

DAIDO METAL KOTOR AD, KOTOR

Financial statements

**Year ended December 31, 2025 and
Independent auditor's report**

C O N T E N T S:

Page

Independent auditor's report

1 – 3

Financial statements:

Statement of comprehensive income

4 – 5

Statement of financial position

6 – 7

Statement of changes in equity

8

Statement of cash flows

9

Notes to the financial statements

10 - 45

Appendix 1: Management's annual business report for 2025

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Daido Metal Kotor, AD Kotor

Opinion

We have audited the accompanying financial statements of Daido Metal Kotor, AD Kotor (hereinafter referred to as: "Company"), which comprise the statement of financial position as at 31 December 2025 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly the financial position of the Company as of December 31, 2025, its financial performance and cash flows for the year then ended in accordance with the Law on Accounting and accounting regulations applicable in Montenegro.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) applicable in Montenegro. Our responsibilities under those standards are further described in the section of the report entitled Auditor's Responsibilities for the Audit of the Financial Statements. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in Montenegro, and 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.

Other informations

The Company's financial statements for 2024 were audited by another auditor, who in his report dated May 27, 2025, expressed a positive opinion on these financial statements.

Key audit matter

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

Other information contained in the annual management report

Other information refers to information contained in the annual management report, but does not include the financial statements and the auditor's report thereon. The Company's management is responsible for the preparation of other information in accordance with the regulations of Montenegro.

Our opinion on the financial statements does not cover the other information. In connection with the audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is consistent, in all material respects, with the financial statements, with our knowledge obtained during the audit, or otherwise appears to be materially misstated. In addition, we assessed whether the other information has been prepared, in all material respects, in accordance with the Accounting Law of Montenegro, in particular whether the other information is formally in accordance with the requirements and procedures for the preparation of other information of the Accounting Law of Montenegro in the context of materiality, or whether any non-compliance with these requirements could affect the judgments made on the basis of this other information.

INDEPENDENT AUDITOR'S REPORT (continued)

To the shareholders of Daido Metal Kotor, AD Kotor (continued)

Other information contained in the annual management report (continued)

Based on the procedures performed, to the extent that we are able to evaluate them, we report that:

1. other information describing the facts also presented in the financial statements is, in all material respects, consistent with the financial statements;
and
2. other information has been prepared in accordance with the requirements of the Accounting Law of Montenegro.

In addition, it is our responsibility to report, based on the Company's knowledge and understanding obtained in the audit, whether the other information contains material misstatements. In this regard, we have nothing to report.

Responsibility of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of financial statements in accordance with the Law on Accounting and accounting regulations applicable in Montenegro, and for such internal control as it determines is necessary to enable the preparation of 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 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibility for the audit of financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, taken 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 International Standards on Auditing applicable in Montenegro will always detect material misstatements when they exist. 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 ISAs applicable in Montenegro, 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 sufficient appropriate audit evidence to provide a basis for the auditor's opinion. The risk of not detecting material misstatements resulting from fraud is higher than for misstatements resulting from error, because fraud may involve collusion, forgery, intentional omissions, misrepresentation, 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 entity's internal control system.

INDEPENDENT AUDITOR'S REPORT (continued)

To the shareholders of Daido Metal Kotor, AD Kotor (continued)

Auditor's responsibility for the audit of financial statements (continued)

- We evaluate the 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 entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 the auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements reflect the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, among other things, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

Podgorica, June 10th 2026

Đorđe Dimić, Certified auditor
(License number 072 issued on March 9, 2017)

Crowe MNE d.o.o. Podgorica
Vučedolska 7
81000 Podgorica, Crna Gora

STATEMENT OF COMPREHENSIVE INCOME
Year Ended December 31, 2025
(Amounts in EUR)

Category / Item	Note	2025	2024
OPERATING INCOME		<u>8,643,798</u>	<u>8,015,951</u>
Sales revenues	5	8,091,677	7,316,102
Increase/(decrease) in the value of own product inventories		(23,411)	438,411
Other operating income	6	575,531	261,438
OPERATING EXPENSES		<u>(5,361,914)</u>	<u>(5,407,750)</u>
Cost of materials	7	(3,779,267)	(3,830,208)
			(1,079,469)
Other operating expenses (provisioning charge and other expenses)	8	(1,093,240)	
Other operating expenses (depreciation charge)	8	(489,407)	(498,073)
STAFF COSTS	9	<u>(2,871,668)</u>	<u>(2,846,620)</u>
Net employee salaries and salary compensations		(2,381,389)	(2,198,126)
Payroll taxes and contributions		(490,279)	(648,494)
Payroll taxes (personal income tax)		(186,274)	(177,825)
Pension insurance fund contributions		(245,738)	(416,364)
Other payroll contributions		(58,267)	(54,305)
LOSSES ON VALUE ADJUSTMENT OF NON-CURRENT ASSETS (OTHER THAN FINANCIAL ASSETS)	9.1	<u>(46,274)</u>	<u>(11,920)</u>
Losses on value adjustment of non-current assets (other than financial assets)		(30,421)	-
Losses on value adjustment of current assets (other than financial assets)		(15,853)	(11,920)
OTHER OPERATING EXPENSES		(55,308)	(40,081)
Result from operating activities		308,603	(290,420)
INTEREST INCOME, FOREIGN EXCHANGE GAINS AND OTHER RISK HEDGING EFFECTS	10	27,150	17,233
Finance income per current receivables from parent entities and subsidiaries		24,315	5,687
Finance income per current receivables from other related parties		588	156
Finance income per current receivables from third parties		2,247	11,390
VALUATION ADJUSTMENT OF SHORT-TERM FINANCIAL ASSETS AND FINANCIAL INVESTMENTS WITHIN CURRENT ASSETS		<u>(1)</u>	<u>(13,237)</u>
Gains on value adjustment of short-term financial assets and financial investments within current assets			
Losses on value adjustment of short-term financial assets and financial investments within current assets		(1)	(13,237)
INTEREST EXPENSES, FOREIGN EXCHANGE LOSSES AND OTHER RISK HEDGING EFFECTS	11	<u>(251,450)</u>	<u>(338,402)</u>
Interest expenses, foreign exchange losses and other risk hedging effects – parent entities and subsidiaries		(92,282)	(130,692)
Interest expenses, foreign exchange losses and other risk hedging effects – other related parties		(154,003)	(196,189)
Interest expenses, foreign exchange losses and other risk hedging effects – third parties		(5,165)	(11,520)

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STATEMENT OF COMPREHENSIVE INCOME
Year Ended December 31, 2025
(Amounts in EUR)

RESULT FROM FINANCING ACTIVITIES		(224,301)	(334,405)
RESULT FROM CONTINUING OPERATIONS BEFORE TAXES		84,302	(624,825)
NET RESULT FROM DISCONTINUED OPERATIONS		-	-
RESULT (LOSS) BEFORE TAXES	12	<u>84,302</u>	<u>(624,825)</u>
INCOME TAX EXPENSE		(13,003)	(11,330)
Current income tax expense		-	-
Deferred tax benefits/(expenses)		(13,003)	(11,330)
LOSS FOR THE YEAR, NET OF TAXES		97,305	(613,495)
OTHER COMPREHENSIVE INCOME, GROSS/RESULT PER EQUITY RELATED ITEMS		-	-
DEFERRED TAX EXPENSES OR INCOME OF THE PERIOD RELATED TO OTHER ITEMS OF RESULTS/RELATED TO CAPITAL		-	-
NET RESULT OF OTHER ITEMS OF RESULT / EQUITY RELATED		-	-
NET COMPREHENSIVE RESULT		97,305	(613,495)
EARNINGS PER SHARE	13	<u>0,007</u>	<u>(0,046)</u>
NET RESULT BELONGING TO THE OWNERS OF THE PARENT LEGAL ENTITY		96,967	(611,364)
NET RESULT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		338	(2,131)

Notes on the following pages (10 do 45)
form an integral part of these financial statements.

These financial statements were approved by the Management of Daido Metal Kotor AD, Kotor on June 30th 2026.

Signed on behalf of Daido Metal Kotor AD, Kotor:

Person responsible for preparing financial
statements

Executive Director

(Orelj Nina)

(Zushi Koji)

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STATEMENT OF FINANCIAL POSITION

Year ended December 31, 2025

(Amounts in EUR)

Category / Position	Note	2025	2024
ASSETS			
NON-CURRENT ASSETS		15,022,728	15,131,160
Intangible assets		7,647	8,608
Concessions, patents, licenses and similar rights		7,647	8,608
Property, plant, equipment and biological assets	14	15,003,283	15,086,052
Land and buildings		11,943,427	11,729,147
Plant and equipment		3,059,856	3,356,905
LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES		11,798	36,500
Other long-term financial investments and receivables		11,798	36,500
DEFERRED TAX ASSETS		-	-
CURRENT ASSETS		6,576,264	5,043,724
Inventories	15	3,713,916	3,162,382
Materials (production/raw materials, spare parts, tools and fixtures and vehicle tires)		2,728,461	2,135,510
Work in progress		377,895	293,429
Finished products and goods		605,298	714,232
Advances paid to suppliers		2,262	19,211
CURRENT ASSETS	16	1,673,725	1,152,054
Accounts receivable		13,549	2,931
Receivables from parent and dependent legal entities		19,492	9,137
Receivables from other related parties	16	1,351,029	905,679
Other receivables		289,655	234,306
Receivables for overpaid corporate income tax		304	304
Receivables based on value added tax		164,592	117,906
Other receivables		124,759	116,097
SHORT-TERM FINANCIAL INVESTMENTS		4,890	4,901
Other short-term financial investments		4,890	4,901
CASH BALANCES HELD WITH BANKS AND CASH IN HAND	17	1,183,733	724,387
NON-CURRENT ASSETS HELD FOR SALE AND ASSETS FROM DISCONTINUED OPERATIONS		-	-
PREPAYMENTS		89,648	22,458
TOTAL ASSETS		21,688,640	20,197,342

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STATEMENT OF FINANCIAL POSITION (continued)
Year ended December 31, 2025
(Amounts in EUR)

LIABILITIES

EQUITY

Share capital

	13,233,910	9,777,704
18	29,457,068	26,457,068

SUBSCRIBED CAPITAL NOT PAID IN

SHARE ISSUE PREMIUM

RESERVES

	-	-
	-	-
	8,052,589	7,693,688

Positive revaluation reserves and unrealized gains on
financial assets and other comprehensive income items

	8,052,589	7,693,688
	(24,275,747)	(24,373,052)

RETAINED EARNINGS/(ACCUMULATED LOSSES)

Prior years' retained earnings

	2,689,480	2,689,480
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Current year retained earnings

	97,305	-
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Loss of earlier years

	(27,062,532)	(26,449,037)
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Current year loss

	-	(613,495)
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**LONG-TERM PROVISIONS AND LONG-TERM
LIABILITIES**

19	73,688	72,594
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LONG-TERM PROVISIONS

	73,688	72,594
--	--------	--------

Provisions for employee benefits

	73,688	72,594
--	--------	--------

LONG-TERM LIABILITIES

	-	-
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DEFERRED TAX LIABILITIES

	1,810,568	1,760,236
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CURRENT PROVISIONS AND LIABILITIES

20	6,418,951	8,527,166
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SHORT-TERM PROVISIONS

	-	-
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SHORT-TERM LIABILITIES

	6,418,951	8,527,166
--	-----------	-----------

Borrowings due to other than lending financial institutions

	3,000,000	3,000,000
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Borrowings due to lending financial institutions

	2,000,000	4,000,000
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Trade payables

	1,000,559	759,020
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Liabilities to the parent entities and subsidiaries

21	128,702	429,775
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Liabilities to the other related parties

	38,225	59,921
--	--------	--------

Other accounts payable and other current liabilities

	251,465	278,450
--	---------	---------

Other short-term liabilities

	248,436	273,578
--	---------	---------

Income tax liabilities

	3,029	4,872
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ACCURALS

	151,523	59,642
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TOTAL LIABILITIES

	21,688,640	20,197,342
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Notes on the following pages (10 do 45)
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ISKAZ O PROMJENAMA NA KAPITALU**U periodu od 1. januara do 31. decembra 2025. godine****(Iznosi u EUR)**

	Share capital	Accumulate d losses	Retained earnings	Revaluation reserves	Total
Balance at January 1, 2024	26,457,068	(26,449,037)	2,689,480	7,693,688	10,391,199
Net changes in equity in 2024	-	(613,494)		-	613,494
Balance at December 31, 2024	26,457,068	(27,062,531)	2,689,480	7,693,688	9,777,705
Balance at January 1, 2025	26,457,068	(27,062,531)	2,689,480	7,693,688	9,777,705
Net changes in equity in 2025	3,000,000	-	97,305	358,901	3,456,206
Balance at December 31, 2025	29,457,068	(27,062,531)	2,786,785	8,052,589	13,233,911

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STATEMENT OF CASH FLOWS
Year Ended December 31, 2025
(Amounts in EUR)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash inflows from operating activities</i>	8,749,457	8,817,384
Cash receipts from customers	7,807,905	7,938,981
Interest received from operating activities	1,133	435
Other cash receipts from operating activities	940,419	877,968
<i>Cash outflows from operating activities</i>	(9,294,824)	(9,054,300)
Payments to suppliers and advances made	(5,401,673)	(5,181,737)
Salaries, wages and other personal expenses	(2,833,373)	(2,764,919)
Interest paid	(253,597)	(323,145)
Payments based on other public revenues	(806,181)	(784,499)
Net cash flow from operating activities	(545,367)	(236,916)
CASH FLOWS FROM INVESTMENT ACTIVITIES		
<i>Cash inflows from investing activities</i>	23,185	-
Sale of intangible assets, real estate, plants, equipment and biological agents	-	-
Other financial placements	23,185	-
	(17,542)	(80,722)
Cash outflows from investing activities	(17,542)	(57,495)
Purchase of intangible assets, real estate,		(23,227)
Net cash flow from investing activities	5,643	(80,722)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflows from financing activities	3,000,000	-
Increase in share capital	3,000,000	-
Long-term and short-term loans	-	-
Other long-term and short-term liabilities	-	-
Cash outflows from financing activities	2,000,000	-
Repurchase of own shares and stakes	-	-
Long-term and short-term loans and other liabilities	2,000,000	-
Finance leasing	-	-
Net cash flow from financing activities	1,000,000	-
NET CASH FLOW	460,276	(317,638)
CASH AT THE BEGINNING OF THE REPORTING PERIOD	724,387	1,042,072
POSITIVE EXCHANGE DIFFERENCES BY BASIS		
CASH CONVERSION		54
NEGATIVE EXCHANGE DIFFERENCES BY BASIS		
CASH CONVERSION	(930)	(102)
CASH AT THE END OF THE REPORTING PERIOD (NOTE 30)	1,183,733	724,386

Notes on the following pages (10 do 45)
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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

1. BUSINESS ACTIVITY

The joint stock company "Daido Metal Kotor" AD, Kotor (hereinafter the "Company") was established on November 26, 1955 as the Company for Production of Machine Elements ["Preduzeće za izradu mašinskih djelova"]. The following year it changed its name to the Socially Owned Company Bearing Industry ["Industrija ležaja"], Kotor.

Transformation of the socially owned company into a shareholding company was performed on December 29, 1995, and the change was entered in the register maintained by the Commercial Court in Podgorica under registration number Fi 2432/95.

The shareholding company "Industrija ležaja", Kotor became a joint stock company on September 14, 2001; the pertinent data were updated in the Central Registry of the Commercial Court in Podgorica under the registration number Fi 2070/01.

Ownership transformation was performed on February 11, 2002 after the majority share lot owned by public funds and the Government of Montenegro was sold to the Japanese company "Daido Metal Company" LTD - Nagoya. Henceforward, the joint stock company "Industrija ležaja", Kotor has been operating under the name of "Daido Metal Kotor" AD, Kotor.

On August 9, 2002, in accordance with the Montenegrin Company Law (Official Gazette of Montenegro, nos. 6/02, 17/07), the Company updated its registered data in the Central Registry of the Commercial Court in Podgorica under the registration number 4-0001136/001.

The Company's core business activity comprises manufacture of bearings, gears, wheeler gearings and driving gears. In addition, the Company is registered for casting activities, vehicle repair, wholesale trade and foreign trading.

The Company's registered office is in Kotor, Industrial Zone bb. As of December 31, 2025, the Company had 128 employees (December 31, 2024: 133 employees).

Members of the Board of Directors

As of December 31, 2025, the Board of Directors of the Company consists of the members whose names are shown in the following overview:

<u>Name and surname</u>	<u>Position</u>
Mr. Kojiro Goto	Chairman
Mr. Kenji Shoda	Member
Mr. Toshihiko Takagi	Member

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION**2.1. Basis of Preparation and Presentation of Financial Statements**

The Company is obliged to keep its accounting records and prepare financial statements in accordance with the Law on Accounting of Montenegro ("Official Gazette of Montenegro", No. 52/16). In accordance with the Law on Accounting of Montenegro, IAS and IFRS published by the International Accounting Standards Board must be translated by the relevant competent authority of Montenegro that has the right to translate and publish them, approved by the International Federation of Accountants (IFAC). Therefore, only IAS and IFRS officially translated, approved and published by the Institute of Certified Public Accountants of Montenegro may be applied. The latest official translations were published for the part of IAS that has been applied since January 1, 2009, and the part of IFRS that has been applied since January 1, 2013, which includes only the basic text of the standards and interpretations and does not include the basis for conclusions, illustrative examples, application instructions, comments, opinions and other explanatory material. In addition, the aforementioned translation does not contain a translation of the Basis for Preparation and Presentation of Financial Statements. Also, amendments and improvements to IAS after January 1, 2009, and IFRS after January 1, 2013, have not been translated or published.

In addition to the above, certain laws and regulations in Montenegro define certain accounting procedures, which result in additional deviations from IFRS as follows:

- The Company has prepared these financial statements in accordance with the requirements of the Rulebook on the Chart of Accounts and the Content of Accounts in the Chart of Accounts for Legal Entities Registered for Performing Economic Activities and Other Legal Entities (Official Gazette of Montenegro No. 139/21 of January 29, 2021), issued by the Institute of Certified Accountants of Montenegro based on Article 1 of the Regulation on the Delegation of Tasks to State Administration Bodies Competent for Accounting and Auditing (Official Gazette of Montenegro No. 44/07), which in some parts deviates from the manner of presenting certain balance sheet items as provided for in IAS 1 (revised) – "Presentation of Financial Statements" and IAS 7 – "Cash Flow Statement".

2.2. First-time application of standards and interpretations effective on 1 January 2024*IFRS 15 "Revenue from contracts with customers"*

IFRS 15 establishes a single and comprehensive model for accounting for revenue from contracts with customers. Upon its effective date, IFRS 15 replaces the previously applicable revenue recognition guidance in IAS 18 Revenue, IAS 11 Construction Contracts and their interpretations.

An entity recognizes revenue representing the transfer of contractually promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the transferred goods or services. Specifically, the standard introduces a 5-step revenue recognition approach:

- Step 1: Identify the contract(s) with the customer;
- Step 2: Determine the performance liabilities from the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations under the contract; and
- Step 5: Recognize revenue when the entity fulfills (or while fulfilling) the performance obligation.

According to IFRS 15, the Company recognizes revenue when a performance obligation is satisfied (or in the course of satisfying that obligation), i.e. when 'control' over the goods or services underlying the specific performance obligation is transferred to the customer.

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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (continued)

The application of IFRS 15 did not have a significant impact on the financial position and performance of the Company. There was no need to recognize an adjustment to the opening balance within equity in connection with the initial application of IFRS 15 on the date of initial application, i.e. on 1 January 2024.

2.3. Going concern

For the year ended 31 December 2025, the Company recorded a profit of EUR 97,305, with the Company's current liabilities being lower than its total current assets by EUR 157,314 as of the aforementioned date (while as of 31 December 2024, the Company's current liabilities exceeded its total current assets by EUR 3,483,442).

The above facts indicate a decrease in uncertainty regarding the continuation of operations, the Company expects to continue to receive full support from its majority owner Daido Metal Company Ltd Japan of Japan. In the letter of support dated 16 April 2025, Daido Metal Company Ltd Japan committed to provide the financial support necessary for the Company's operations, for a period of at least one year from the date of the financial statements and to possess the necessary funds. During 2025, the company's assets were recapitalized by EUR 3,000,000, of which EUR 2,000,000 was used to close short-term loans, and EUR 1,000,000 to settle liabilities to suppliers and recover cash flows. The Company's business policy for 2026 assumes further rationalization and consolidation of operations, further reduction of operating costs and increase of production capacities. The basis of the Company's organizational structure is stable and the Company is ready to face all challenges. Accordingly, the financial statements have been prepared in accordance with the "going concern" principle, which assumes that the Company will continue its operations for the foreseeable future.

The Company's management, at the time of issuing these financial statements, cannot fully reliably assess the further impact of the military conflict between Russia and Ukraine, America and Iran, on all business segments because the situation related to the negative consequences of the military conflict is still uncertain, but taking into account the development of events in the previous period, and until the date of adoption of the Company's financial statements for 2025, the management does not expect that the extraordinary circumstances in which the Company operates will have a negative effect on the Company's business operations in the coming period.

Furthermore, the Management's assessment is that these developments cannot significantly negatively affect the achievement of the planned positive financial result for 2026. The amount of planned net profit is conditioned by the achievement of planned revenues and the execution of planned expenses during 2026. In order to optimize business operations, and taking into account the potential further negative effects of the military conflict on developments in international financial markets, a part of the planned expenses that can be influenced by management will be maintained at planned levels and rationalized to a level that enables normal and efficient business operations during 2026.

Also, the Company's Management is of the opinion that the possible continuation of negative circumstances related to the impact of military conflicts in the coming period cannot jeopardize the principle of business continuity and that there is no material uncertainty in future operations.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Based on Articles 35 and 40 of the Law on Business Companies (Official Gazette of the Republic of Montenegro No. 6/02, Official Gazette of Montenegro 17/07, 80/08, 40/10, 36/11, 40/11), the Law on Accounting (Official Gazette of Montenegro 52/16), the Law on Audit (Official Gazette of Montenegro 01/17) and Articles 30 and 51 of the Statute of Daido Metal AD, the Shareholders' Assembly, at its regular session held on July 15, 2019, adopted the Rulebook on the organization of accounting and accounting policies of Daido metal AD, Kotor.

3.1. Revenue Recognition and Measurement

Revenue from operating activities is revenue from the sale of products, revenue from the activation of outputs, revenue from subsidies, grants, rebates, compensation and refunds of duties based on the sale of goods and services, revenue from contributions and membership fees and other revenue that is calculated in the accounting document, regardless of the time of collection.

Gains represent other items that meet the definition of revenue and may or may not arise from the ordinary activities of the company.

Gains represent increases in economic benefits and as such are not different in nature from revenue.

Gains include gains arising from the sale of long-term assets.

Gains are presented on a net basis, after deducting appropriate expenses.

Expenses include costs arising from the ordinary activities of the company and losses.

Expenses arising from the ordinary activities of the company include expenses for direct materials and goods and other operating expenses (costs of other materials, production services, provisions, depreciation, intangible expenses, taxes and contributions of a legal entity independent of results, gross wages and other personal expenses), regardless of the moment of payment.

Losses are other items that meet the definition of expenses and may, but do not have to, arise from the ordinary activities of the company.

Losses represent reductions in economic benefits and, as such, are not different in nature from other expenses.

When losses are recognized in the statement of comprehensive income, they are presented separately, because knowledge of them is useful in making economic decisions.

Losses are usually presented on a net basis, after deducting related income.

3.2. Employee benefits

Contributions to ensure social security for employees

In accordance with the regulations applicable in Montenegro, the Company is obliged to pay contributions to state funds that provide social security for employees. These obligations include contributions for employees at the expense of the employer in amounts calculated at the rates prescribed by relevant legal regulations. The Company is also obliged to withhold contributions from the gross salaries of employees and to pay them, on behalf of the employees, to these funds. Contributions at the expense of the employer and contributions at the expense of the employee are recorded as expenses in the period to which they relate.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.3. Foreign Exchange Gains and Losses**

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the Company operates (functional currency). As disclosed in Note 2.1, the financial statements are presented in Euros (EUR), which is the Company's functional and reporting currency. All assets and liabilities in foreign means of payment are converted to their equivalent value on the day of the statement of financial position using the official exchange rate of the Central Bank of Montenegro valid on that day. Business changes in foreign means of payment during the year are converted into the equivalent value in EUR using the official exchange rates of the Central Bank of Montenegro valid on the day of the business change.

Positive and negative exchange rate differences resulting from the recalculation of assets and liabilities expressed in foreign means of payment and the recalculation of transactions during the year are recorded in the statement of the total result, as financial income or expenses. The positive and negative effects of the agreed foreign exchange clauses in relation to receivables and liabilities, arising from the application of the agreed exchange rate, are also reported as part of financial income, i.e. expenses.

3.4. Taxes and Contributions**Income Taxes***Current Income Tax*

Profit tax is calculated and paid in accordance with the Law on Profit Tax of Legal Entities ("Official Gazette of the Republic of Montenegro", No. 65/01, 012/02, 80/04, "Official Gazette of Montenegro" No. 40/08, No. 86/09, No. 40/11, No. 14/12, No. 61/13, No. 55/16, 146/21, 152/22, 28/23 and no. 125/23). Corporate income tax rates are progressive. Tax rates on the amount of taxable profit are: 1) up to EUR 100,000.00 9%; 2) from EUR 100,000.01 to EUR 1,500,000.00: EUR 9,000.00 + 12% on the amount over EUR 100,000.01; 3) over EUR 1,500,000.01: EUR 177,000.00 + 15% on the amount over EUR 1,500,000.01.

Income from capital gains is included in the tax base in the year in which it is realized at the rate of 100%. Capital losses can be offset against capital gains realized in the same year. If a capital loss occurs even after the offset with capital gains realized in the same year, the taxpayer can transfer the capital loss to the account of future capital gains in the following five years.

Montenegrin tax regulations do not provide that tax losses from the current period can be used as a basis for refunding taxes paid in previous periods. However, losses from the current period reported in the tax balance sheet can be used to reduce the tax base of future accounting periods, but not longer than five years.

Deferred Income Taxes

Deferred income tax is calculated using the liability method in the statement of financial position for temporary differences arising from differences between the tax bases of assets and liabilities and their carrying amounts. Tax rates enacted at the date of the statement of financial position are used to determine the deferred income tax amount. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and tax losses and credits that can be carried forward to future fiscal periods, to the extent that it is probable that taxable profit will be available against which the deferred tax assets can be utilized.

Indirect Taxes, Contributions and Other Duties Payable

Taxes, contributions and other duties that do not depend on business results include property taxes and other taxes, as well as fees and contributions paid under various republican and local tax regulations.

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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5. Intangible Assets

Intangible assets are assets that can be identified as non-monetary and without material characteristics.

Intangible assets are recognized and subject to amortization if they meet the conditions prescribed in IAS 38 - Intangible assets, have a useful life of more than one year (patents, licenses, concessions, computer software, investment in development) and the individual purchase price at the time of acquisition is greater than EUR 300. If an intangible asset does not meet the conditions set out in paragraph 2 of this Article, it is recognized as an expense in the period in which it was incurred.

The purchase value of intangible assets is the value according to the supplier's invoice and all other costs that can be directly attributed to the preparation of the intangible asset for its intended use.

Intangible assets are initially recognized at cost. Subsequent valuation of intangible assets is carried out at cost less any accumulated impairment losses and any accumulated impairment losses.

The useful life of intangible assets is estimated to be finite and is seven years. Intangible assets with finite useful lives are amortized over their useful lives and are tested for impairment whenever there is an indication that the intangible asset may be impaired.

Gains and losses arising from the disposal or sale of intangible assets are recognized in the income statement in the period in which the intangible asset is disposed of or sold, in the amount of the difference between the cash proceeds and the carrying amount of the asset.

Amortization is calculated using the straight-line method.

3.6. Property, Plant and Equipment

Property, plant and equipment are recognized and subject to depreciation as tangible assets that meet the conditions prescribed in IAS 16 Property, Plant and Equipment and whose useful life is longer than one year, whose individual value is more than EUR 300. If a tangible asset does not meet the above conditions, it is recognized as an expense in the period in which it was created. The initial measurement of property, plant and equipment that meets the conditions for recognition as a fixed asset is carried out at its purchase value or cost price. The purchase value (cost price) includes: the purchase price and all dependent acquisition costs, i.e. all directly attributable costs of bringing the asset to a state of functional readiness. The purchase value, i.e. the cost price of property, plant and equipment, also includes interest costs incurred on the basis of the construction or acquisition of these assets if the conditions for applying the permitted alternative procedure from IAS 23 Borrowing Costs are met.

Land and construction facilities

After initial recognition, land and buildings are stated at the revalued (estimated) amount, which expresses their fair value on the date of revaluation (estimation), less the total amount of value correction based on subsequently accumulated depreciation, and the total amount of value correction based on subsequently accumulated losses due to impairment.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6. Property, Plant and Equipment (continued)

Land and construction facilities (continued)

Expenditures for land and buildings are recognized as assets if and only if it is probable that future economic benefits associated with the asset will flow to the Company and the expenditure for the asset can be measured reliably. Purchases of land and buildings during the year are recorded at cost, which is the supplier's invoice plus related acquisition costs and costs of bringing the asset to functional readiness. In accordance with the adopted accounting policy, at the balance sheet date, the Company's management analyzes the values at which the Company's tangible assets are presented. If there is an indication that an asset is impaired, the recoverable amount of that asset is estimated in order to determine the amount of the impairment. If the recoverable amount of an asset is estimated to be lower than the value at which the asset is presented, the existing value of that asset is reduced to the amount of its recoverable amount, which is the higher of the net selling price and value in use. An impairment loss is recognized in the amount of the difference, charged to expenses. Gains from the sale of land and buildings are recorded directly in other income. Losses on the sale or disposal of property, plant and equipment are charged to other expenses.

Depreciation of buildings is calculated using the straight-line method using depreciation rates determined so that the cost of the buildings is depreciated in equal annual amounts over their useful lives. Depreciation of assets capitalized during the year is calculated when the assets are put into use, i.e. starting from the month following the date of acquisition at cost.

The determination of the useful life of buildings is based on previous experience with similar assets, as well as on anticipated technical development and changes influenced by a large number of economic or industrial factors. The adequacy of the determined useful life is reviewed annually or whenever there is an indication that there has been a significant change in the factors that were the basis for determining the useful life.

The depreciation rate for buildings ranges from 2.5% to 8% (31 December 2024: 2.5% to 8%);

Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses. Initial measurement of plant and equipment is at cost or cost. Cost includes expenditure directly attributable to the acquisition of the asset. Expenditure on plant and equipment is recognised as an asset if and only if it is probable that future economic benefits associated with the asset will flow to the Company and the expenditure on the asset can be measured reliably. Purchases of plant and equipment during the year are recorded at cost, which is the supplier's invoice plus related costs of acquisition and costs of bringing the asset to working condition.

In accordance with the adopted accounting policy, at the balance sheet date, the Company's management analyses the carrying amounts of the Company's tangible assets. If there is an indication that an asset is impaired, the recoverable amount of that asset is estimated in order to determine the amount of impairment. If the recoverable amount of an asset is estimated to be lower than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, which is the higher of the net selling price and value in use. An impairment loss is recognized in the amount of the difference, charged to expenses.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6. Property, Plant and Equipment (continued)

Plant and Equipment (continued)

Gains on the sale of plant and equipment are recorded directly in other income. Losses on the sale or disposal of property, plant and equipment are charged to other expenses.

Depreciation of property, plant and equipment is calculated using the straight-line method using depreciation rates determined so that the cost of property, plant and equipment is written off in equal annual amounts over its useful life. Depreciation of assets capitalized during the year is calculated when the assets are put into use, i.e. starting from the month following the date of acquisition at cost.

The depreciation rate for equipment ranges from 6.67% to 20% (31 December 2024: 6.67% to 20%).

The determination of the useful life of property, plant and equipment is based on previous experience with similar assets, as well as on anticipated technical developments and changes influenced by a number of economic or industry factors. The adequacy of the estimated useful life is reviewed annually or whenever there is an indication that there has been a significant change in the factors that formed the basis for determining the useful life.

3.7. Leases

The Company, when entering into a contract, assesses whether the contract contains a leasing component in accordance with the requirements of IFRS 16 - Leases.

The Company recognizes a right-of-use asset and an associated lease liability for all lease agreements, except for short-term leases (defined as leases with a term of up to 12 months) and leases of low-value assets (such as tablets and personal computers, small office furniture and telephones). For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the lease term, unless another systematic basis better reflects the time pattern in which the benefits of the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments not paid at the commencement date, discounted using the rate specified in the lease. If that rate cannot be readily determined, the Company uses the incremental borrowing rate.

Lease payments included in the measurement of lease liabilities include:

- fixed lease payments less any lease incentives;
- variable lease payments that are index- or rate-linked, initially measured by the index or rate at the inception of the lease;
- the amount the lessee is expected to pay under residual value guarantees;
- the amount of the asset purchase option, if it is probable that the lessee will exercise that option;
- payment of a termination penalty, if it is probable that the termination option will be exercised.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.7. Leases (continued)**

The lease liability is subsequently measured by increasing the carrying amount to reflect the amount of interest on the lease liability (using the effective interest method) and decreasing the carrying amount to reflect the amount of lease payments made.

Right-of-use assets comprise the initial measurement of the relevant lease liability, lease payments made on or before the commencement date, net of lease incentives received and any initial direct costs. These assets are subsequently measured at cost less accumulated depreciation and any impairment losses.

Right-of-use assets are depreciated over the shorter of the lease term or the useful life of the asset. If the lease agreement transfers ownership of the asset or the Company expects to exercise a purchase option, the right-of-use assets are depreciated over the useful life of the asset. Depreciation commences at the commencement date of the lease.

Variable lease payments that are not index- or rate-linked are not included in the measurement of lease liabilities and right-of-use assets. These payments are recognized as an expense in the period in which the event giving rise to such payment occurs.

The Company has elected to apply the modified retrospective approach to IFRS 16 in accordance with paragraphs C5(b) and C8(b)(ii) of the standard. Therefore, the Company has not restated the comparative information, but has measured the right-of-use assets at an amount equal to the lease liabilities at 1 January 2024.

3.8. Amortization/Depreciation

Depreciation of buildings, plants and equipment is calculated at the purchase or estimated value less the estimated residual value, as well as for property, plant and equipment put into use during the period, using the proportional method.

The calculation of depreciation of buildings, equipment and intangible assets begins at the moment when the assets become available for use, i.e. are in the location and condition necessary for use in the manner determined by management. Depreciation ceases to be calculated on the date when the assets are classified as available for sale, or on the date when the assets are derecognized, depending on which of these two dates is earlier.

The calculation of depreciation does not cease if the asset is unused or withdrawn from active use (but not disposed of or intended for sale), unless the asset is fully depreciated.

The estimated useful lives of individual groups of plants and equipment, which served as the basis for calculating depreciation and the basic annual depreciation rates applied during 2025 and 2024 are:

Major classes of property, plant and equipment	Useful life (in years)	Depreciation Rate (in %)
Water and electricity equipment	8.0–12.0	8.33–12.50
Equipment for basic activities	7.0–15.0	6.70–14.30
Equipment for catering	5.0–10.0	10.00–20.00
Equipment for traffic and communications	7.0–15.0	6.70–14.30
Equipment for landscaping and maintenance	3.0–8.0	12.50–33.30
Special and universal tools	5.0–8.0	12.50–20.00
Vehicles	6.45–7.0	14.30–15.50

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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8. Amortization/Depreciation (continued)

In accordance with the Law on Corporate Income Tax ("Official Gazette of the Republic of Montenegro", No. 65/01, 12/02, 80/04, "Official Gazette of Montenegro" No. 40/08, No. 86/09, No. 40/11, No. 14/12, No. 61/13, No. 55/16, 146/21, 152/22, 28/23, and No. 125/23), the method of calculating depreciation for tax purposes differs from the method of calculating depreciation for accounting purposes. Namely, depreciation of buildings for tax purposes is calculated using the proportional method, and for all other plants and equipment using the degressive method for the entire year, regardless of the activation date.

3.9. Impairment of Assets

At each statement of financial position date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that the assets have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset is estimated to determine the amount of any impairment loss. If it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the estimated recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised immediately as an expense, unless the asset is land or a building not used as investment property that is carried at a revalued amount, in which case the impairment loss is recognised as a revaluation decrease in the asset.

When an impairment loss is subsequently reversed, the carrying amount of the asset (cash-generating unit) is increased to the revised estimated recoverable amount of the asset, provided that the higher carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized for the asset (cash-generating unit) in prior years. The reversal of an impairment loss is recognized immediately as income, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is recognized as a revaluation increase.

3.10. Inventories

Inventories are assets that are in the process of production intended for sale or in the form of materials or auxiliary resources consumed in the production process or in the provision of services. Inventories include: a) basic and auxiliary materials, which will be used in the production process or in the provision of services, b) work in progress, c) finished goods produced by the enterprise and d) tools and inventory. Inventories of materials, work in progress, finished goods and goods are accounted for in accordance with IAS 2 Inventories.

Inventories of materials purchased from suppliers are measured at the lower of cost or net realizable value.

Cost includes the value on the supplier's invoice and related purchase costs.

The costs of purchasing materials include the purchase price, import duties and other taxes (except for those that the enterprise can subsequently recover from the tax authorities, such as VAT that can be deducted as input tax), transportation costs, handling costs and other costs that can be directly attributed to the purchase of materials.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10. Inventories (continued)

Discounts, rebates and other similar items are deducted when determining the cost of acquisition.

Calculation of the output of material inventories is carried out at average purchase prices.

Calculation of the input and output (consumption) of material inventories is carried out at weighted average prices.

Tools and small inventory as fixed assets are recognized and subject to depreciation. The assets of tools and small inventory whose useful life is longer than one year, and whose purchase value exceeds EUR 300. The assets of tools and inventory that do not meet the conditions from paragraph 1 of this article are reported as current assets (inventories) and are written off in full upon being put into use.

Spare parts, as fixed assets, are recognized spare parts whose useful life is longer than one year, as well as whose purchase value exceeds EUR 300.

Such spare parts increase the book value of the asset to which they are installed.

Spare parts that do not meet the requirements of paragraph 1 of this Article shall be recorded as operating expenses upon their installation. The value of work in progress and finished goods includes all direct production costs as well as the corresponding portion of general operating expenses. Inventory is written off by charging other expenses in cases where it is assessed that it is necessary to reduce the value of inventory to its net realizable value. Damaged inventory and inventory whose quality does not meet standards shall be written off in full.

3.11. Financial instruments

The classification of financial assets depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

Effective Interest Method

The effective interest method is a method of calculating the amortization cost of a financial asset or financial liability and allocating interest income or interest expense over appropriate time periods. The effective interest rate is the rate that discounts estimated future cash payments or receipts (including any fees paid or received that are an integral part of the effective interest rate, transaction costs or other premiums or discounts) through the expected life of the financial instrument or, where practicable, a shorter period to the present value of the financial asset or financial liability.

Trade receivables

Trade receivables and other receivables with fixed or determinable payments that are not quoted in an active market are measured at amortized cost using the effective interest method less any allowance for impairment based on management's assessment of their probable collectability.

Impairment of financial assets

Financial assets are assessed for impairment at the balance sheet date. A financial asset is impaired where there is evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been reduced.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11. Financial instruments (continued)

Objective evidence of impairment of a financial asset may include:

- significant financial difficulty of the entity; or
- delay or default in payment; or
- when it becomes probable that the debtor will enter bankruptcy or financial reorganization.

The book value of trade receivables is reduced using an impairment account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of comprehensive income to the extent that it does not result in a carrying amount greater than the amortised cost that would have been had the impairment not been recognised at the date the impairment was reversed.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the financial asset expire, or if it transfers the financial asset, and thereby substantially all the risks and rewards of ownership of the asset, to another entity. If the Company does not transfer substantially all the risks and rewards of ownership and retains control over the financial asset, the Company continues to recognise the financial asset.

Cash and cash equivalents

In the cash flow statement, cash and cash equivalents include cash in the Company's treasury, cash in accounts with commercial banks and cash deposited with commercial banks for a period of up to three months.

Financial liabilities

Financial liabilities are initially measured at their nominal value, which is the value of the consideration received, i.e. the expected outflow of economic benefits required to settle the obligation, less any transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized as the effective yield.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over appropriate time periods. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial instrument or, where practicable, a shorter period to the present value of the financial liability.

Derecognition of a financial liability

The Company derecognises financial liabilities when and only when the Company's liabilities are settled, written off or expired.

A long-term provision is recognized when:

- The Company has a present liability (legal or constructive) as a result of a past event,
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and
- the amount of the obligation can be reliably estimated..

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12. Long-term provisions, contingent liabilities and contingent assets

If these conditions are not met, the provision is not recognized. Long-term provisions include provisions for pensions and other long-term provisions to cover obligations (legal or constructive) that have arisen as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and which can be reliably estimated (e.g. ongoing disputes). Long-term provisions for costs and risks are monitored by type, and their reduction or reversal is credited to income. Provisions are not recognized for future operating losses. Provisions are measured at the amount recognized as a provision and represent the best estimate of the expenditure required to settle the present obligation at the date of the statement of financial position. Provisions are reviewed at each statement of financial position date and adjusted to reflect the best current estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is significant, the amount of the provision represents the present value of the expenditure expected to be required to settle the obligation. Because of the time value of money, provisions relating to cash outflows occurring immediately after the balance sheet date are more onerous than those where cash outflows of the same amount occur later. Provisions are therefore discounted where the effect is significant.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The discount rate does not reflect the risks for which the estimates of future cash flows have been adjusted. When an expense is incurred based on obligations for which a provision has been made, the actual expenses are not recognized as an expense, but the previously made provision is reversed. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

For the purposes of assessing provisions for litigation, the legal department is required to provide the accounting department with the necessary data upon request by the financial director.

For the purposes of assessing provisions for guarantees, the technical department is required to provide the accounting department with the necessary data upon request by the financial director. The above rule also applies to other types of provisions.

Contingent liabilities are not recognized in the financial statements. Contingent liabilities are disclosed in the notes to the financial statements, unless the probability of an outflow of resources embodying economic benefits is very remote.

The Company does not recognize contingent assets in its financial statements. Contingent assets are disclosed in the notes to the financial statements if an inflow of economic benefits is probable.

3.13. Fair value

The Company's business policy is to disclose information on the fair value of assets and liabilities for which there is official market information and when the fair value differs significantly from the book value. In Montenegro, there is not enough market experience, as well as stability and liquidity in the purchase and sale of receivables and other financial assets and liabilities, since official market information is not available at all times. Therefore, fair value cannot be reliably determined in the absence of an active market. The Company's management performs a risk assessment and in cases where it is assessed that the value at which the assets are recorded in the business books will not be realized, it performs a value adjustment. In the opinion of the Company's management, the amounts in the accompanying financial statements reflect the value that is most reliable and most useful for reporting purposes in the given circumstances.

The fair value of land and buildings was determined by certified appraisers in previous years. According to the fair value hierarchy, land is classified as level 2 and buildings as level 3.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13. Fair value (continued)

The valuation techniques and significant unobservable inputs used in determining changes in the fair value of land, property and equipment, as well as the interrelationships between the main unobservable inputs and fair value, are provided in the table below:

Using the assessment technique	Significant unobservable inputs	Interrelationships between major unobservable inputs and fair value
Land The comparative approach (method) or comparison method, starts from the assumption that the real estate is not worth more than the average value of real estate with the same characteristics and in the same location. The key prerequisite for the application of this method is a sufficient amount of reliable and up-to-date market information for comparable real estate depending on the location, equipment and possibilities of use in a particular market. In the case when there is a small number of transactions that have been carried out in a certain or similar location, information on the offer of real estate that is publicly available and can be documented can also be used.	Not applicable, Level 2	Not applicable, Level 2
Immovable properties Cost method or replacement cost method. When there is no data on comparable transactions or offers of similar real estate or there is no actual or potential income that the owner of the real estate would enjoy, the Cost method or replacement cost method is used. Also, the cost approach is primarily used for the valuation of specialized real estate that is rarely or never sold on the market, except through the sale of business entities or entities of which they are a part.	The methodology applied is given by the adjusted cost method in such a way that the assumed determined value of new facilities is reduced by depreciation and maintenance values. - Depreciation allowance in the range of 2.8% to 25.80% -Maintenance allowance in the range of 3% to 18%.	The estimated fair value would increase if: - Estimated construction costs increased - Maintenance value adjustment decreased - Depreciation value adjustment decreased

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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14. Employee benefits

Severance pay and jubilee awards

The Company provides retirement benefits and jubilee awards. The right to these benefits is usually conditional on the employee remaining in service until the retirement age and achieving a minimum length of service. The expected costs for the aforementioned benefits are accumulated over the period of employment.

Liabilities for retirement benefits and jubilee awards are estimated annually by independent, qualified actuaries, using the projected unit credit method. Actuarial gains and losses arising from the calculation are recorded as a charge or credit to the statement of comprehensive income for the period in which they arise.

Accumulated paid leave may be carried forward and used in future periods, if not fully used in the current period. Expected costs for paid leave are recognized in the amount of accumulated unused rights at the reporting date, which are expected to be used in the next period. In the case of unaccumulated paid leave, the liability or expense is not recognized until the leave is used.

3.15. Interest and other borrowing costs

Interest and other borrowing costs in accordance with IAS 23 Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent that they are capitalised.

Interest and other borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (an asset that takes a substantial period of time to get ready for its intended use) are capitalised as part of the cost of that asset.

Capitalisation of interest and other borrowing costs is carried out in accordance with IAS 23 Borrowing costs. Only borrowing costs incurred between the commencement of investment in a qualifying asset and the completion of all activities necessary for its use or sale may be included in the cost of that asset. Borrowing costs incurred before and after the capitalisation period are recognised as an expense in the period in which they are incurred.

4. Use of estimates

The presentation of financial statements requires management to use its best estimates, disclose potential receivables and liabilities at the date of preparation of the financial statements, as well as income and expenses during the reporting period. These estimates and assumptions are based on information available at the date of preparation of the financial statements, and future actual results may differ from the estimated amounts. These estimates mainly relate to estimates of inventory impairment, estimates of trade receivables impairment, estimates of the useful lives of equipment and other provisions.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

4. Use of estimates (continued)

Depreciation and depreciation rate

The depreciation calculation and depreciation rates are based on the projected economic life of buildings, equipment and intangible assets. The Company estimates the economic life annually based on current forecasts.

Impairment of receivables

An allowance for doubtful and doubtful receivables is calculated based on the estimated losses due to the inability of customers to meet their obligations. The assessment is based on an aging analysis of trade receivables, historical write-offs, customer creditworthiness and changes in sales conditions, when determining the adequacy of the allowance for doubtful and doubtful receivables. This includes assumptions about future customer behavior and resulting future collections. Management believes that no additional allowance for receivables is necessary.

Provisions

Provisions are subject to significant estimates. The Company assesses the probability that adverse events may occur as a result of past events and, if the probability is estimated to be more than 50%, the Company establishes a provision for the total amount of the obligation. The Company follows the principle of caution when making estimates, given that there is a large amount of uncertainty, in certain cases actual results may deviate from these estimates..

5. SALES INCOME

(Amounts in EUR)

	<u>2025</u>	<u>2024</u>
Income from the sale of goods:		
- to related legal entities abroad (note 21)	8,086,462	7,309,377
- legal entities in the country	-	-
- to other legal entities abroad	<u>5,215</u>	<u>6,725</u>
	8,091,677	7,316,102
	<u>8,091,677</u>	<u>7,316,102</u>

The structure of sales of finished products and services of each geographical segment is shown in the following overview:

(Amounts in EUR)

	<u>2025</u>	<u>2024</u>
Japan	208,084	141,373
Germany	7,878,378	7,168,004
United Kingdom	-	-
Czech Republic	-	-
Other	<u>5,215</u>	<u>6,725</u>
	<u>8,091,677</u>	<u>7,316,102</u>

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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

6. OTHER BUSINESS INCOME

(Amounts in EUR)

	2025	2024
Income from the production of tools, and spare parts	17,819	12,615
Rental income	15,480	15,480
Income from sick leave refunds	31,543	23,366
Other operating income	3,710	12,206
Revenue from materials sold	21,394	-
Revenue from waste sales	19,194	23,119
Surplus materials by inventory,	31,232	13,371
Revenue from sales of non current assets	-	-
Revenue from sales of tools	-	-
Revenue from cancellation of debt provisions	-	-
Revenue from adjustment of real estate, plant and equipment	-	-
Revenue from adjustment of material inventory	417,862	159,278
REVENUE FROM ADJUSTMENT OF VALUE OF INVENTORIES GP	14,827	1,864
Revenue from previous years	2,471	-
	575,531	261,438

7. COST OF MATERIALS

(Amounts in EUR)

	2025	2024
Costs of raw materials and materials for production	2,643,261	2,585,806
Cost of cutting tools	171,897	180,419
Fuel and electricity costs	269,230	261,512
Costs of spare parts	77,803	109,929
Write-off of tools and small inventory in use	126,719	194,205
Costs of packing materials	371,251	404,257
Office supplies costs	8,333	6,565
Costs of other materials	110,773	87,516
	3,779,267	3,830,209

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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

8. OTHER OPERATING EXPENSES (AMORTISATION, PROVISIONS, OTHER OPERATING EXPENSES)

(Amounts in EUR)

	<u>2025</u>	<u>2024</u>
Depreciation costs		
- tangible assets (note 14)	488,446	497,553
- intangible assets	961	520
	<u>489,407</u>	<u>498,073</u>
Provision expenses		
- for employee benefits (note 19)	4,244	22,771
	<u>4,244</u>	<u>22,771</u>
Other business expenses	1,088,995	1,056,697
Other business expenses:	<u>1,582,646</u>	<u>1,577,541</u>

(Amounts in EUR)

	<u>2025</u>	<u>2024</u>
Royalty costs	240,207	214,248
Costs of transportation services of finished goods	163,515	177,500
Other operating expenses	334,153	233,335
Costs of quality of finished goods – complaints	1,853	48,091
Costs of customs and commissions – exports	10,109	7,761
Costs of property taxes	55,407	57,709
Costs of insurance	53,608	46,819
External production services	22,653	30,124
Costs for management contributions	35,419	36,374
Costs of intellectual services	24,968	58,342
Costs of security and maintenance	56,064	50,957
Costs of payment transactions	25,898	25,958
Costs of maintenance services	52,612	38,814
Costs of occupational safety	5,543	21,746
Costs of PTT	6,986	8,919
	<u>1,088,995</u>	<u>1,056,697</u>

9. STAFF COSTS

(Amounts in EUR)

	<u>2025</u>	<u>2024</u>
Net salary, compensation and personal expenses	2,119,661	2,198,126
Tax and contribution expenses	286,638	648,494
Tax expenses	186,274	177,825
Pension contribution expenses	245,738	416,364
Contribution expenses	33,357	54,305
	<u>2,871,668</u>	<u>2,846,620</u>

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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

9.1 LOSSES ON THE VALUE ADJUSTMENT OF ASSETS (OTHER THAN THE FINANCIAL ASSETS)

	(Amounts in EUR)	
	<u>2025</u>	<u>2024</u>
Expenses based on value adjustment of equipment (note 14)	30,422	-
Other	-	-
Expenses based on value adjustment of current assets	<u>15,853</u>	<u>11,920</u>
	<u>46,275</u>	<u>11,920</u>

10. OTHER INCOME BASED ON INTEREST, EXCHANGE DIFFERENCES AND OTHER EFFECTS OF CONTRACTED PROTECTION

	(Amounts in EUR)	
	<u>2025</u>	<u>2024</u>
Financial income from current receivables from parent and dependent legal entities	24,315	5,686
Financial income from current receivables from unrelated legal entities	<u>2,835</u>	<u>11,547</u>
	<u>27,150</u>	<u>17,233</u>

11. RASHODI PO OSNOVU KAMATA, KURSNIH RAZLIKA, I DRUGIH EFEKATA UGOVORENE ZAŠTITE

	(Amounts in EUR)	
	<u>2025</u>	<u>2024</u>
Expenses based on interest, exchange rate differences and other effects of contractual hedging based on relationships with parent and dependent legal entities	92,282	130,692
Expenses based on interest, exchange rate differences and other effects of contractual hedging based on relationships with other related parties	<u>154,003</u>	<u>196,189</u>
Expenses based on interest, exchange rate differences and other effects of contractual hedging based on relationships with unrelated parties	<u>5,165</u>	<u>11,520</u>
	<u>251,450</u>	<u>338,401</u>

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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

12 . DEFERRED TAX INCOME/EXPENSE

a) Income tax

	December 31, 2025	(Amounts in EUR) December 31, 2024
Deferred tax income/(expense)	(13,003)	(11,330)
	<u>(13,003)</u>	<u>(11,330)</u>

b) Reconciliation of the amount of income tax and the product of operating results before the deduction and the prescribed tax rate Income tax

The reconciliation of income tax according to financial statements and income tax according to tax balance for 2025 is shown in the following overview:

	December 31, 2025	(Amounts in EUR) December 31, 2024
Profit/Loss before tax	84,302	(624,825)
Tax rate 15%	12,645	(93,724)
Tax effect of deferred tax	(13,003)	(11,330)
Unrecognized tax credits on current period loss carryforwards	12,645	93,724
	<u>13,003</u>	<u>11,330</u>

Based on the Law on Profit Tax, corporate profit tax rates are progressive. Tax rates on the amount of taxable profit are: 1) up to EUR 100,000.00 9%; 2) from EUR 100,000.01 to EUR 1,500,000.00: EUR 9,000.00 + 12% on the amount over EUR 100,000.01; 3) over EUR 1,500,000.01: EUR 177,000.00 + 15% on the amount over EUR 1,500,000.01.

c) Deferred tax liabilities

Deferred tax liabilities relate to temporary differences between the basis at which intangible assets, property, and equipment are recognized in the tax balance sheet and the amounts at which those assets are reported in the Company's financial statements.

(Amounts in EUR)	Balance as at January 1	Increases/(decreases) across statements in the overall result	Balance as at December 31
2020:			
Deferred tax liabilities related to Temporary differences on intangible assets, property, plant and equipment	1,760,236	(50,332)	1,810,568
As of December 31, 2025	<u>1,760,236</u>	<u>(50,332)</u>	<u>1,810,568</u>
2020:			
Deferred tax liabilities related to Temporary differences on intangible assets, property, plant and equipment	1,771,566	11,330	1,760,236
As of December 31, 2024	<u>1,771,566</u>	<u>11,330</u>	<u>1,760,236</u>

The calculated deferred tax recognised in income amounts to EUR 13,003.

The calculated deferred tax on revaluation reserves amounts to EUR 63,335.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

13. EARNINGS PER SHARE

(Amounts in EUR)

	<u>2025</u>	<u>2024</u>
Profit before tax	84,302	(624,825)
Net comprehensive income	97,305	(613,495)
Weighted average number of shares	<u>14,863,026</u>	<u>13,349,329</u>
Earnings per share	<u>(0.007)</u>	<u>(0.0459)</u>

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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

14 . PROPERTY, PLANT AND EQUIPMENT

(Amounts in EUR)

	Land	Buildings	Equipment, tools and inventory	Investments in progress	Total
Cost/appraised value					
Balance as of January 1, 2024	5,459,500	6,477,603	7,315,423	64,647	19,317,173
Increase				62,858	62,858
Transfer from investments	-	-	38,918	(47,457)	(8,539)
Evaluation Effect			-		-
Sales	-	-	-	-	-
Balance as of December 31, 2024	<u>5,459,500</u>	<u>6,477,603</u>	<u>7,354,342</u>	<u>80,048</u>	<u>19,371,492</u>
Cost/appraised value					
Balance as of January 1, 2025	5,459,500	6,477,603	7,354,342	80,048	19,371,492
Increase				13,863	13,863
Transfer from investments	-	-	13,681	(13,681)	(0)
Evaluation Effect	211,759	(205,435)	(431,334)	-	(425,010)
Sales	-	-	-	-	-
Balance as of December 31, 2025	<u>5,671,259</u>	<u>6,272,168</u>	<u>6,936,689</u>	<u>80,230</u>	<u>18,960,345</u>
Impairment					
Balance as of January 1 2024	-	-	3,787,888	-	3,787,888
Depreciation (note 8)		207,956	289,597		497,552
Assesment effect	-	-	-	-	-
Decreases (sale)	-	-	-	-	-
Balance as of December 31, 2024	<u>-</u>	<u>207,956</u>	<u>4,077,485</u>	<u>-</u>	<u>4,285,441</u>
Impairment					
Balance as of January 1 2025	-	207,956	4,077,485	-	4,285,441
Depreciation (note 8)	-	207,956	280,490	-	488,446
Assesment effect	-	(415,912)	(400,912)	-	(816,825)
Decreases (sale)	-	-	-	-	-
Balance as of December 31, 2025	<u>-</u>	<u>-</u>	<u>3,957,063</u>	<u>-</u>	<u>3,957,063</u>
Net book value					
December 31, 2024	<u>5,459,500</u>	<u>6,269,647</u>	<u>3,276,857</u>	<u>80,048</u>	<u>15,086,052</u>
December 31, 2025	<u>5,671,259</u>	<u>6,272,168</u>	<u>2,979,626</u>	<u>80,230</u>	<u>15,003,283</u>

The Company performed an equipment valuation for financial reporting purposes on 31 December 2025. Based on the valuation, the Company formed revaluation reserves and increased the value of fixed assets by the same amount. The total revaluation reserves formed for land and buildings, reduced by the amount of deferred tax, amount to EUR 358,901. Additionally, based on the valuation of equipment, the Company recognized a decrease in the net present value of equipment in the amount of EUR 30,421 (note 9.1).

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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

15. INVENTORIES

	December 31, 2025	(Amounts in EUR) December 31, 2024
Material		
	1,203,256	1,122,618
Spare parts	677,014	619,485
Fuel and lubricant	15,216	7,861
Packaging	214,935	158,479
Tools and inventory	731,829	449,542
	<u>2,842,250</u>	<u>2,357,985</u>
Finished products:		
- ball and other bearings	909,752	989,815
Work in progress:		
- ball bearings	377,895	293,429
Material in transit	11,069	320,244
	<u>4,140,966</u>	<u>3,961,473</u>
Impairment:		
- material stock	(124,857)	(542,719)
- finished products	(304,454)	(275,583)
	<u>(429,311)</u>	<u>(818,302)</u>
Advances given	2,262	19,211
	<u>3,713,917</u>	<u>3,162,382</u>

The movements in inventory value adjustments during 2024 and 2025 are shown in the following overview:

	December 31, 2025	(Amounts in EUR) December 31, 2025
Impairment allowance of materials, tools and spare parts		
Balance at the beginning of year	542,719	701,997
(Reversal)/charge for the year	(417,861)	(159,278)
Balance at year-end	<u>124,858</u>	<u>542,719</u>
		(Amounts in EUR)
	December 31, 2025	December 31, 2025
Impairment allowance of materials, tools and spare parts		
Balance at the beginning of year	154,221	144,165
(Reversal)/charge for the year	1,026	10,056
Balance at year-end	<u>155,247</u>	<u>154,221</u>

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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

16 . SHORT-TERM RECEIVABLES

	(Amounts in EUR)	
	December 31, 2025	December 31, 2025
Receivables from sales:		
- parent and subsidiary legal entities (Note 21)	19,492	9,137
- other related parties (Note 21)	1,351,029	905,679
- customers	13,549	2,931
Other receivables:		
- for overpaid income tax	304	304
- based on value added tax	164,594	117,906
 -other receivables, elsewhere not specified	 124,758	 116,096
	1,673,725	1,152,054

17 . CASH AND CASH EQUIVALENTS

	(Amounts in EUR)	
	December 31, 2025	December 31, 2025
Cash in hand	177	177
Transaction account balances	70,336	348,810
Foregin currency bank account balances	1,113,220	375,400
	1,183,733	724,387

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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

18 . SHARE CAPITAL

	Share count	Shareholding %	December 31, 2024
<i>Shares of the nominal value of EUR 1.9819</i>			
Daido Metal Co Ltd. Nagoja	13,302,966	99.65%	26,365,182
Individuals	44,417	0.33%	88,030
Other legal entities	1,946	0.02%	3,856
	13,349,329	100.00%	26,457,068
			December 31, 2025
<i>Shares of the nominal value of EUR 1.9819</i>			
Daido Metal Co Ltd. Nagoja	14,816,663	99.69%	29,365,182
Individuals	44,417	0.3%	88,030
Other legal entities	1,946	0.01%	3,856
	14,863,026	100.00%	29,457,068

The total value of the Company's subscribed share capital as of 31 December 2025 is EUR 29,457,068. The share capital owned by Daido Metal Co, Ltd, Nagoya Japan, consists of 14,816,663 ordinary shares with a nominal value of EUR 1.9819.

On 24 December 2025, the Company adopted a Decision on the conversion of debt into equity. The volume of the issue issued by this Decision amounts to EUR 2,999,999.85 and is divided into 1,513,697 series V shares, with an individual nominal value of EUR 1.98190249.

The Company's shares are not listed on other public exchanges, except for the stock exchange in Montenegro, where limited trading is carried out. The market value of one share on December 31, 2025 is EUR 3.10 (on December 31, 2024: EUR 3.10).

19 . LONG-TERM PROVISIONS

Provisions for employee benefits with a balance as of December 31, 2025 of EUR 73,688 (December 31, 2024 of EUR 72,594) were made based on the present value of expected future payments to employees based on retirement benefits upon meeting the conditions.

The technical bases used to calculate the present value of expected future payments include the application of:

- commutative numbers, created based on the calculated probability of survival of the population of No. Gora from the last population census and
- annual interest rate of 4.7219 % for discounting expected future payments to employees.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

19 . LONG-TERM PROVISIONS (continued)

	(Amounts in EUR)
	December 31, 2025
	December 31, 2024
Long-term provisions for employee benefits	
- for severance pay	63,910
- for jubilee awards	9,778
	<u>73,688</u>
	<u>72,594</u>

The movement in provisions for employee benefits during 2024 and 2025 is shown in the following table:

	(Amounts in EUR)
	December 31, 2025
	December 31, 2024
Balance at the beginning of year	72,594
Charge for the year (Note 8)	6,340
Reversal of provisions	(2,096)
Release of provisions during the year	(3,150)
	<u>73,688</u>
	<u>72,594</u>

20 . SHORT – TERM LIABILITIES
I SHORT – TERM LIABILITIES

	(Amounts in EUR)
	December 31, 2025
	December 31, 2024
<i>Borrowings due to lending financial institutions</i>	
Bank of Tokyo - Mitsubishi UFJ (Holland) N.V.	
Vienna Branch	1,000,000
Mizuho bank, Japan	1,000,000
Liabilities based on loans and borrowings from persons other than credit institutions - Daido Metal Co Ltd	3,000,000
	<u>5,000,000</u>
	<u>7,000,000</u>

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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

20. SHORT – TERM LIABILITIES (continued)

Short-term borrowings	Approval date	Maturity	Interest rate	December 31, 2025	(Amounts in EUR) December 31, 2024
Mizuho Vienna	12/20/2024	12 months	3,75%	1,000,000	2,000,000
MUFJ/MUFG Vienna-					
Amsterdam	12/20/2024	12 months	3,65%	1,000,000	2,000,000
DMJ – Nagoya	3/15/2024	12 months	2,64%	1,000,000	1,000,000
DMJ- Nagoya	3/15/2024	12 months	2,66%	1,000,000	1,000,000
DMJ-Nagoya	11/29/2024	12 months	2,64%	1,000,000	1,000,000
				<u>5,000,000</u>	<u>7,000,000</u>

The company has the following loan agreements in place::

1. MUFG Bank Europe N.V. Vienna Branch Austria

- related legal entity in the form of a share in the capital of the parent company
 - the loan agreement was initially concluded on 27 December 2014, for a period of one year, and then the obligation based on the principal of the debt in the amount of EUR 2,000,000 was extended through one-year Annexes to the agreement.
 - the last valid Annex was concluded on 29 December 2025, valid until 29 December 2026
 - agreed annual interest rate 3.65% / total interest obligation for 2025 EUR 76,238.
- The debt based on the annual interest is closed until the maturity date of the principal, there is no obligation as of 31.12.2024.
- loan security through the DMJ Guarantee, calculation of compensation on a quarterly basis, obligation under the guarantee to the parent company as of 31.12.2025. amounted to EUR 1,005.50.
 - On 29.12.2025, the Company reduced its debts to MUFG by making a payment of EUR 1,000,000.

2. Mizuho Bank Europe, Vienna Branch, Austria

- related legal entity in the form of a share in the capital of the parent company
- the loan agreement was initially concluded on 25 August 2009, for a period of one year, and then the obligation based on the principal of the debt was extended in the amount of EUR 2,000,000 through one-year Annexes to the agreement.
- the last valid Annex was concluded on 29 December 2025, valid until 29 December 2026
- the agreed annual interest rate is 3.75% / total interest obligation for 2025 EUR 73,811.
- The debt based on the annual interest is closed until the maturity date of the principal, there is no obligation as of 31.12.2025.
- loan security through the DMJ Guarantee, calculation of compensation on a quarterly basis, the obligation under the guarantee to the parent company as of 31.12.2025. amounted to EUR 1,005.50.
- On 29.12.2025, the Company reduced its debts to MUFG by making a payment of EUR 1,000,000.

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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

20 . SHORT – TERM LIABILITIES (continued)

3. Daido Metal Co Ltd, Nagoya Japan

- Parent company

Loan Agreement from March 2020

- The loan agreement was initially concluded on March 18, 2020, for a period of one year, and then the obligation based on the principal of the debt was extended in the amount of EUR 1,000,000 through a one-year Annex to the agreement.
- the last valid Annex was concluded on March 15, 2026, valid until March 15, 2027.
- the agreed annual interest rate is 2.64%
- the total accrued interest for 2025 is EUR 31,190
- the interest debt is invoiced quarterly, the interest liability as of December 31, 2024 is EUR 6,730
- there is no loan security through a Guarantee

Loan Agreement from March 2022

- Additional debt in the amount of EUR 1,000,000 was concluded by a new agreement on March 18, 2022, under the same terms as the previous debt of EUR 1,000,000, valid until March 17, 2023.
 - The last valid Annex was concluded on March 15, 2026, valid until March 15, 2027.
 - agreed annual interest rate 2.64%
 - total accrued interest for 2025 EUR 31,301
- The interest debt is invoiced quarterly, the interest liability as of December 31, 2025 amounts to EUR 6,733
- there is no loan security through a Guarantee

Loan Agreement from December 2022

- Additional debt in the amount of EUR 1,000,000 was concluded with a new agreement on December 13, 2022
- The last valid Annex was concluded on November 28, 2025, valid until November 28, 2026.
- agreed annual interest rate 2.66%,
- total accrued interest for 2025 EUR 29,555
- Interest debt is invoiced quarterly, interest liability as of December 31, 2025 amounts to EUR 6,730
- no loan security through a Guarantee

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

21. RELATED PARTY TRANSACTIONS

	(Amounts in EUR)	
	December 31 2025	December 31 2024
i) Receivables and advances given		
Daido Metal Co. Ltd. Nagoja, Japan	19,492	9,136
Daido Metal Czech sro.	-	-
Daido Metal Europe – GMBH	1,351,029	905,679
Daido Metal Europe Limited, Velika Britanija	-	-
	1,370,521	914,815
ii) Liabilities (note 21)		
Daido Metal Co. Ltd. Nagoja, Japan	128,702	439,775
Daido Metal Czech S.R.O.Češka Republika	18,789	38,218
Daido Metal, Mexico	-	-
Dyna Metal Co.ltd	-	-
Daido Metal Europe GMBH	19,436	21,703
	166,927	499,696
iii) Revenues (note 5)		
Daido Metal Co. Ltd. Nagoja, Japan	208,084	141,373
Daido Industrial Bearing Europe Velika Britanija	-	-
Daido Metal Czech SRO	-	-
Dyna Metal Europe – GMBH	-	-
Daido Metal Europe Germany	7,878,378	7,168,004
Daido Precision metal (Suzhou) Co ltd	-	-
	8,086,462	7,309,377
Senior Management of the Company		
Personal benefits costs of key management personnel	225,041	211,622
	225,041	211,622

22. TAX RISKS

Montenegro currently has several laws regulating various taxes imposed by the competent authorities. Taxes payable include value added tax, corporate income tax and payroll taxes, along with other taxes that do not depend on business results. In addition, the laws regulating these taxes have not been applied for a long time, unlike in more developed market economies, while the regulations implementing these laws are often unclear or non-existent. There are often differences of opinion among state ministries and organizations regarding the legal interpretation of legal provisions, which can lead to uncertainty and conflicts of interest. Tax returns, along with other areas of legal regulation, are subject to review and control by several authorized authorities, which are legally empowered to prescribe very strict penalties and default interest.

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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

22 . TAX RISKS (continued)

The interpretation of tax laws by tax authorities in relation to the Company's transactions and activities may differ from management's interpretation. As a result, transactions may be challenged by tax authorities and the Company may be assessed additional taxes, penalties and interest. In accordance with the Law on Tax Administration of Montenegro ("Official Gazette of the Republic of Montenegro", No. 65/01, 80/04, 29/05, "Official Gazette of Montenegro", No. 20/11, 28/12, 8/15, 47/17, 52/19, 145/21), the limitation period for tax liabilities is 5 years, which means that tax authorities have the right to determine the payment of outstanding tax liabilities within 5 years from the moment the liability arose. These facts make the tax risk in Montenegro more significant than the tax risk in countries with more developed tax systems.

23 . LITIGATION

As of December 31, 2025, eight legal proceedings with an uncertain outcome are pending against the Company, however, the Company's management estimates that the value of the disputes is not materially significant and believes that no additional liabilities will arise for the Company on this basis and therefore has not made provisions for potential losses that may arise upon the conclusion of the legal dispute.

24. MANAGING RISKS CAUSED BY THE CONFLICT BETWEEN RUSSIA AND UKRAINE

The ongoing military operations in Ukraine and the related sanctions against the Russian Federation are affecting economies in Europe and the world. The Company does not have any significant exposure to Ukraine, Russia and Belarus. However, the impact on the general economic situation in the future may require the revision of certain assumptions and estimates, which may result in material adjustments to the carrying amounts of certain assets and liabilities during the next financial year. At this stage, management is not able to reliably estimate the impact as new events are occurring on a daily basis. In the long term, the consequences may affect the volume of operations, cash flows and profitability. Notwithstanding the above, at the date of issuance of these financial statements, the Company meets its obligations as they fall due and there is no indication that this will be compromised and therefore continues to apply the going concern basis of accounting for the preparation of the financial statements.

25 . EXCHANGE RATES

The official exchange rates used to translate the foreign currency positions of the statement of financial position into EUR as of December 31, 2024 and 2025 were as follows::

	(Amounts in EUR)	
	December 31, 2025	December 31, 2024
USD	0,8505	0,9575
JPY	0,0055	0,0061
RSD	0,0085	0,0085

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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES

Capital risk management

The objective of capital management is to ensure that the Company retains its ability to continue as a going concern for the foreseeable future, in order to maintain an optimal capital structure with the aim of reducing the cost of capital and providing a return on equity to the owners. The capital structure consists of debt, including long-term loans explained in note 21, short-term liabilities, cash equivalents and cash, and share capital attributable to owners, other equity, reserves and accumulated profits and losses. The persons controlling the Company's finances review the capital structure on an annual basis.

The debt ratios at the end of the year were as follows:

(Amount in EUR)	December 31, 2025	December 31, 2024
Indebtedness a)	5,000,000	7,000,000
Cash and cash equivalents	1,183,733	724,386
Net debt	3,816,267	6,275,614
Equity b)	13,233,911	9,777,705
Total debt to equity ratio	0.29	0.64

a) Debt refers to long-term and short-term financial liabilities.

b) Capital includes core capital, reserves, undistributed losses and profits.

Categories of financial instruments

(Amounts in EUR)	December 31, 2025	December 2024
Financial assets		
Trade and other receivables	1,673,724	1,152,054
Cash equivalents and cash	1,183,733	724,386
	2,857,457	1,876,440
Financial liabilities		
Short-term loans	5,000,000	7,000,000
Trade and other payables	1,418,950	1,527,165
	6,418,950	8,527,165

The Company's principal financial instruments are cash and cash equivalents, receivables, as well as short-term loans, trade payables and other liabilities whose primary purpose is to finance the Company's current operations. Under normal operating conditions, the Company is exposed to the risks listed below.

Financial risks

Financial risks include market risk (foreign exchange and interest rate), credit risk and liquidity risk. Financial risks are considered on a time basis and are primarily avoided by reducing exposure to these risks. The Company does not use any financial instruments to avoid the impact of financial risks on its operations because such instruments are not widely used, nor is there an organized market for such instruments in Montenegro.

Exchange rate risks

The Company's management believes that the Company is not significantly exposed to the risk of foreign exchange rate fluctuations when doing business in the country and abroad, as the majority of business transactions are carried out in the local currency EUR.

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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES (continued)

Market risks

In its operations, the Company is not exposed to financial risks from changes in interest rates. Exposure to market risk is assessed through sensitivity analysis. There have been no significant changes in exposure to market risk, nor in the way the Company manages or measures that risk.

Risk of interest rate changes

The Company is exposed to the risk of changes in interest rates on assets and liabilities with variable interest rates. This risk depends on the financial market and the Company does not have instruments at its disposal to mitigate its impact. The carrying amount of financial assets and liabilities at the end of the reporting period is given in the following table:

(Amount in EUR)	December 31, 2025	December 31, 2024
Financial assets		
Non-interest bearing		
Trade receivables	1,673,724	1,152,054
Cash equivalents and cash	1,183,733	724,386
	<u>2,857,457</u>	<u>1,876,440</u>
Financial liabilities		
Non-interest bearing		
Trade payables	1,167,486	1,248,716
Other liabilities	251,464	278,449
	<u>1,418,950</u>	<u>1,527,165</u>
Fixed interest rate		
Short-term loans	5,000,000	7,000,000
	<u>5,000,000</u>	<u>7,000,000</u>
Variable interest rate		
Long-term loans	-	-
Other long-term liabilities	-	-
Current maturity of long-term loans and leasing	-	-
	<u>6,418,950</u>	<u>8,527,165</u>

Since the Company does not have significant interest-bearing assets, the Company's income and cash flows are largely independent of changes in market interest rates.

The Company is not exposed to interest rate risk because its financial liabilities are subject to fixed interest rates.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES (continued)

Credit risk

Management of receivables from customers

The Company is exposed to credit risk, which is the risk that debtors will not be able to settle their debts to the Company in full and on time, which would result in a financial loss for the Company. The Company's exposure to this risk is limited to the amount of receivables from customers at the balance sheet date. The most significant customers - the balance of receivables as of 31 December 2025 are presented in the following table:

Customer name	(Amounts in EUR)	
	December 31, 2025	December 31, 2024
Daido Metal Europe GMBH	1,351,029	905,679
Daido Metal Co LTD Nagoya	19,492	9,137
Daido Metal Czech SRO	-	-
Customers in the country	13,549	2,931
Customers abroad	-	-
Impairment	-	-
	1,384,070	917,747

The structure of trade receivables as of December 31, 2025 is shown in the following table:

(Amounts in EUR)	Gross exposure	Impairment	Net exposure
Past due trade receivables	1.370.521	-	1.370.521
Due, corrected receivables from customers	-	-	-
Past due, uncorrected receivables from customers	13.549	-	13.549
	1.384.070	-	1.384.070

The structure of trade receivables as of December 31, 2024 is shown in the following table:

(Amounts in EUR)	Gross exposure	Impairment	Net exposure
Past due trade receivables	914,815	-	914,815
Due, corrected receivables from customers	-	-	-
Past due, uncorrected receivables from customers	2,931	-	2,931
	917,747	-	917,747

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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES (continued)

Past due trade receivables

Outstanding receivables as of 31 December 2025 in the amount of EUR 1,370,521 mostly relate to trade receivables. These receivables are due within 30, 60 or 90 days after the invoice date, depending on the agreed payment terms. The average collection period for receivables in 2025 is 60 days (2024: 60 days).

Credit risk

Accounts Receivable Management

Due, Corrected Accounts Receivable

Due, Uncorrected Accounts Receivable

The Company did not impair the overdue receivables reported as of December 31, 2025 in the amount of EUR 13,549, since no change in the creditworthiness of the customers was identified, and the Company's management believes that the total present value of these receivables will be collected by the reporting date, which was realized.

The aging structure of overdue, uncorrected receivables is presented in the following table:

	December 31, 2025	(Amounts in EUR) December 31, 2024
Less than 30 days	3,261	2,931
31 - 90 days	2,939	-
91 - 180 days	7,349	-
181 - 365 days	-	-
Over 365 days	-	-
	<u>13,549</u>	<u>2,931</u>

Accounts Payable Management

Liabilities to suppliers as of 31 December 2025 were stated in the amount of EUR 1,167,486. Suppliers do not charge default interest on due liabilities, and the Company settles due liabilities to suppliers within the agreed period, in accordance with the financial risk management policy. The average time for settling liabilities to suppliers in 2025 is 145 days (2024: 125 days).

Liquidity risk

The ultimate responsibility for managing liquidity risk lies with the Company's management, which has established an appropriate management system for the needs of the company's short-term, medium-term and long-term financing as well as liquidity management. The Company manages liquidity risk by maintaining adequate cash reserves continuously, monitoring planned and actual cash flow, as well as maintaining an adequate maturity ratio of financial assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES (continued)

Liquidity and credit risk tables

The following tables provide details of the remaining contractual maturities of financial assets. The amounts presented are based on undiscounted cash flows arising from the financial assets based on the earliest date on which the Company will be able to collect the receivables.

						December 31, 2024
(Amounts in EUR)	Less than a month	1-3 months	From 3 months to one year	m 1 to 5 years	Over 5 years	Total
Nekamatonosna	524,120	393,627	-	-	-	917,747
Fiksna kamatna stopa	-	-	-	-	-	-
	<u>524,120</u>	<u>393,627</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>917,747</u>

						December 31, 2025
(Amounts in EUR)	Less than a month	1-3 months	From 3 months to one year	From 1 to 5 years	Over 5 years	Total
Non-interest bearing	824,267	559,803	-	-	-	1,384,070
Fixed interest rate	-	-	-	-	-	-
	<u>824,267</u>	<u>559,803</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,384,070</u>

The following tables provide details of the remaining contractual maturities of the Company's liabilities. The amounts presented are based on undiscounted cash flows arising from the financial liabilities based on the earliest date on which the Company will be required to settle such liabilities.

Financial liabilities maturities

						December 31, 2024
(Amounts in EUR)	Less than a month	1-3 months	From 3 months to one year	rom 1 to 5 years	er 5 years	Total
Non-interest bearing	704,963	523,463	-	19,796	33,628	1,281,850
Fixed interest rate	-	-	7,245,315	-	-	7,245,315
Variable interest rate	-	-	-	-	-	-
Future interest	-	-	-	-	-	-
	<u>704,963</u>	<u>523,463</u>	<u>7,245,315</u>	<u>19,796</u>	<u>33,628</u>	<u>8,527,165</u>

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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES (continued)

Liquidity and credit risk tables (continued)

(Amounts in EUR)	December 31, 2025					Total
	Less than a month	1-3 months	From 3 months to one year	From 1 to 5 years	Over 5 years	
Non-interest bearing	955,275	283,164	133,631	14,843	32,037	1,418,950
Fixed interest rate	-	-	5,000,000	-	-	5,000,000
Variable interest rate	-	-	-	-	-	-
Future interest	-	-	-	-	-	-
	<u>955,275</u>	<u>283,164</u>	<u>5,133,631</u>	<u>14,843</u>	<u>32,037</u>	<u>6,418,950</u>

Operational risks

Operational risks refer to the risk of fraud, criminal acts, unauthorized activities, errors, inefficiency of IT systems and security. These risks occur in all activities of the Company and all companies within the Group implement a number of measures and procedures in order to prevent them, in particular through the organization and monitoring of the internal control system. Operational risks also include the risk of legal disputes.

The Company's management manages operational risks in order to prevent financial losses and damage to the Company's reputation. The key responsibility of the Company's management is the implementation of checks and regular assessment of the established system of internal controls related to the management of operational risks in the Company.

27 . SUBSEQUENT EVENTS

There were no other events after December 31, 2025 that would require adjustments or disclosures in the Company's financial statements in accordance with the requirements of IAS 10 "Events after the Reporting Period".

Kotor, June 30th 2026

Signed on behalf of Daido Metal Kotor AD, Kotor

Person responsible for preparing financial statements

Executive Director