsibility includes:

- the preparation of the consolidated financial statements in the applicable XHTML format and their publication;
- the selection and application of appropriate iXBRL tags, using judgment where necessary;
- ensuring consistency between digitised information and the consolidated financial statements presented in human-readable format; and
- the design, implementation and maintenance of internal control relevant to the application of the RTS on ESEF.

Those charged with governance are responsible for overseeing the Group's ESEF reporting, as a part of the financial reporting process.

Auditors' Responsibilities

Our responsibility is to express an opinion on whether the consolidated financial statements comply, in all material respects, with the RTS on ESEF, based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the RTS on ESEF. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements of set out in the RTS on ESEF, whether due to fraud or error. Reasonable assurance is a high degree of assurance. However, it does not guarantee that the scope of procedures will identify all significant (material) non-compliance with the RTS on ESEF.

In respect of the subject matter, we have performed the following procedures:

- obtaining an understanding of the tagging process;
- evaluating the design and implementation of relevant controls over the tagging process;
- tracing the tagged data to the consolidated financial statements of the Group presented in human-readable format;
- evaluating the completeness of the Group's tagging of the consolidated financial statements;
- evaluating the appropriateness of the use of iXBRL elements selected from the ESEF taxonomy used and creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- evaluating the use of anchoring in relation to the extension elements; and
- evaluating the appropriateness of the format of the consolidated financial statements.

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



Independent Auditors' Report to the shareholders of AD Plastik d.d. *(continued)*

Report on Compliance with the ESEF Regulation *(continued)*

Opinion

In our opinion, based on the procedures performed and evidence obtained, the consolidated financial statements of the Group as at and for the year ended 31 December 2023 presented in ESEF format and contained in the aforementioned attached electronic file, have been prepared, in all material respects, in accordance with the requirements of the RTS on ESEF.

Our opinion does not represent an opinion on the true and fair view of the financial statements as this is included in our Report on the Audit of the Financial Statements. Furthermore, we do not express any assurance with respect to other information included in documents in the ESEF format.

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