FON SE
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Registry code: 14617916

Tallinn, 31/10/2025

FON 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 long-term financial assets amounting to EUR 8,644 thousand (30 June 2024: EUR 10,380 thousand) and interest income from loans to borrowers of EUR 569 thousand for 2024/2025 (2023/2024: EUR 475 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.

As of 30 June 2025, the financial statements include an exchange differences reserve balance of EUR (777) thousand (30 June 2024: EUR (937) thousand). The changes in exchange differences recognized in other comprehensive income were EUR 160 thousand for 2024/2025 and EUR (423) 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 1,950 thousand, while the nominal value of these shares was EUR 1,300 thousand. The difference of EUR 650 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 financial statements included a loan issued to Patro Invest OÜ amounting to EUR 1,843 thousand. In our opinion, this loan should have been reclassified to other receivables. The financial statements as of 30 June 2025 did not include a correction of this misclassification.

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 22 October 2025 and concerned ambiguities related to the calculation of interest using the EIR method. Due to the late timing of their receipt, the Issuer decided not to implement the suggested changes. However, the Issuer notes that the EIR calculation should indeed be applied to one of the loans granted - the loan of PLN 10 700 000 (EUR 2 522 thousand) to company ELKOP S.A. - but not to the loan granted to the same company in the amount of EUR 6 104 thousand.

In the previous year, the audit firm KPMG Baltics OÜ decided that the Issuer's report should include the nominal value of the loans granted, without taking into account their value calculated under the EIR method. Accordingly, the Issuer prepared the financial statements based on the same model that had been used in the previous year's annual report. Since the EIR calculation method accepted by KPMG Baltics OÜ in the prior year was, in the Issuer's opinion, misleading, the Issuer decided to remove it from this year's report. The current financial statements include the actual recognition of effective interest income (EIR) under the item *"Long-term accruals"*. Consequently, apart from editorial adjustments and the addition of certain items, applying the auditor's comments would not have affected the Issuer's equity or financial result. Importantly, KPMG Baltics OÜ has never raised any concerns regarding the potential insolvency of the borrower or the possibility of repayment of the debt, even though these matters were covered by the audit scope.

In the Issuer's opinion, the auditor's decision to issue a disclaimer of opinion results primarily from the auditor's desire to engage in academic discussions that, in practice, have no impact on the substance or reliability of the financial statements. This is confirmed by the auditor's remaining comments and the analysis of other items in the report, none of which indicate any financially material irregularities.

The Issuer also does not understand how the liability to company Patro Invest OÜ could be classified not under liabilities but under "other receivables." The auditor most likely intended to suggest a correction in the current financial statements by adding a separate line item within liabilities referring to data from the previous year. In the Issuer's view, such a change would be purely presentational in nature and would not in any way affect the figures reported in the financial statements - both the total amount of liabilities and the level of equity would remain unchanged.

With regard to the remaining comments, the Issuer finds it difficult to take a position, as the Management Board does not understand how the financial statements - being an exact reflection of the previous year's report audited by the same auditor - could suddenly fail to comply with IAS 1 requirements concerning the presentation of financial statements. Throughout the course of internal correspondence between the Issuer and the audit firm KPMG Baltics OÜ, no objections were ever raised in this regard.

In view of the above, the Issuer believes that the real reason for KPMG Baltics OÜ's refusal to issue an opinion was the auditor's determination to introduce changes to the Issuer's report at any cost. However, since the first - mostly cosmetic - comments on the report were submitted only on 22 October, the Issuer decided not to implement them due to the imminent deadline for publishing the financial statements. In the Issuer's opinion, providing the first comments 90 days after the report was prepared and only nine days before its publication must be regarded as highly unreasonable.

The Company's financial statements have been prepared in full compliance with all applicable regulations and accurately reflect the Company's financial position.

In summary, the Company's financial situation consists of two receivables from company ELKOP S.A. and one liability to company ATLANTIS SE and another to company PATRO INVEST OÜ. Therefore, the Issuer expresses its surprise that, due to purely cosmetic issues contained in the annual report, the auditor decided to issue a disclaimer of opinion.

The Issuer emphasizes that the disclaimer of opinion should have no impact on its financial or operational situation. A far more serious issue is the fact that, as a result of this situation, 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 FON SE

Damian Patrowicz - Member of the Management Board