

## INDEPENDENT AUDITOR'S REPORT

To the shareholders of Granolio d.d., Zagreb:

Report on the audit of the consolidated annual financial statements

### Opinion

We performed an audit of the annual consolidated financial statements of Granolio d.d., Zagreb, Budmanijeva 5 ("the Company") and its subsidiaries ("the Group"), which include the Consolidated Statement of financial position as at 31 December 2023, Consolidated Statement of comprehensive income, the Consolidated Statement of cash flows and the Consolidated Statement of changes in equity for the year then ended, as well as the accompanying Notes to the consolidated financial statements, including the information on significant accounting policies.

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

### Basis for Opinion

We conducted our audit in accordance with the International Auditing Standards (ISAs). Our responsibilities under those standards are further described in our Independent Auditors' report under section *Auditors' responsibilities for the audit of the consolidated annual financial statements*. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (IESBA Code), as well as in accordance with the ethical requirements relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. 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 draw attention to Note 3.2. "Basis of preparation" to the consolidated financial statements, which indicates that, based on the submitted request for pre-bankruptcy proceedings of the Company, the Commercial Court in Zagreb on 28 December 2018 adopted the final Decision on the Company's pre-bankruptcy settlement with its creditors. The Company continues to carry out measures included in the restructuring programme. The Management Board believes that the Company can continue its operations assuming a going concern principle. Our opinion is not modified in respect of this matter.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, are of most significance in our audit of the consolidated annual financial statements for the current period. These matters were addressed in the context of our audit of the consolidated annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

*This version of the auditor's report is translation from the original, which was prepared in the Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over this translation.*

## INDEPENDENT AUDITOR'S REPORT (continued)

### Report on the audit of the consolidated annual financial statements (continued)

#### Key audit matter

We have determined the matter described below as the key audit matter to be communicated in our Independent Auditor's report

Key audit matter	How we addressed the key audit matter
<p><b>Revenue recognition</b></p> <p>In 2023, the Group has stated sales revenues in the amount of EUR 86,733 thousand in its Statement of comprehensive income. ( for the year ended as at 31 December 2022: 94,958 thousand eur)</p> <p>Revenue comprises the fair value of the consideration received or receivable for the sale of goods or services in the ordinary course of the Group's activities. Revenues are stated in amounts less value added tax, quantity rebates and sales discounts.</p> <p>The Group recognizes revenue when the amount of revenue can be measured reliably, when the Group will have future economic benefits and when specific criteria for all activities of the Group are met.</p> <p>In accordance with International Financial Reporting Standard 15, Sales Revenue is recognized when the Group delivers goods to a customer, when it no longer has the influence on the management of the goods and when there is no outstanding liability that could affect the acceptance of the product by the customer.</p> <p>Delivery is made when the products are shipped to a specific location; the risks of loss are transferred to the customer and when one of the following is determined: the wholesaler accepts the products in accordance with the contract, or the deadline for acceptance of products has expired or the Company has objective evidence that all acceptance criteria are met.</p> <p>Considering the significance of revenues presented in the Statement of Comprehensive Income and the risk of recognizing them, we concluded that the occurrence, accuracy and completeness of revenues and their distribution in the correct reporting period is a key audit matter.</p> <p>See notes 3.10 "Revenue Recognition" and 6 "Sales revenue" in the accompanying annual consolidated financial statements.</p>	<p>Our audit procedures related to this matter included, but were not limited to:</p> <ul style="list-style-type: none"> <li>- Gaining an understanding of the sales process by interviewing key sales personnel;</li> <li>- Gaining an understanding of key controls related to the recognition of sales revenue;</li> <li>- Conducting detail test in order to confirm occurrence, accuracy and completeness of revenue recognition</li> <li>- Comparison of obtained external confirmations of the amount of outstanding trade receivables at the reporting date and the balances presented in the Group's records on the same date;</li> <li>- Assessment of the compliance of the sales revenue recognition policy with International Financial Reporting Standard 15 - Revenue from Contracts with Customers;</li> <li>- Assessing the adequacy of disclosures related to the recognition of sales revenue in accordance with International Financial Reporting Standard 15 - Revenue from Contracts with Customers.</li> </ul>

**INDEPENDENT AUDITOR'S REPORT (continued)****Report on the audit of the consolidated annual financial statements (continued)****Other information**

Management Board is responsible for other information. Other information includes the Management Report and the Statement of Application of the Corporate Governance Code, but does not include the annual consolidated financial statements and our Independent Auditor's Report thereon. Our opinion on the annual consolidated financial statements does not include other information.

In relation to our audit of the annual consolidated financial statements, it is our responsibility to read other information and consider whether the other information is materially inconsistent with the annual consolidated financial statements or our audit findings or otherwise appear to be materially misstated.

Regarding the Management Report and the Statement on the Application of the Corporate Governance Code, we also carried out the procedures required by the Croatian Accounting Act (the "Accounting Act"). These procedures include considering whether the Management Report has been prepared in accordance with Articles 21 and 24 of the Accounting Act and whether the Statement on the Application of the Corporate Governance Code has been prepared in accordance with Article 22 of the Accounting Act.

Based on the procedures performed, to the extent that we are able to assess it, we report that:

1. The information in the attached Management Report and Statement on the Application of the Corporate Governance Code is harmonized, in all significant respects, with the attached financial statements;
2. The attached Management Report is compiled in accordance with Articles 21 and 24 of the Accounting Act; and
3. The attached Statement on the Application of the Corporate Governance Code includes the information defined in Article 22 of the Accounting Act.

Based on our knowledge and understanding of the Group's operations and the environment in which it operates, which we acquired during our audit, we are required to report whether we have identified material misstatements in the Management Report and Corporate Governance Statement received up to the date of this Independent Auditor's Report. In that sense, we have nothing to report.

**Responsibilities of the Management Board and those charged with governance for the consolidated annual financial statements**

Management Board is responsible for the preparation of consolidated annual financial statements that give a true and fair view in accordance with IFRSs, and for those internal controls that the Management Board determines are necessary to enable the preparation of consolidated annual financial statements that are free from material misstatement due to fraud or error.

In preparing the consolidated annual financial statements, Management Board is responsible for evaluation of the Group's ability to continue operations assuming going concern principle, disclosure, if applicable, of issues related to going concern, and using accounting based on going concern principle, unless the Management Board intends to liquidate the Group or discontinue its business or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process established by the Group.

**INDEPENDENT AUDITOR'S REPORT (continued)****Report on the audit of the consolidated annual financial statements (continued)****Auditor's Responsibility for the audit of consolidated annual financial statements**

Our goals are to obtain reasonable assurance about whether the consolidated annual financial statements, as a whole, are free from material misstatement as a result of fraud or error, and to issue an Independent Auditors' Report that includes our opinion. Reasonable assurance is a higher level of assurance, but this is no guarantee that an audit performed in accordance with IAS will always detect a material misstatement when it exists. Misstatements may result from fraud or error and are considered as important, if it can reasonably be expected that, individually or in aggregate, they affect the economic decisions of users made based on these consolidated annual financial statements.

As an integral part of the audit report in accordance with ISA, we make professional judgments and maintain professional scepticism throughout the audit process. In addition, we:

- identify and assess the risks of material misstatement of the annual consolidated financial statements due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of non-detecting a material misstatement of fraud is greater than the risk of error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or circumvention of internal controls.
- acquire an understanding of internal controls 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.
- assess the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of the accounting basis used based on the going concern principle used by the Management Board and, based on the obtained audit evidence, we conclude on whether there is significant uncertainty regarding events or circumstances that may create significant doubts about the ability to continue operating for an indefinite period of time. If we conclude that there is significant uncertainty, in our independent auditors' report we are required to call our attention to related disclosures in the consolidated annual financial statements or, if these are inappropriate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our independent auditors' report. However, future events or conditions may cause the Group to discontinue its operations on a going concern.

- evaluate the overall presentation, structure and content of the consolidated annual financial statements, including disclosures, as well as whether the annual consolidated financial statements reflect the transactions and events which they are based on in a way that achieves a fair presentation.
- obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on these consolidated financial statements. We are responsible for directing, supervising and performing the Group's audit. We are solely responsible for our audit opinion.

**INDEPENDENT AUDITOR'S REPORT (continued)****Report on the audit of the consolidated annual financial statements (continued)****Auditor's Responsibility for the audit of consolidated annual financial statements (continued)**

We communicate with those charged with governance, among other issues, the intended scope and timing of audit and important audit findings, including any significant deficiencies in internal controls identified during our audit.

We also make a statement to those charged with governance that we have complied with the relevant ethical requirements regarding independence and that we will communicate with them any relationship and other matters that may reasonably be considered to affect our independence as well as, where applicable, on related safeguards.

Among the issues communicated to those charged with governance, we identify those issues that are the most important in auditing the annual consolidated financial statements of the current period and therefore present the key audit matters.

We describe these matters in our Independent Auditor's Report, unless the law or regulation prevents the matters from being publicly disclosed, or when we decide, in extremely rare circumstances, that the matter should not be reported in our Independent Auditors' Report because the negative consequences of the disclosure could reasonably be expected to outweigh the benefits of public interest from such communication.

**Report on other legal requirements**

On 13 June 2023, the General Assembly of the Company appointed us to audit the Group's annual consolidated financial statements for 2023.

As of the date of this report, we are continuously engaged in performing statutory audits of the Group from the audit of the annual consolidated financial statements for the year 2019 to the audit of the annual consolidated financial statements of the Group for the year 2023, which is a total of five years.

In the audit of the Group's annual consolidated financial statements for the year 2023, we determined the materiality for the consolidated financial statements as a whole in the amount of EUR 1,301 thousand, which represents approximately 1.5% of the realized sales revenue for the year 2023.

We have chosen sales revenue as a measure of materiality because we believe it is the most appropriate measure given the significant fluctuations in profit before tax in the current and prior periods.

Our audit opinion is consistent with the supplementary report for the Audit committee of the Group prepared in accordance with the provisions of Article 11 of Regulation (EU) no. 537/2014.

During the period between the starting date of the audited annual consolidated financial statements of the Group for 2023 and the date of this Independent Auditor's Report, we did not provide prohibited non-audit services to the Company and its subsidiaries and did not provide services for the design and implementation of internal control procedures or risk management related to preparation and/or control of financial information or the design and implementation of technological systems for financial information, and we have maintained independence in relation to the Group.

**INDEPENDENT AUDITOR'S REPORT (continued)****Report on the audit of the consolidated annual financial statements (continued)**

**Report based on the requirements of Delegated Regulation (EU) 2018/815 amending Directive 2004/109 / EC of the European Parliament and the Council regarding regulatory technical standards for the specification of the European Single Electronic Format**

Auditor's assurance report on the compliance of annual consolidated financial statements (hereinafter: financial statements), prepared pursuant to the provision of Article 462, paragraph 5 of the Capital Market Act (Official Gazette, nos. 65/18, 17/2, 83/21 and 151/22) by applying the Delegated Regulation (EU) 2018/815 establishing a single electronic reporting format for issuers (hereinafter: the ESEF Regulation).

We conducted the engagement with expressing reasonable assurance as to whether the financial statements prepared for the purposes of public disclosure pursuant to Article 462, paragraph 5 of the Capital Market Act, which are contained in the electronic file *granoliodd-2023-12-31-K-en*, in all material aspects prepared in accordance with the requirements of the ESEF Regulation

**Responsibilities of Management and those charged with governance**

The Management of the Group is responsible for the preparation and content of the financial statements in accordance with the ESEF Regulation.

In addition, the Management is responsible for maintaining a system of internal controls that reasonably assures the preparation of financial statements without material non-compliance with the reporting requirements of the ESEF Regulation, whether due to fraud or error.

The Management is also responsible for:

- public disclosure of the financial statements contained in the annual report in a valid XBRL format, and
- selection and use of XBRL codes in accordance with the requirements of the ESEF Regulation.

Those in charge of governance are responsible for overseeing the preparation of financial statements in the ESEF format as part of the financial reporting process.

**Auditor's responsibilities**

It is our responsibility to express a conclusion, based on the audit evidence gathered, as to whether the financial statements are free from material non-compliance with the requirements of the ESEF Regulation. We conducted this reasonable assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (revised) - Assurance engagements other than audits or reviews of historical financial information.

**INDEPENDENT AUDITOR'S REPORT (continued)****Report on the audit of the consolidated annual financial statements (continued)****Report based on the requirements of the ESEF Regulation (continued)****Procedures performed**

The nature, timing and extent of the procedures selected depend on the auditor's judgment. Reasonable assurance is a high level of assurance. However, it does not assure that the scope of testing will reveal all significant (material) non-compliance with the ESEF Regulation.

As part of the selected procedures, we have performed the following activities:

- we have read the requirements of the ESEF Regulation,
- we have gained an understanding of the Company's internal controls relevant to the application of the requirements of the ESEF Regulation,
- we have identified and assessed the risks of material non-compliance with the ESEF Regulation due to fraud or errors; and
- based on that, we have planned and designed procedures for responding to assessed risks and for obtaining reasonable assurance for the purpose of expressing our conclusion.

The aim of our procedures was to assess whether:

- the financial statements, which are included in the consolidated annual report, are prepared in the valid XHTML format,
- the information contained in the consolidated financial statements required by ESEF Regulation, are labelled and all labels meet the following requirements:
- XBRL mark-up language was used,
- the elements of the basic taxonomy listed in the ESEF Regulation with the closest accounting meaning were used, unless an additional element of taxonomy has been created in accordance with Annex IV ESEF Regulations,
- the labels comply with the common labelling rules under the ESEF Regulation.

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

**INDEPENDENT AUDITOR'S REPORT (continued)****Report on the audit of the consolidated annual financial statements (continued)****Report based on the requirements of the ESEF Regulation (continued)****Conclusion**

In our opinion, based on the procedures performed and the evidence obtained, the financial statements presented in ESEF format, contained in the above-mentioned electronic file and based on the provision of Article 462, paragraph 5 of the Capital Market Act prepared for the purposes of public disclosure, in all material respects are in line with the requirements from articles 3, 4 and 6 of the ESEF Regulation for the year ended 31 December 2023.

In addition, we do not express our assurance in other information published with documents in ESEF format in addition to this conclusion, as well as the opinion contained in this Independent Auditor's Report for the accompanying consolidated financial statements and the annual report for the year ended 31 December 2023, we do not express any opinion on the information contained in these statements or other information contained in the file stated above.

The engaged partner involved in the audit of the Group's annual consolidated financial statements for 2023 which results in this Independent Auditor's Report, is the certified auditor Vedrana Stipić.

Zagreb, 30 April 2024

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Hrvoje Stipić, President of the  
Management Board

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Vedrana Stipić, Certified Auditor