This version of the Consolidated financial statements is a translation from the original, which was prepared in the Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the Consolidated financial statements takes precedence over translation

2023 ANNUAL Report

CONTENT

OVERVIEW OF KEY INDICATORS IN 2023

GROUP IN 2023

BUSINESS REVENUE*
(IN EURO)

471.7 million

DIFFERENCE
(COMPARED TO 2022)

+9.1%

EBITDA*
(IN EURO)

11.0 million

DIFFERENCE
(COMPARED TO 2022)

+4.6%

EBIT*
(IN EURO)

8.3 million

DIFFERENCE
(COMPARED TO 2022)

+20.8%

NET PROFIT*
(IN EURO)

4.6 million

DIFFERENCE
(COMPARED TO 2022)

+174.2%

*The financial measures used are not defined by International Financial Reporting Standards. For more details on the Alternative Performance Indicators used, see Table 5. Alternative Performance Measures

OVERVIEW OF KEY INDICATORS IN 2023

COMPANY IN 2023

BUSINESS REVENUE* (IN EURO)	**DIFFERENCE** (COMPARED TO 2022)
336.4 million	**+3.3%**
EBITDA* (IN EURO)	**DIFFERENCE** (COMPARED TO 2022)
5.7 million	**4.8%**
EBIT* (IN EURO)	**DIFFERENCE** (COMPARED TO 2022)
4.3 million	**+10.8%**
NET PROFIT* (IN EURO)	**DIFFERENCE** (COMPARED TO 2022)
1.4 million	**+294.3%**

*The financial measures used are not defined by International Financial Reporting Standards. For more details on the Alternative Performance Indicators used, see Table 5. Alternative Performance Measures

A COMMENT
IRENA LANGER-BREZNIK,
President of the Management Board

In the past 2023, M SAN GRUPA successfully managed through a dynamic economic environment, demonstrating exceptional resilience and adaptability. Despite constant market changes and external influences, our Group maintained a high level of stability and agility.

Relying on activities aimed at strengthening organizational structures, process optimization and continuous development of competencies, we achieved a record revenue of EUR 471.7 million, which represents a 9.1% growth compared to the previous year. We also recorded a 4.6% increase in EBITDA, while net profit increased by 174.2%. These results clearly confirm the effectiveness of our strategic initiatives and operational excellence.

All key indicators of our business point to our focus and strong commitment to distribution, which resulted in a 6.9% increase in the number of active partners, i.e. a 42.9% growth in the share of web B2B sales, as well as a 4.6% increase in the sales of our own brands. Effective inventory management reduced days of inventory on hand by 26.9%, clearly demonstrating our commitment to optimizing resources and improving cash flow.

An important further step in our development was the acquisition of Data Link in July 2023, which expanded our market potential in the LED lighting segment. This strategic move underscores our commitment to diversification and innovation, positioning M SAN Grupa as a leader in emerging technology markets.

The integration of Alterna Distribution into M SAN GRUPA after the acquisition, concluded in November 2022, was also a significant event that strengthened our presence in the Slovenian market, contributing to our overall growth strategy.

The strength of our distribution, the optimization of business processes and quality strategic management have enabled us to preserve jobs, improve the conditions for our employees and improve the results and practices that form the basis of good corporate practice. We thank our employees, customers, suppliers and partners for their commitment and cooperation, and we look forward to further building a successful future together.

IRENA LANGER - BREZNIK
President of the Management Board

ABOUT US

THE M SAN GRUPA is a limited liability Company for computer production, trade and import-export with its headquarters in Rugvica, Dugoselska ulica 5, represented by the President of the Management Board, Mrs. Irena Langer-Breznik, Company registration number: 080157581, was registered at the Commercial Court in Zagreb in 1995 under the name M SAN d.o.o., and in 1997 it got its current name.

The M SAN Grupa is the largest private IT Company in the Republic of Croatia. Within the M SAN Grupa, whose primary activity is the distribution of computer hardware, software and consumer electronics, companies in the region such as Kim Tec Bosnia and Herzegovina, Kim Tec Serbia, Kim Tec Montenegro and Pakom Kompani North Macedonia operate, among others, and from the end of 2022 and Alterna distribucija d.o.o. in Slovenia. In July 2023, the Company concluded the acquisition of the company Data Link, which specializes in the production of professional LED lighting and develops products and production technology, software solutions and the technology of LED lighting fixtures. In addition to the above, the Group produces IT equipment and consumer electronics of its own brands, which includes TV sets, air conditioners, lighting fixtures (LED lamps), white goods, desktop computers and electric mobility products (electric scooters, electric bicycles and electric motocycles), which it also distributes through its distribution network.

In the portfolio, the Group also has a logistics activity that primarily includes storage, manipulation and transport of goods (M SAN LOGISTIKA), a service activity for the provision of servicing and repair of goods during the warranty and non-warranty periods (MR Servis d.o.o., KIM TEC-SERVIS d.o.o. Vitez, KIM TEC SERVIS d.o.o. Belgrade) and the collection and disposal of electrical and electronic waste (M SAN EKO d.o.o., KIM TEC EKO d.o.o. Vitez).

The Group has one subsidiary.

Since its establishment, the Group has implemented a strategy of strengthening its portfolio with all major world-renowned brands of IT equipment and consumer electronics. Special emphasis is placed on the production and development of our own brands, with production taking place in the People's Republic of China, the Republic of Turkey, the Republic of Croatia and the Republic of Serbia. Most of the production takes place in the plants of third parties, while in the plants of the Group's companies, in the Republic of Croatia and the Republic of Serbia, the assembly of personal computers, TV sets and electric bicycles takes place, as well as the production of led lighting of our own brands. In parallel, the expansion of the Group's operations in the Adriatic region is being carried out by establishing companies and logistics centres with the development of its own logistics, as well as service and service support. Its own regional logistics network is one of the Group's key competitive advantages.

Since entering the market until today, we have gained the trust of our customers, partners and suppliers, the number of which is constantly increasing. We are proud that we have become one of the best distributors on the regional IT and CE market from our beginning until today. We attribute our position as a market leader to the commitment of our employees, suppliers, customers and stakeholders, because we firmly believe that achieving common goals leads to success and enables additional expansion and improvement of our own business.

The Company does not carry out research and development activities. The Company will publish a non-financial report with all relevant parameters on the website (www.msan.hr) within the legally stipulated period.

29 YEARS

YOUR RELIABLE PARTNER

BUSINESS MODEL

The business model of the M SAN Grupa is based on building and maintaining trust and reliability of cooperation with suppliers and customers, developing a diverse product portfolio and financial stability, and special care that is devoted to products of its own brands.
We have acquired a large number of satisfied partners and customers by investing in production, distribution, marketing and development. Our own brands that we are proud of are VIVAX in the consumer electronics range, MS Energy in the e-mobility range, MSGW computers, MS in the range of peripherals, cables, drones, housings, power supplies and accessories for mobile phones, laptops and desktops, Solmacht which covers the field of solar systems and MS Lux which offers a range of LED lighting products.

VIVAX The VIVAX brand as a domestic product has been present on the Croatian market since 2004, and has been placed on a total of 39 markets, meaning 4 continents. Today, the VIVAX range offers more than 300 different products that can be divided into 5 product Groups: TV and audio, Air conditioning (air conditioners, heat pumps), Small home appliances, White goods and Smart devices (smart watches and tablets). The entire range and design of VIVAX products is completely designed in Croatia, and high quality standards are ensured by the implementation of strict procedures in production processes with a special emphasis on quality control processes. VIVAX is part of a Group of rare European consumer electronics brands that manufacture their products on European soil. Also, M SAN has a production line of LED TV devices with diagonal sizes from 22" to 65", which takes place in its own premises in Rugvica. This production is intended for the Croatian market, as well as the European Union market.

BUSINESS MODEL

MS ENERGY is our own brand of electric scooters, bicycles and all other modern personal electric transportation systems. It has been present on the Croatian market since 2019, and today's range of MS Energy is divided into four categories: electric bicycles, electric scooters, electric motorcycles and accessories. In today's world, where mobility and ecology define a new lifestyle, MS Energy provides answers to customer demands for sustainable, simple and smart transport solutions, the for complete e-mobility.

The reliability and quality of e-mobility products is one of the foundations of the MS Energy brand. The product creation strategy and the entire production process are based on the use of proven technological solutions, and the very idea of creating a product is based on the desire to offer the user a complete, reliable, environmentally friendly and economical solution to the issue of urban mobility.

BUSINESS MODEL

MS LUX is one of the leading European manufacturers of professional lighting. Utilizing state-of-the-art LED technology, it replicates sunlight, adapting and optimizing it for all needs with the smallest ecological footprint. It has evolved from two established brands of professional LED lighting:
DATA Link - specializing in the production and development of lighting for special purposes, work lighting, and explosion-proof lighting for industrial applications.
LEDA - the production development of MS Lux lighting began under the LEDA brand in 2015. From its inception, the development has been strategically focused on public and industrial lighting, having supplied public lighting for over 100 cities and municipalities in Croatia, Bosnia and Herzegovina, Macedonia, Slovenia, Serbia, and the surrounding region. In addition to lighting fixtures, solutions based on IoT technologies for monitoring and managing lighting have been implemented.
This product group consists of several lines of public lighting: street lighting, ambient lighting, and floodlights.

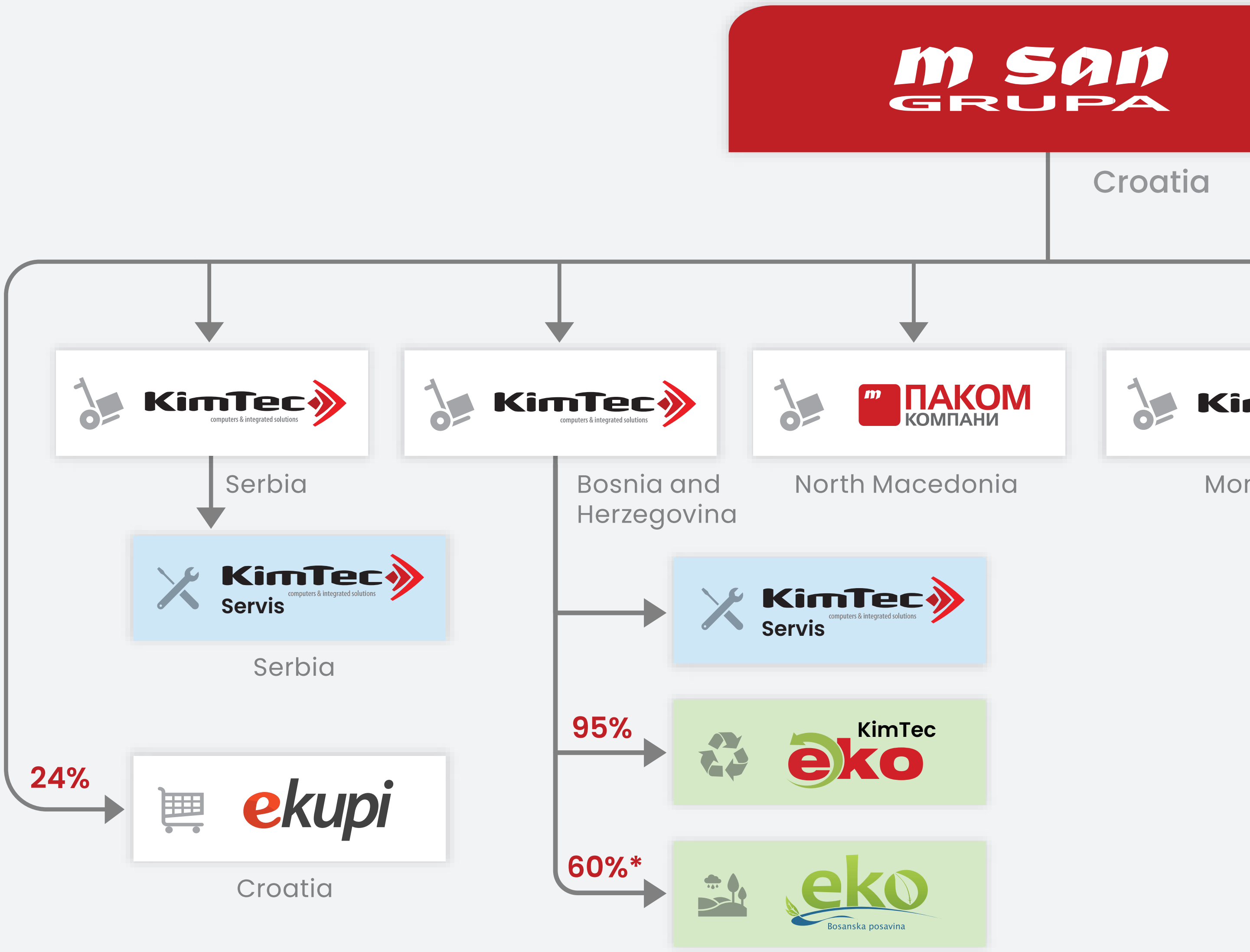
MSGW has been on the Croatian market since 2005 as M SAN's own brand. All computers are manufactured in the Group's automated IT equipment production facility and have undergone numerous testings of correctness. MSGW computers meets all the necessary requirements set by Microsoft for full compatibility of built-in components with the Windows operating system.

BUSINESS MODEL

MS is a private brand of the M SAN Grupa, which combines the production and sale of computer peripherals including headphones, speakers, keyboards and mice, as well as housings, power supplies and cables. With a 20-year tradition, it successfully operates on the Croatian market and regional markets (Serbia, Bosnia and Herzegovina, Macedonia, Montenegro) and is expanding its operations to other EU markets as well. Each stage of the production cycle is subject to strict quality control, which ensures the reliability and functionality of each device, and ultimately a quality product at an affordable price.

SOLMACHT is an own brand in the portfolio of M SAN GRUPA, created in response to market needs for complete solutions in the field of solar power plants production. Through the framework of Solmacht, business and private users are provided with a complete service for the production of solar power plants: from the conceptual design and detailed solar power plant project in accordance with the needs of users, professional assistance in the process of obtaining permits and approvals, the supply of all components for the production of the solar power plant according to the design, the organization of execution and supervision, all the way to commissioning.

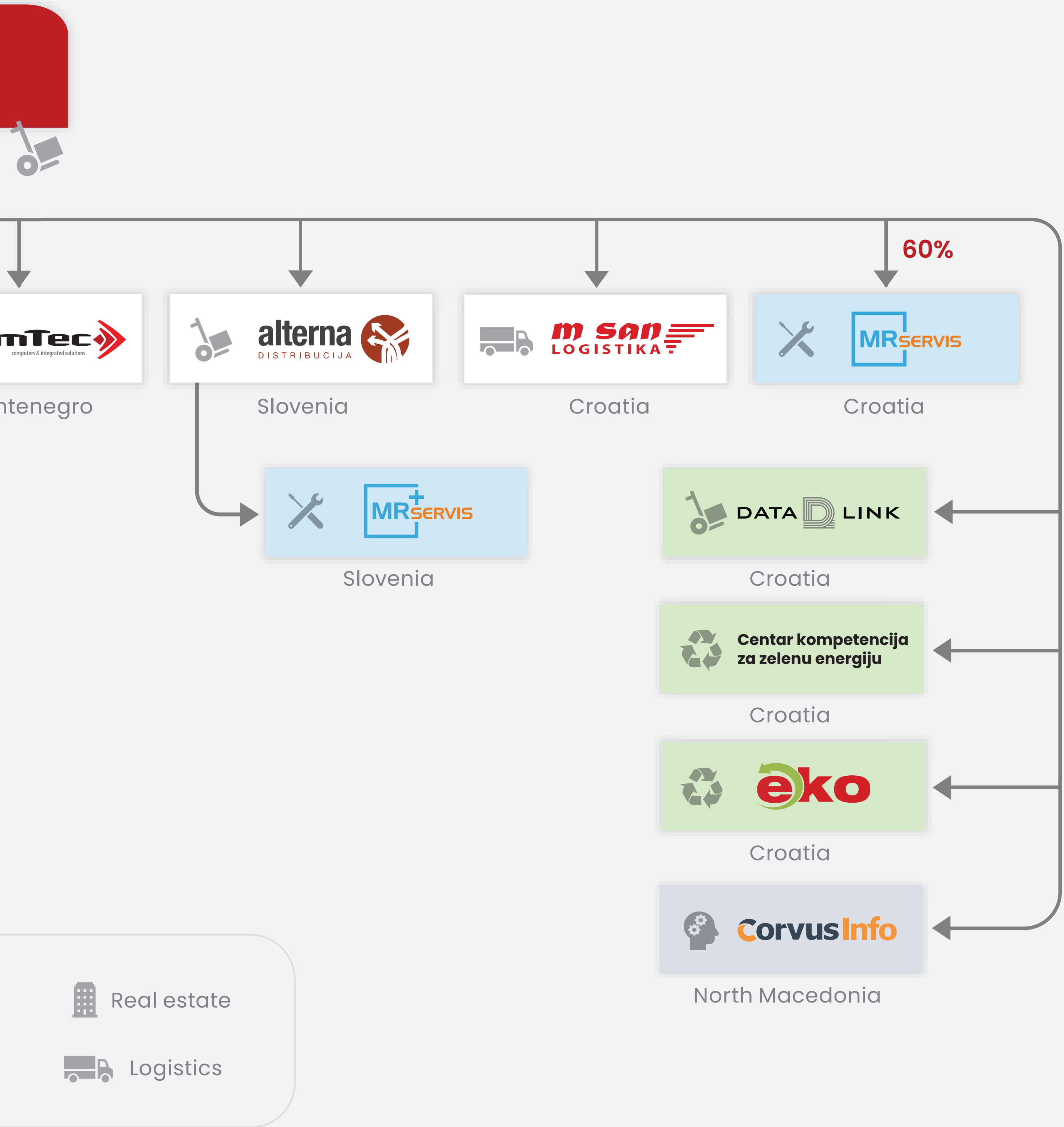
OVERVIEW OF RELATED COMPANIES OF M SAN GRUPA



Legend

- IT & CE distribution
- Ecommerce
- Service
- Agriculture
- EE waste disposal
- ICT

*on December 31, 2023, the company did not participate in the consolidation.



alterna DISTRIBUCIJA
Slovenia
m san LOGISTIKA
Croatia
60%
MR SERVIS
Croatia
MR SERVIS
Slovenia
DATA LINK
Croatia
Centar kompetencija za zelenu energiju
Croatia
eko
Croatia
Corvus Info
North Macedonia
Real estate
Logistics

acer · ADATA · alhua TECHNOLOGY · AMD · AOC EYES VALUE · APC by Schneider Electric

AUTEL ROBOTICS · AXAGON · BenQ Enjoyment Matters · BIRCH · BIXOLON · elo

DELL · DELL EMC · dji THE FUTURE OF POSSIBLE · D-Link · Getac · ASUS IN SEARCH OF INCREDIBLE

Hewlett Packard Enterprise · Honeywell · hp · IBM · ImmuniWeb AI for Application Security · LG Life's Good

KRUPS · Lenovo · LINKSYS by Cisco · MS ENERGY · intel

nuclias cloud · NVIDIA · PALiT · SAMSUNG · SanDisk

Seasonic · SONY · steelseries professional gaming gear · TRAXDATA · TRITON

BOSCH Invented for life · UNIFY · VEEAM · NOKIA · HONOR

manhattan Life just got easier. · Acronis · aruba a Hewlett Packard Enterprise company · ASRock · EPSON EXCEED YOUR VISION

H-L Data Storage · Kingston TECHNOLOGY · kaspersky · Panasonic · CAT

PHILIPS · ROWENTA · QNAP · INTELLINET NETWORK SOLUTIONS · TEFAL

thermaltake · TOSHIBA Leading Innovation · Transcend · MSGW GAMING COMPUTER · WD

VERTIV · VIVAX · xerox · YUNEEC ELECTRIC AVIATION · CyberPower Reliability. Quality. Value.

Canon · FSP · GARMIN · Hauppauge! · msi

PORTFOLIO, SALES CHANNELS, PARTNERS

The M SAN Grupa d.o.o. is the leading distributor of IT products and consumer electronics of more than 60 of the world's most reputable manufacturers and more than 15,000 products.
The following stand out among them: Microsoft, Hewlett Packard, Samsung, Acer, Asus, IBM, LG Electronics Inc, Panasonic, Lenovo, Toshiba, Transcend, Western Digital...
The M SAN Grupa has expanded its range with a full range of quality products from which every business or home user can choose a product according to their wishes and capabilities.

The M SAN Grupa's logistics is among the most developed in the region, which ensures fast and accurate delivery.

The M SAN Grupa has over 7,400 partners inside and outside Croatia. Sales channels consist of commodity chains, IT and CE retailers and system integrators. Internal sales teams of the M SAN Grupa were also developed according to the sales channels according to product Groups. Through the 'Enterprise'' sales segment, the M SAN Grupa offers high added value through knowledge and complex solutions for partners such as system integrators and similar.

With a large number of partners, the Group has significantly diversified its operations, where the largest unrelated customer accounts for 1.5% of the total annual turnover. The Group invests significantly in the sales channels of exports to third countries (countries where there are no subsidiaries), so the total share of exports to third parties amounted to 15.8% in 2023

.

HISTORICAL DEVELOPMENT OF Group

1995
The Company M SAN d.o.o. was founded.

1997
The Company M SAN Grupa d.o.o. was founded, to which the operations of the Company M SAN d.o.o. were transferred.

1999
The Company KIM TEC d.o.o. was founded. Vitez, Bosnia and Herzegovina

2004
The Company KIM-TEC d.o.o. Belgrade was founded, Republic of Serbia

2004
VIVAX brand registered

2005
The Company KIM TEC CG d.o.o. was founded. Podgorica, Montenegro

2006
Business shares in Pakom Kompani (North Macedonia) acquired

2008
Business shares in the companies Elektromagic (Croatia and Bosnia and Herzegovina), Recos (Bosnia and Herzegovina) acquired

MR Servis d.o.o. was founded

2009
The companies M SAN EKO, KIM-TEC Servis BG and KIM-TEC Servis Vitez were founded

2013
Kim TEC Eko was founded, MS brand registered

2019
MS ENERGY brand registered

2021
Issuance of a corporate bond, SOLMACHT brand registered

2022.
Acquired business shares in the company Alterna distribucija (Slovenia)

2023
Acquired business shares in the company DATA LINK d.o.o. Bjelovar

ORGANIZATIONAL STRUCTURE

The M SAN Grupa is a limited liability company. The sole owner of the Company is Mr. Stipo Matić. The Company does not own its own shares and does not implement a program to buy them back.

Supervisory Board:

Željko Menalo, President of the Supervisory Board since January 1, 2023
Miroslav Huzjak, Deputy President of the Supervisory Board since January 1, 2023
Stipo Matić, member of the Supervisory Board,
Marko Rašić, member of the Supervisory Board,
Snježana Matić, member of the Supervisory Board until April 7, 2024

Management Board:

Irena Langer-Breznik, President of the Management Board since 1 January 2023
Žarko Kruljac, Vice-President of the Management Board since 1 October 2022
Slaven Stipančić, member of the Management Board,
Goran Kotlarević, member of the Management Board,
Alen Panić, member of the Management Board since 1 October 2022
Vladimir Brkljača, member of the Management Board since 1 October 2022
Miroslav Gabrić, member of the Management Board from 6 May 2022 to 8 March 2023

The operating business of the Group is organized through four divisions:

- **ITCE** – distribution of IT equipment and consumer electronics;
- **Enterprise** – value-added distribution for customized hardware-software solutions;
- **VIVAX** – production and distribution of its own brand, over 300 items in all categories (TV and audio, air conditioning, white goods, small home appliances, smart devices).
- **Zelena** – production and distribution of own brands of electric mobility and professional LED lighting, distribution of solar power plant components.

The heads of the Company's divisions are also responsible for the divisions in the regional members, which at the same time comprise four sales channels whose motto is **"One Company on many different markets".**

ORGANIZATIONAL STRUCTURE

In the reporting period ending on 31 December 2023, a total of 554 employees contributed to the core business of the parent Company M SAN Grupa and related companies in Croatia, as well as 398 employees in the region (Serbia, Bosnia and Herzegovina, Montenegro, Macedonia, Slovenia). A total of 952 employees contributed to the growth and development of our companies during the year as of 31 December 2023.

Our main goals and ambitions are:

- to become the most successful ITCE distributor in the Adria region
- to develop our own brand with a relevant presence on the EU market
- to achieve market leadership in the field of e-Mobility
- to build a logistics infrastructure in order to reach end consumers
- lean operations

Key operating indicators of the Group

7.400+	200.000	950+	6
PARTNERS	PRODUCTS DELIVERED PER MONTH	EMPLOYEES	OWN BRANDS

CORPORATE Governance

The M SAN Grupa, as an entity of public interest whose corporate bonds are listed on the Official Market of the Zagreb Stock Exchange, in accordance with the Accounting Act, Article 22, is obliged to include a statement on the application of the Corporate Governance Code in the annual report.

The M SAN Grupa is not obliged to apply the Corporate Governance Code of the Croatian Financial Services Supervision Agency and the Zagreb Stock Exchange d.d. (https://www.hanfa.hr/media/4098/zse_kodeks_hr.pdf), but the Group is guided in its operations by the highest standards of governance and responsibility in accordance with good corporate management practices, and the standards and practices themselves are included in the Articles of Association, which are available on the Company's website (https://www.msan.hr/wp-content/uploads/2024/02/2023-01-02_M-SAN-Grupa_Odluka-o-izmjeni-izjave-drustva.pdf).

The Company is also obliged to submit data on corporate governance practices to Croatian Financial Services Supervision Agency through the Questionnaire on governance practices for bond issuers (GIKU-UOP-OBV).

The M SAN Grupa is a signatory to the Code of Ethics in Business, initiated by the Croatian Chamber of Commerce. The mentioned Code establishes the guidelines for the ethical behaviour of business entities, and the signatories undertake, among other things, to respect human rights, apply the provisions on preventing corruption, and so on.

INTERNAL CONTROLS AND RISK MANAGEMENT IN RELATION TO THE FINANCIAL REPORTING PROCEDURE

Internal accounting controls, meaning the procedures of competent employees, ensure the accuracy, validity, and comprehensiveness of financial records and reports, which are the basis for the preparation of annual financial reports. This system of controls also ensures their compliance with International Financial Reporting Standards. The Company's accounting policies represent the rules that the Company applies when compiling financial statements. A summary of the most significant accounting policies is published in the Company's financial statements.

CORPORATE Governance

BODIES OF THE COMPANY

The corporate governance structure of the M SAN Grupa is based on a dualistic system, which consists of the Supervisory Board and the Company's Management Board, which, together with the General Assembly, in accordance with the Statute and the Companies Act, represent the three fundamental bodies of the Company. The Supervisory Board has established an Audit Committee, which, when performing its tasks, assesses the quality of the internal control and risk management system with the aim that the main risks to which the Company is exposed (including risks related to compliance with regulations) are appropriately identified.

DESCRIPTION OF DIVERSITY POLICY

The employment policy within the Group respects the personal integrity of each individual by respecting the principles of diversity and equal opportunities. Diversity is one of the characteristics of our organizational culture, which has been present since the founding of the Company, and is manifested in the belief that differences in gender, skin colour, political or other beliefs, national or social origin represent wealth, which has existed within M SAN and has been transformed into success for more than 20 years.

The Group strictly prohibits and condemns any form of discrimination with the aim of providing and ensuring a sustainable work environment without discrimination and abuse based on gender, race, religion, ethnicity, sexual orientation or any other characteristic/status as a basis for discrimination. The Group is committed to providing a non-discriminatory workplace, and we are proud of the absence of reported incidents.

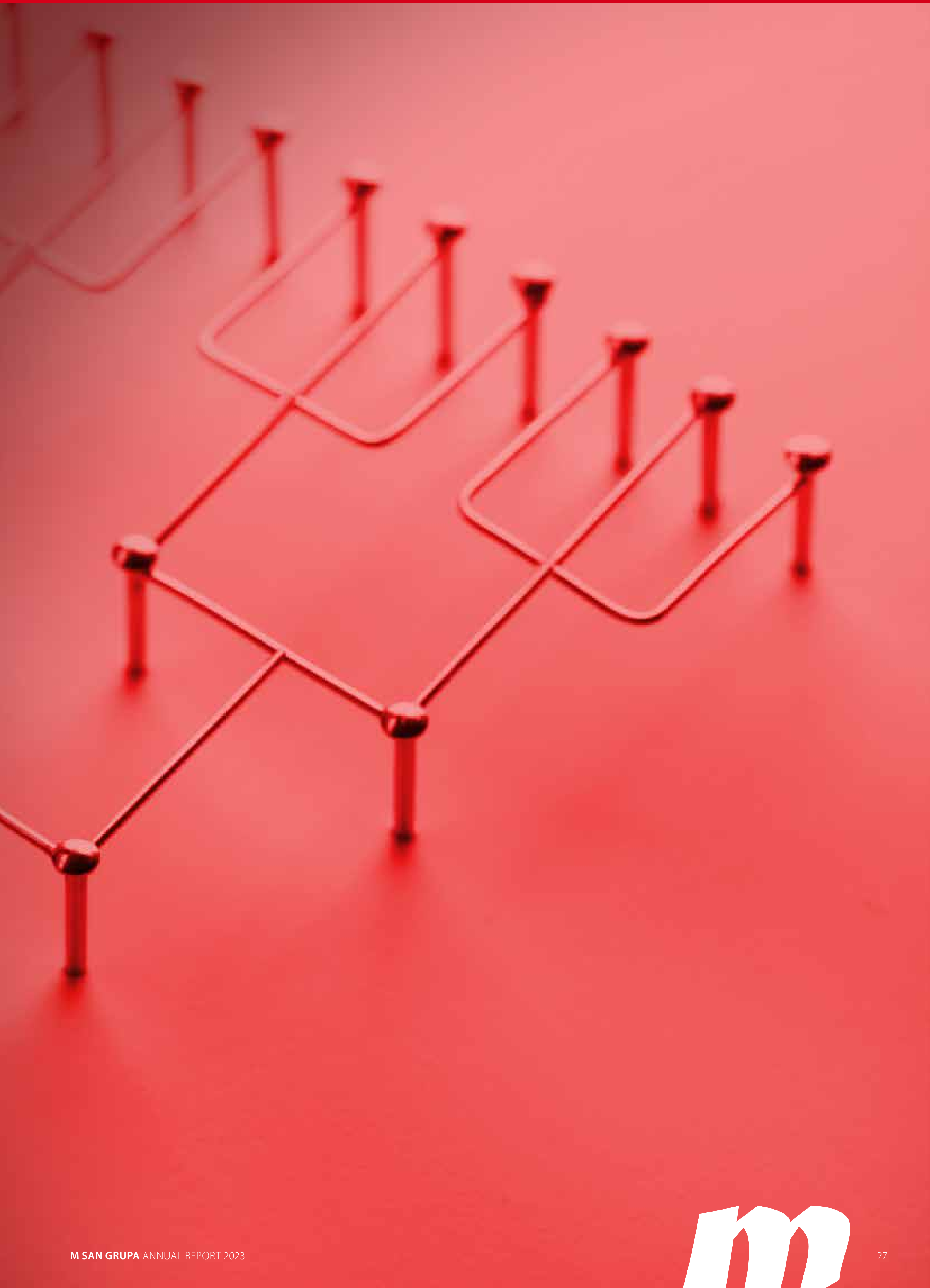
CORPORATE governance

Governance within M SAN is based on the transparency and efficiency of corporate governance based on the best international practices, ensuring the success and sustainability of the entire Group's activities.
M SAN operates within a two-level board structure, consisting of the Supervisory Board and the Management Board. During 2023, the Supervisory Board consisted of five members, while the number of Management Board members decreased from seven members at the beginning of the year to six members at the end of the first quarter.

The Supervisory Board and the Management Board ensure that the established strategy, resources, risk management system, internal control system and relations with stakeholders support the long-term success and sustainable development of the entire Group. Moreover, the above elements ensure that the strategy takes into account the potential impact on the environment and the community, and that the policies, culture and values of M SAN promote ethical behaviour, respect for human rights and lead to a stimulating and pleasant work environment.

The role of the Management Board in conducting business is regulated by the Companies Act, the Statute and by-laws. The Management Board performs its function with the attention of an orderly and conscientious economist, taking into account primarily the best interests of the Group. When making decisions, the Management Board must not be guided by personal interests, that is, use business opportunities for personal purposes, and it is obliged to immediately notify the Supervisory Board of any conflict of interest.

The Assembly of the Company is the highest body, and it consists of the member of the Company as the sole founder. The member of the Company makes the decisions he is authorized to make by law and the Articles of Association. The Assembly decides on issues that are within the exclusive competence of the Assembly based on the current Companies Act. If it deems that there is a need for it, the Assembly is authorized to issue mandatory instructions to the Management Board regarding the management of the Company's affairs, and the Management Board is obliged to manage the Company's affairs in accordance with the mandatory instructions of the Assembly. The Assembly is convened by the Company's Management Board in cases prescribed by the Companies Act and whenever the Company's interests require it, but it can also be convened by the Supervisory Board and the member of the Company. The Assembly is eligible for decision-making if the sole member of the Company is present.



The M SAN Grupa's MANAGEMENT BOARD

IRENA LANGER BREZNIK
PRESIDENT OF THE MANAGEMENT BOARD

Irena Langer Breznik has held a number of management positions in the M SAN Grupa for 18 years. In her roles, which include a leadership position in the M SAN Grupa's procurement, in addition to responsibility for the complete procurement process in the Republic of Croatia and regionally, she is responsible for obtaining new distributions, nurturing quality relationships with principals, organizing and implementing marketing activities at the level of M SAN and companies in the region; moreover, she was responsible for the establishment of new business processes as well as the improvement of existing ones and worked continuously on structural improvements of business processes with special emphasis on regional procurement, development and improvement of operations in the foreign markets of Group members, management of numerous projects with the aim of developing and improving business applications, electronic trade development between business entities, inventory management and digital transformation. Since 2011, Mrs. Langer Breznik leads the e-commerce development and operations of eKupi, both in the Republic of Croatia and regionally, and serves as a member of the M SAN Grupa Management Board. On 1 January 2023, she assumed the position of President of the Company's Management Board.

ŽARKO KRULJAC

VICE-PRESIDENT OF THE MANAGEMENT BOARD

Žarko Kruljac devoted 17 years in the M SAN Grupa to the development of the Froup's sales force and distribution reach. Initially, he stood out thanks to the successes in business and the realization of strategic goals that he achieved in management positions in companies in the Republic of Serbia and Bosnia and Herzegovina, and after that, managing commercial operations in Croatia and the region, and focused his activities on three key aspects: continuous building and strengthening of partnership customer networks, raising the competences of sales operations and adapting sales processes to market changes. He received his doctorate in the field of economic sciences in 2020. Since 2009, Mr. Kruljac has been a member of the Company's Management Board.

SLAVEN STIPANČIĆ

MEMBER OF THE MANAGEMENT BOARD

During his 20 years in the M SAN Grupa, Slaven Stipančić focused on improving the procurement process and expanding the distribution portfolio. Mr. Stipančić, leading a team of successful professionals, is responsible for and made a great contribution to the development of M SAN's own VIVAX brand, thanks to which VIVAX became a recognized brand that is sold on almost the entire European market, as well as on other continents. As director of the consumer electronics segment, he works on contracting and developing distribution cooperation with the world's strongest CE brands, in Croatia and the region. At the same time, he is working on optimizing the connection between the sales processes of international CE brands and the Company's procurement processes. Since 2009, Mr. Stipančić has been a member of the Company's Management Board.

The M SAN Grupa's MANAGEMENT BOARD

GORAN KOTLAREVIĆ
MEMBER OF THE MANAGEMENT BOARD

Strengthening sales operations and expanding the distribution reach, in all countries of the region, are the main subjects of Mr. Kotlarević's activities. In his 18 years of work in the M SAN Grupa in the positions of sales manager, sales director and business development director, Mr. Kotlarević directly influenced the building of the Company's strong market presence and its current recognition. Since March 2021, Mr. Kotlarević has been a member of the Company's Management Board.

MIROSLAV GABRIĆ
MEMBER OF THE MANAGEMENT BOARD

Mr. Miroslav Gabrić joined the management of the M SAN Grupa in 2022, after more than 2 decades of experience in key management positions of the largest distribution Groups in Croatia and neighbouring countries, where he worked on the organization of logistics, including the implementation of technological solutions for the optimization of all processes in in the field of logistics. His arrival at the M SAN Grupa is connected precisely with his primary responsibility of consolidating, optimizing and developing all processes in the field of logistics. Since 8 March 2023, Mr. Gabrić no longer acts as a member of the Company's Management Board.

ALEN PANIĆ
MEMBER OF THE MANAGEMENT BOARD

During almost 19 years within the M SAN Grupa, Mr. Alen Panić held a number of functions related to the construction and development of the division of high technologies and project business, including the role of executive director of the so-called value-added distribution. Today, the mentioned division consists of a number of departments that are responsible for the business of infrastructure, software, cloud and project solutions, distributed in all the countries of the region, distributing the world's largest technology principals, and represents the regional leader in that segment of business behind which hundreds of successfully delivered the most complex ICT projects, continuous growth and business expansion. Since October 2022, he has been a member of the Company's Management Board.

VLADIMIR BRKLJAČA
MEMBER OF THE MANAGEMENT BOARD

Vladimir Brkljača built his business career in the M SAN Grupa, where he devoted himself to the development of the VIVAX brand for the past 20 years. Along the way, he held various positions; from product manager, head of development and procurement VIVAX, head of the VIVAX profit center, and for the last 5 years he held the position of executive director of the VIVAX division, with key responsibilities for development, procurement, sales and building the VIVAX brand. He led the project of moving and building a plant for the production of VIVAX LED televisions in Croatia and in the initial phase the development of the MS Energy brand. He made the main contribution to the overall development and strengthening of the VIVAX division's operations in all countries of the region, a significant step forward to the EU market, and the implementation of the VIVAX brand strategy. Since October 2022, he has been a member of the Company's Management Board.

The M SAN Grupa's SUPERVISORY BOARD

ŽELJKO MENALO

PRESIDENT OF THE SUPERVISORY BOARD

Željko Menalo spent most of his career in the financial industry within the Erste&Steiermarkische Group in Croatia, where he performed various managerial tasks. He joined the SM Group* in 2019 with employment at the Company M SAN Ulaganja d.o.o., and since 2022 he has been employed at the Company Ured za podršku d.o.o. in the position of adviser. By the decision of the Company's Assembly of September 2022, Željko Menalo was appointed to the position of President of the Supervisory Board with the beginning of his term of office on 1 January 2023.

MIROSLAV HUZJAK

DEPUTY PRESIDENT OF THE SUPERVISORY BOARD

For the past 24 years, Miroslav Huzjak has been working in leading positions in the M SAN Grupa, leading teams of professionals who have positioned the Company as the most important ICT and CE distributor in the Adria region. He worked in various jobs in the Company, and held a managerial position in the commercial department, which in addition to the responsibility for the organization of the commercial department, and its successful operation and the positioning of M SAN as a market leader, included numerous other responsibilities. Mr. Huzjak was responsible for conducting key negotiations for concluding a distribution contract with the largest globally significant principals, thanks to which M SAN became an authorized distributor of numerous world-famous brands, both in the territory of the Republic of Croatia and regionally. As of 1 January 2023, Mr. Huzjak holds the position of Deputy Chairman of the Supervisory Board of the M SAN Grupa.

MARKO RAŠIĆ

MEMBER OF THE SUPERVISORY BOARD

Marko Rašić started his career in the Group in 2003 as an intern in the Finance Department and by 2011 he had progressed to the position of head of finance. During the acquisition period of the Group in the agricultural segment, he actively participates in takeover processes and the subsequent financial restructuring of acquired agricultural companies. In parallel with his duties as head of finance, since 2016 until he has held the position of Chairman of the Supervisory Board of PP ORAHOVICA d.o.o. and President of the Supervisory Board of PPK Valpovo d.o.o. and from 2014 to 2023 he has been a member of the Supervisory Board of the Company KING ICT d.o.o. In the Supervisory Board of M SAN, he has held the position of Deputy Chairman of the Supervisory Board from 2016 until 2023 when he became a member of the supervisory board. In 2017, he was appointed director of the Company Ured za podršku d.o.o. From February 2024, Mr. Rašić also acts as the chairman of the Supervisory Board of Agro Invest Grupa d.o.o.

STIPO MATIĆ

MEMBER OF THE SUPERVISORY BOARD

Stipo Matić founded M SAN in 1995 and is its sole founder and member. In the period until 2009, Stipo Matić held the position of director of M SAN GRUPA, and then took over the position of Chairman of the Supervisory Board of the Company. Moreover, Stipo Matić is the director of M SAN Logistika d.o.o. and M SAN EKO d.o.o., member of the Management Board of eKupi d.o.o., as well as the Chairman of the Supervisory Board of KING ICT d.o.o. Today, the portfolio of companies owned by him includes KING ICT d.o.o., eKupi d.o.o., Ured za podršku d.o.o., CORVUS PAY d.o.o., Agro Invest Grupa d.o.o., and others.

SNJEŽANA MATIĆ

MEMBER OF THE SUPERVISORY BOARD

Snježana Matić has been involved in the business of M SAN since the very foundation of the Company. In the beginning, she worked on sales tasks, and then on procurement tasks with a special focus on building long-term sustainable business relationships with suppliers. In response to the growth of SAN's business activities, she took over the coordination of activities in accounting and finance, and in 2004 devoted herself to the development of system integration business, where she still operates in the field of controlling. She has been a member of the Supervisory Board of M SAN from 2004 until April 7, 2024.

In addition to the Supervisory Board and the Management Board, the Audit Committee, consisting of three members Branislav Vrtačnik, Kristina Alebić and Branka Gerić, has the role of providing support to the Supervisory Board in its performance his tasks and the implementation of other activities, in accordance with applicable laws and others provisions. The audit committee is an advisory committee of the Supervisory Board without executive powers, that is, it acts as a specialized subcommittee of the Supervisory Board, and its powers derive from powers of the Supervisory Board.

***SM group: A group consisting of companies in which the sole member of the M SAN Grupa directly or indirectly exercises control**

OPERATING
Business

ITCE DIVISION

The ITCE division operates in the territories of the Republic of Croatia, Serbia, Bosnia and Herzegovina, North Macedonia, Montenegro and Slovenia.

The division includes the categories of 19 strategic product Groups that refer to the 'A' brands of world manufacturers in the total product portfolio of the M SAN Grupa. The ITCE division is divided into four verticals across all countries where it operates, namely the IT vertical, Notebooks/Computers vertical, Consumer Electronics - Appliances vertical, and Sales Division Vertical. Each of the verticals specializes in the procurement and sale of a certain part of the range.

The IT vertical includes strategic groups of products that are primarily components of the desktop computer and accessories that are closely related to the computer itself. The most important strategic groups in the IT vertical are desktop computers, desktop computer components, monitors, consumables and printers, peripherals, network equipment and the gaming range.

In the IT vertical, there is an own brand of desktop computers called MSGW, which is manufactured in an automated plant for the production of IT equipment, and the private MS brand, which encompasses computer peripherals such as headphones, speakers, power supplies, keyboards and mice, and housings and cables.

The CE-A vertical includes strategic groups of white goods, TVs, air conditioners, drones, small household appliances, new technologies, mobile phones and brown goods.

The NOT/COMP vertical includes strategic groups of laptops, gaming laptops, desktop computers and monitors related to 'A' brands of manufacturers.

The Sales Division vertical is primarily in charge of distributing and expanding the strategic manufacturer groups located in the ITCE Division portfolio across all divisional sales channels.

In 2023, the ITCE Division recorded total revenues of EUR 206.1 million, representing a 1.7% decrease in the achieved result compared to the previous year. The highest growth compared to the previous year was achieved in the CE vertical, 9.2%, the IT vertical saw a 2.1% growth, while the NOT/COMP vertical recorded a 9.8% decrease in revenue. The CE vertical saw an increase in the number of partners in distribution and increased sales of small household appliances, white goods and TVs, along with successful team consolidation in the markets of Serbia, Montenegro, and Macedonia. Meanwhile, the IT vertical saw a slight growth in most strategic groups, particularly in components. At the same time, the NOT/COMP vertical saw a decline in revenue primarily due to a decrease in investments in the private and government sectors.

Geographically, compared to the previous year, sales growth was achieved in the markets of Croatia by 6.3%, Macedonia by 18.3%, and Montenegro by 15.0%, while other markets experienced a decline compared to the previous year. Looking at the structure of total revenues of the ITCE division, the market of Croatia participates with 48.0%, followed by the market of Serbia with 27.1%, the market of Bosnia and Herzegovina with 9.5%, Slovenia with 6.0%, Macedonia with 5.0% and Montenegro with 4.4%. In the sales and distribution part of the business and sales channels, the total number of customers grew by 2.4%.

The main factors that influenced the sales results of the division in 2023 were further retail price growth, increased cost of living, as well as an increased quantity of goods on the market. The increase in prices led to reduced demand among end-users, especially in the segment of laptops and certain IT products in the first part of the year. At the same time, investments in equipment renewal decreased in both the private sector and partially in the government sector.

Consolidation was carried out within the division across all countries, and a strategic division by verticals was implemented, resulting in more efficient management of product ranges and sales channels.

VIVAX DIVISION

Manufacture and distribution of own brand

Simply Quality

VIVAX

The Vivax brand is a domestic product that has been on the Croatian market since 2004, and today it offers more than 300 different products in its range. The VIVAX division includes the operations of its own VIVAX brand in the consumer electronics segment. The assortment consists of products classified into five primary strategic Groups: TV and audio, Air conditioning, Small home appliances, White goods, and Smart devices.

In 2023, investments in the VIVAX brand marketing continued, in line with the established brand strategy. In 2023, the export focus of the VIVAX division was directed towards developing new markets, specifically Italy, France, and Spain, where there is potential for future business growth, alongside continued growth and development in existing markets. Additionally, VIVAX devices were presented at the largest consumer electronics trade show, IFA Berlin, in September 2023, and the IFEMA Air Conditioning and Ventilation Fair in Madrid.

In the second half of 2023, a new business segment – commercial air conditioning – was presented on the Croatian market, which, in addition to semi-commercial and home air conditioning, represents an upgrade of business activities within the strategic group Air Conditioning.
Throughout 2023, the Group invested in expanding and building new teams, as well as enhancing the competencies of existing teams, which are the main prerequisites for ensuring the viability of the VIVAX division.

Financially speaking, after an 8.1% drop in sales in the first half of 2023 compared to the same period of the previous year, the VIVAX division generated revenues of EUR 86.5 million, which is a 4.6% increase compared to 2022.

Despite the negative impacts (the decline in average product prices and adverse weather conditions in May and June that affected air conditioner sales) throughout the year, and especially evident in the first half of 2023, various activities were carried out and funds were invested to raise efficiency and address excessive inventory, leading to significant progress in the second half of 2023.

Looking at strategic groups, a significant step forward was made by the Air Conditioners group with an 8.4% growth on an annual level, and the White Goods group with a 38.3% growth. Within the strategic group of White Goods, the main drivers of revenue growth were the expansion and positioning of the product range in the retail establishments of our partners, as well as strengthening our position in export markets. The strategic group of TV devices recorded a 13.2% annual decline, while small household appliances simultaneously saw a 10.8% decline.

GREEN DIVISION

The Green Division was formed in response to growing environmental trends and lifestyle changes, taking into account the benefits of green technologies in everyday life. The use of solar systems in electricity production and high-efficiency LED lighting significantly contributes to energy savings, and the use of e-bikes increases mobility over longer distances, contributing to a change in the paradigm of business and recreational mobility.

The division is organized into three key verticals: distributing solar power plant equipment, manufacturing high-performance professional LED lighting, and manufacturing electric bicycles, scooters and motorcycles. The business strategy is based on cooperation with partners who create added value to the operations of the Green Division, resulting in a 29.5% revenue growth in 2023 compared to 2022.

The MS LUX brand was protected in the EU and the countries in the region, thus starting production under that name. During 2023, the value of the MS LUX brand was recognized on all major projects, out of which we highlight the following cities: Bjelovar, Velika Gorica, Koprivnica and Bosanska Gradiška. A large number of smaller municipalities were also illuminated using the MS LUX range of professional LED lighting, and we particularly emphasize the project in the municipality of Plitvice Lakes.

GREEN DIVISION

The quality of brand development has also come to the fore in sports facilities in the city of Zagreb – Mladost, Cibona and Dom Sportova – where there are special requirements for LED lighting application, considering the needs for sporting events.

We are particularly proud of the acquisition of DATA LINK from Bjelovar into our business family. DATA LINK consists of a professional team that has developed highly efficient professional LED lighting for special purposes, which has been recognized by specialized customers and expands the reach of the MS LUX brand beyond the borders of Europe. The focus on the production and implementation of LED lighting projects in this category increased revenue by 96.6% compared to 2022.

The 'Solar' business area grew by 72.4% in 2023, thanks to a significant expansion of the partner network, as well as connecting with leading manufacturers in the market such as Huawei, Sungrow, SMA, Trina Solar, Longi, Wallbox and Mounting Systems. Some of the most important projects in Croatia, such as the Podravka solar power plant, were made with equipment from the distribution of M SAN GRUPA's Green Division.

During 2023, the team was strengthened in the subsidiaries of M SAN GRUPA, extending distribution to partners in the region. The period was characterized by a significant drop in the price of panels on the world market and an increase in the price of electricity, which contributed to increased demand for solar solutions.

The e-mobility business area was characterized by a decline in demand for electric bicycles in the European market. Nevertheless, and following the MS Energy brand development strategy, M SAN GRUPA exhibited its products at the EuroBike fair in Frankfurt, where it further expanded cooperation with a number of partners in the EU. Today, the MS Energy brand is present in the markets of Ireland, Italy, Hungary, the Czech Republic, Slovakia, Romania and Slovenia.

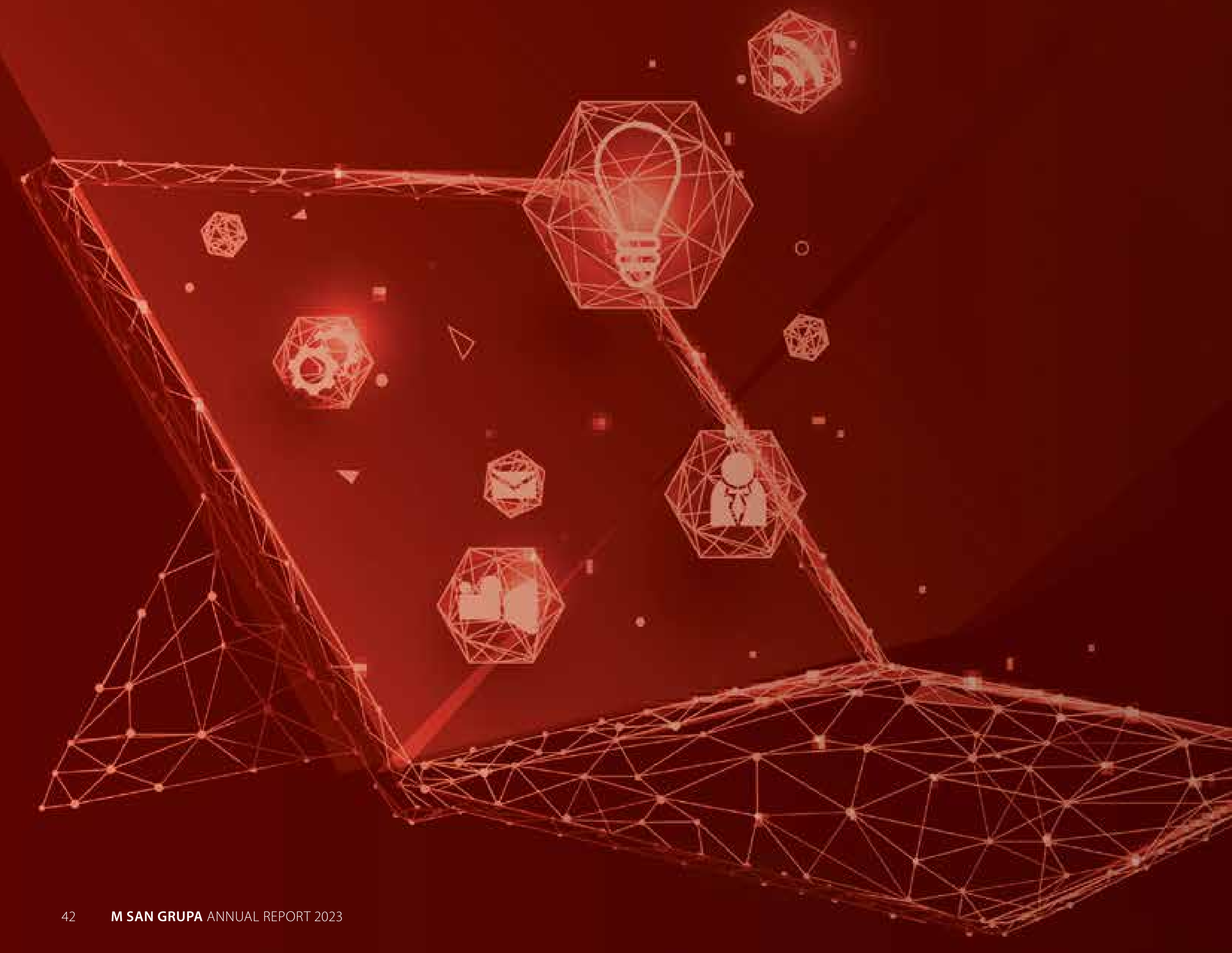
The production of e-bicycles in the factory in Rugvica was professionalized, attracting recognition from reputable e-bicycle manufacturers who offered cooperation in the field of OEM production. The first OEM e-bicycles rolled out in the second part of the year, aiding us significantly in the expansion of production capacity for the e-bicycle production line. Significant sales of scooters were achieved in the markets of Croatia and the Czech Republic, where the MS Energy brand in the scooters product group is at the very top of suppliers. By increasing distribution, the regional presence of the MS Energy brand was also strengthened in all markets where subsidiaries operate.

Compared to the previous year, the revenue structure by strategic groups differs in several aspects. With a good result of the Enterprise Division, the share of server sales in strategic groups increased to 9% of operating revenues, and sales from the Software strategic group increased to 7% of operating revenues.

ENTERPRISE

a Value Added Distribution

Value added IT distribution



ENTERPRISE

The Enterprise division is a Value Added Distribution (VAD) organized in several units – the Infrastructure department, the Software and Cloud department, the Special Projects, technical support and marketing department, and the Enterprise Sales department, in order to provide competitive goods and services to business ICT partners.
It operates as part of the M SAN Grupa, in Croatia, Serbia, Bosnia and Herzegovina, Slovenia, North Macedonia and Montenegro.

- working with a more demanding product portfolio – servers, data storage, networks, software, solutions, video surveillance, industrial specialized products, cloud computing, high-tech services.

- working with more demanding customers - system integrators (SI), software manufacturers (ISV), service providers (MSP) - which requires a higher level of knowledge and complex skills, as well as professional specialization and certification for employees.

- working with more demanding suppliers – complex and dynamic technological, technical and operational processes, and enormous breadth and depth of technologies, Groups, subgroups and specialization of products.

- Partners, and indirectly end users, are not only offered a product, the optimal solution is also designed, suggested, upgraded and maintained, which gives a high value to the offer, especially for smaller and medium-sized customers who cannot afford to hire expensive professionals and monitor the dynamics of technology evolution, certification and other regulations.

- The M SAN Grupa recognized the value of such an approach about 15 years ago, invested in an independent, specialized division on a regional level, and, in the sales channel today, is the leading so-called Value Add distributor in Croatia and the region.

ENTERPRISE

In addition to direct sales, the Enterprise division also ensures the coordination of other sectors and departments in the Company when their products (e.g. laptops, specialized products...) are offered as part of tenders and more complex projects. It combines all the necessary parts of the offer in one place and offers the best solution to the partner, thus increasing his competitiveness and profitability.

As part of its offer, it has several dozen global brands, including;

Throughout 2023, within the broader global economic and technological framework, the continuation of challenges stemming from the onset of the COVID crisis was felt, along with disruptions in supply chains, wars, inflationary pressures, price fluctuations and other direct or indirect instabilities.

ENTERPRISE

Geographically, the Croatian market achieved a 4.7% revenue growth, Serbia a 31.6% revenue decline, B&H a 12.8% revenue decline, North Macedonia a 4.4% revenue growth, Montenegro a 32.5% revenue decline, while the Slovenian market saw a 387.4% revenue growth as a result of the acquisition of Alterna in November 2022.

Despite the challenges, the Enterprise segment maintained its market position and, in all important segments, generally increased its market shares. Total consolidated revenues amounted to 98.9 million euros, representing a 24.8% growth. The Infrastructure Department recorded a 10% revenue decline, primarily due to a decrease in revenue in Serbia, the Software Department achieved a 18.0% revenue growth, and the Cloud Business Department achieved a 35.7% revenue growth.

Overall, the Enterprise segment consolidated its positions in key technologies and personnel infrastructure, and invested great efforts in new organizational and technological competencies to create maximum resilience and the preconditions for new developments in 2024.

FINANCIAL OPERATIONS OF THE Group

During 2023, the M SAN GRUPA achieved operating revenue of EUR 471.7 million, representing an increase of 9.1% compared to the previous year. Despite the challenging environment, all strategic divisions except for the Other division experienced growth. Perceived absolutely, the biggest growth was achieved by the **Enterprise division**, which, during 2023, had an increase in sales in the amount of EUR 19.6 million (24.8%). Primarily due to increased sales of devices and services from the Software strategic group. Relative to its size, the **Green division** experienced the highest growth (30.1%), thanks to increased sales of products from the strategic group of solar power plants. The VIVAX division achieved sales growth of EUR 3.8 million (4.6%), driven by increased sales of air conditioning units and appliances from the strategic group of white goods products.

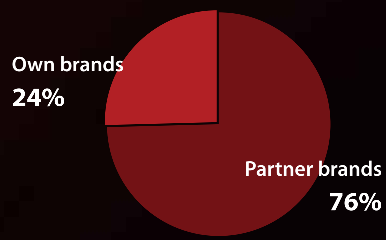
REVENUE BY DIVISION IN 2022 AND 2023

TABLE 1 Revenue by division

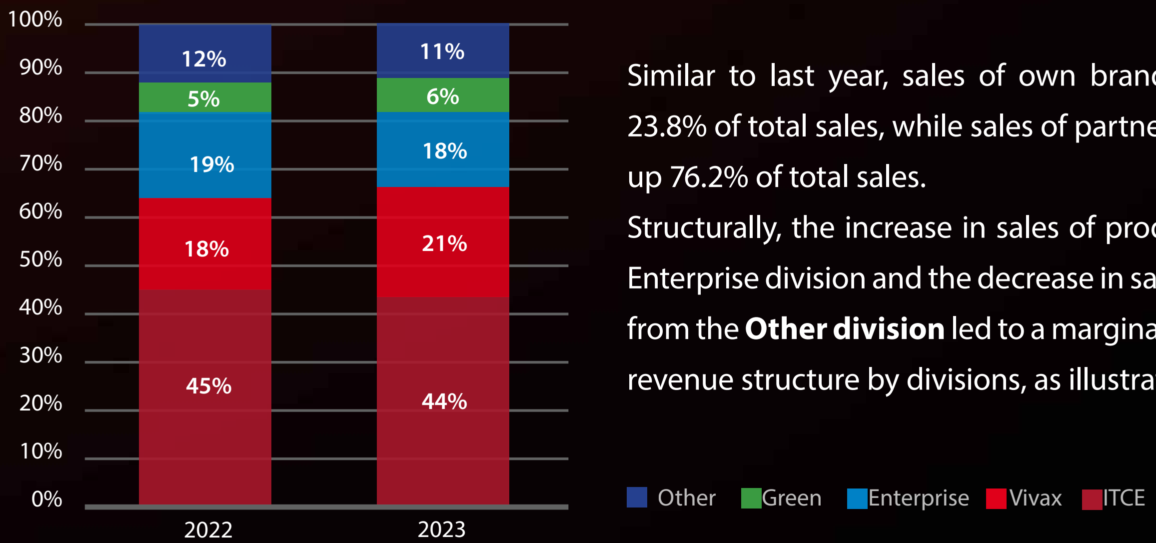
IN TEUR

Division (Name)	2022	2023	Difference	%Difference
ITCE	196,587 €	206,097 €	9,510 €	4.8%
Enterprise	79,274 €	98,906 €	19,632 €	24.8%
VIVAX	82,723 €	86,537 €	3,814 €	4.6%
Green	22,428 €	29,173 €	6,745 €	30.1%
Other	51,257 €	50,959 €	(298 €)	(0.6%)
Total Result	**432,269 €**	**471,672 €**	**39,403 €**	**9.1%**

The **ITCE division** achieved sales growth of EUR 9.5 million (4.8%). This growth was attributed to increased sales in the strategic component group, which includes all computer components. In addition to components, sales growth was also achieved in the strategic group of small household appliances.



Graph 1. Share of sales of own and partner brands



Graph 2: Revenue Structure by Divisions

Similar to last year, sales of own brands account for 23.8% of total sales, while sales of partner brands make up 76.2% of total sales.

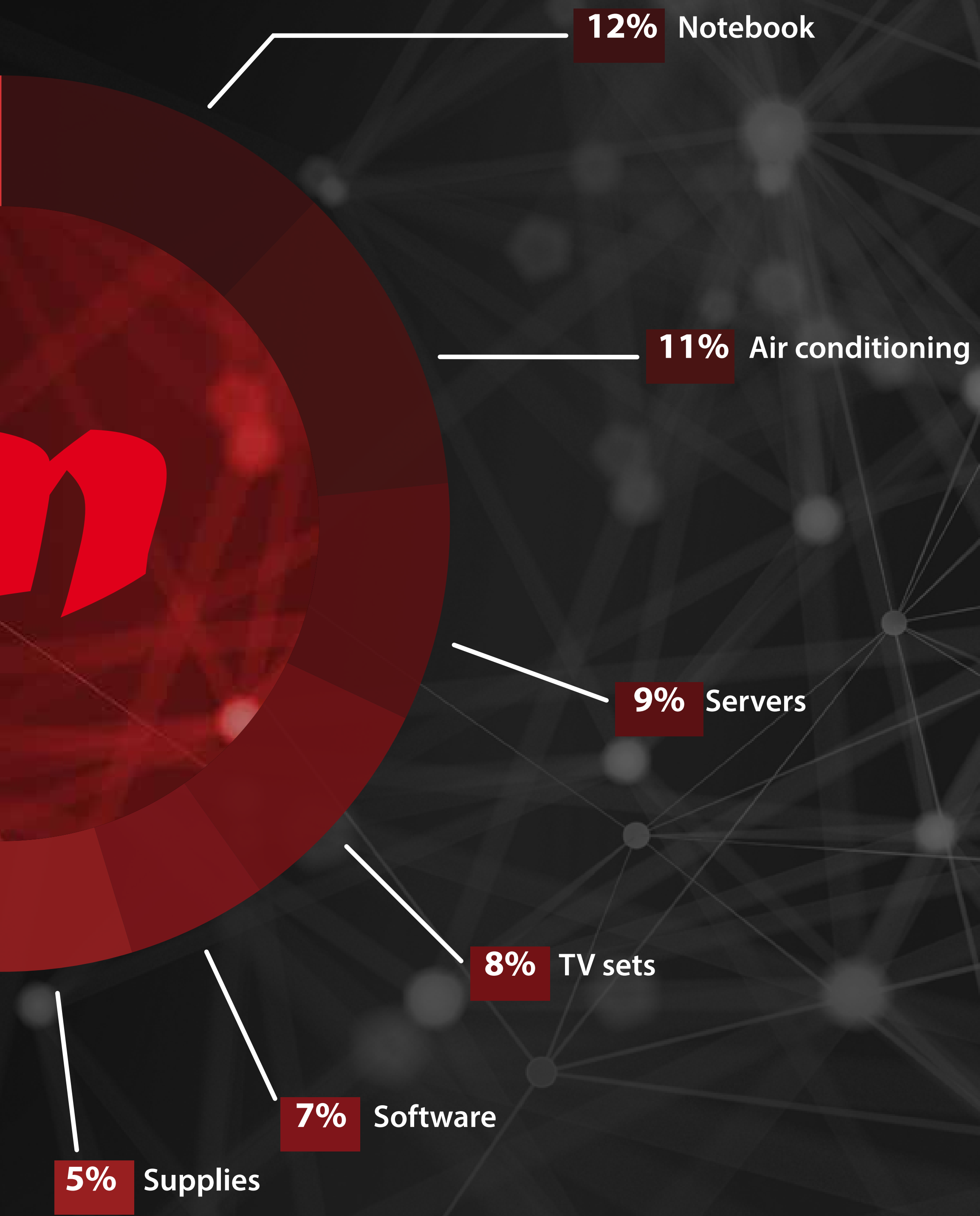
Structurally, the increase in sales of products from the Enterprise division and the decrease in sales of products from the **Other division** led to a marginal change in the revenue structure by divisions, as illustrated in graph 2.

SALES REVENUE BY STRATEGIC GROUPS IN 2023

Compared to the previous year, the revenue structure by strategic groups differs in several aspects. Due to the Enterprise division's strong performance, the share of server sales in the strategic groups increased to 9% of total business revenue, and sales from the Software strategic group increased to 7% of total business revenue.

Due to increased sales, the white goods strategic group entered the top 10 strategic groups by revenue in 2023.

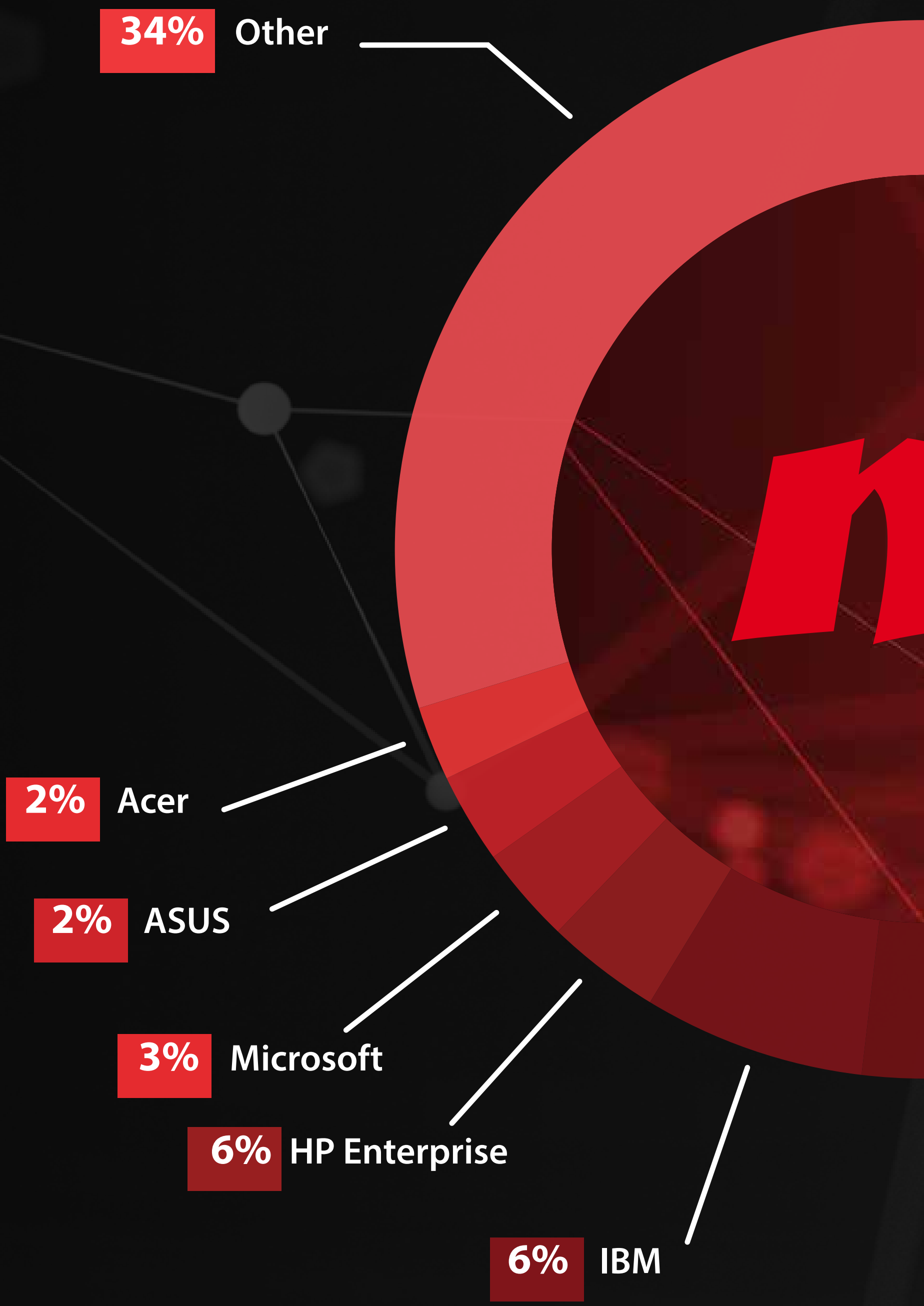
Graph 3: Sales Revenue b



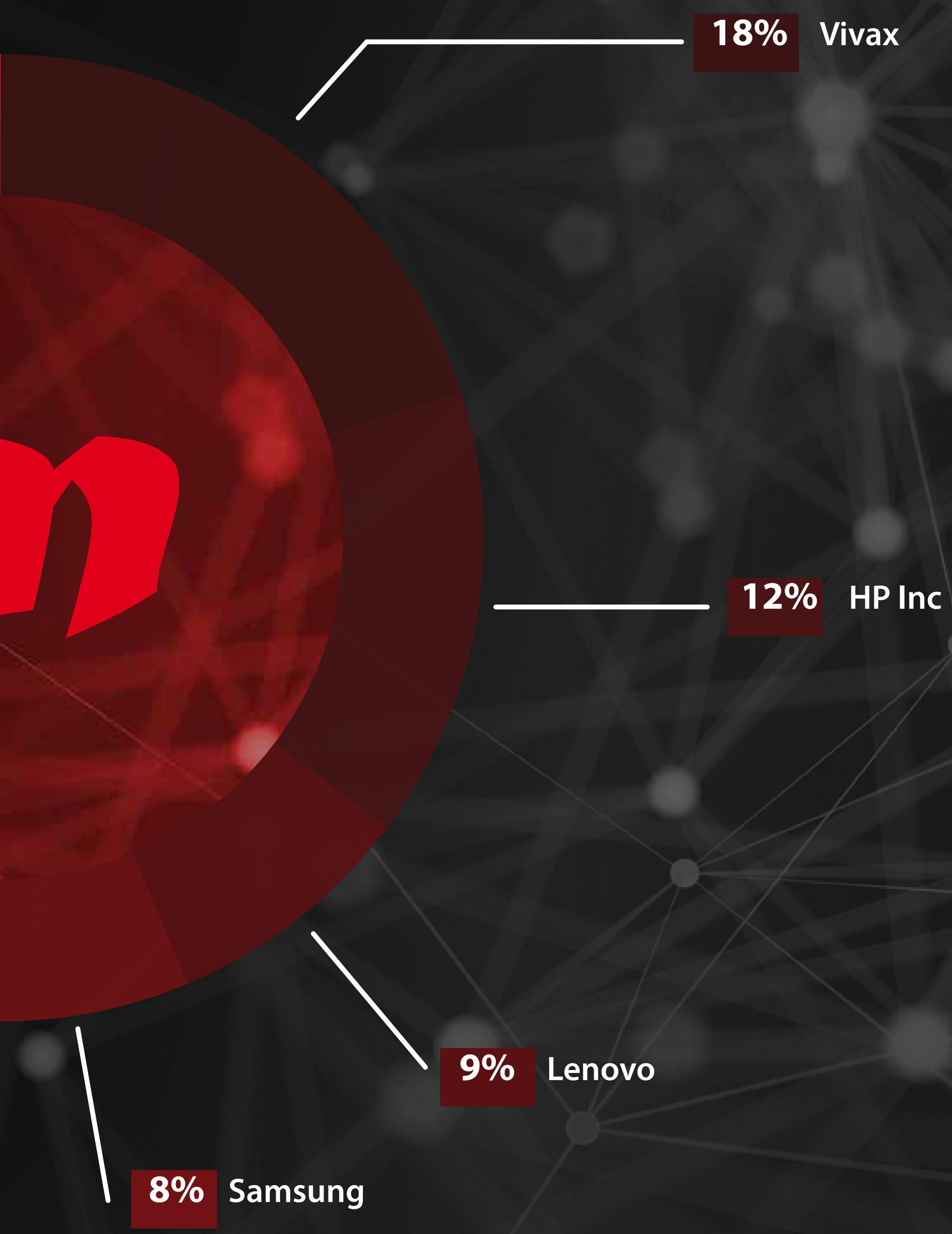
y Strategic Groups in 2023

MARKET SHARE IN SALES REVENUE BY BRANDS IN 2023

Highly segmented sales by brands reduce the business risk of relying on one or a few suppliers. The largest share of sales revenue in 2023 is attributed to the own brand VIVAX, which accounted for 18% of revenue last year.



Graph 4: Market Share in Sal

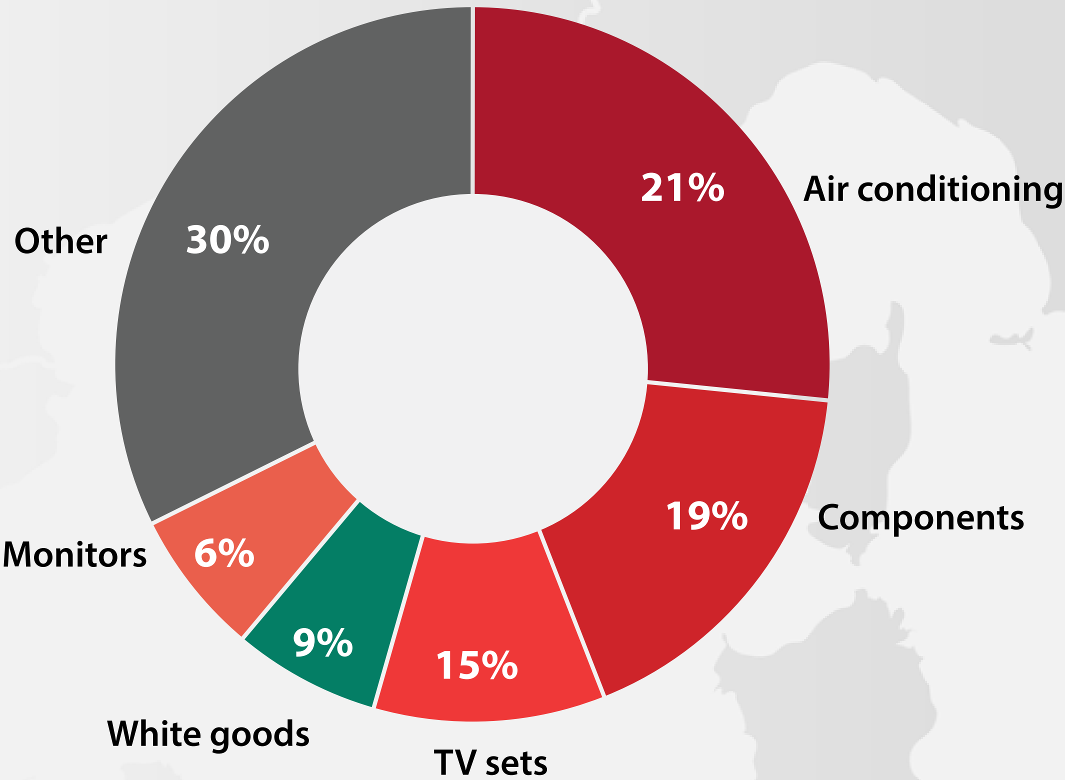


les Revenue by Brands in 2023

SHARES OF SALES BY MARKET IN 2022

Geographically, 43% of the Group's revenue comes from sales in Croatia, 17% from Serbia, 9% from Slovenia, 8% from Bosnia and Herzegovina, 5% from Macedonia, and 4% from Montenegro, together representing 86% of total revenue. The remaining 14% of revenue comes from exports, i.e., from countries where the Group did not have affiliated companies during 2023.

**Since November 2022, the Group owns the company Alterna Distribucija. For this reason, Slovenia is not included among the countries of the domestic market.*



Graph 5: Market Share in Sales Revenue by Countries in 2023


2% Poland
1% Germany
9% Slovenia
44% Croatia
18% Serbia
9% Bosnia and Herzegovina
5% Montenegro
North Macedonia 5%
7% Other

FINANCIAL INDICATORS

Table 2
Profit and Loss Statement for the Year 2023

(In Thousands of EUR)	2022	2023	% Difference
Business revenue*	432,269	471,672	9.1%
EBITDA*	10,505	10,992	4.6%
EBIT*	6,830	8,254	20.8%
Net income*	1,682	4,611	174.2%

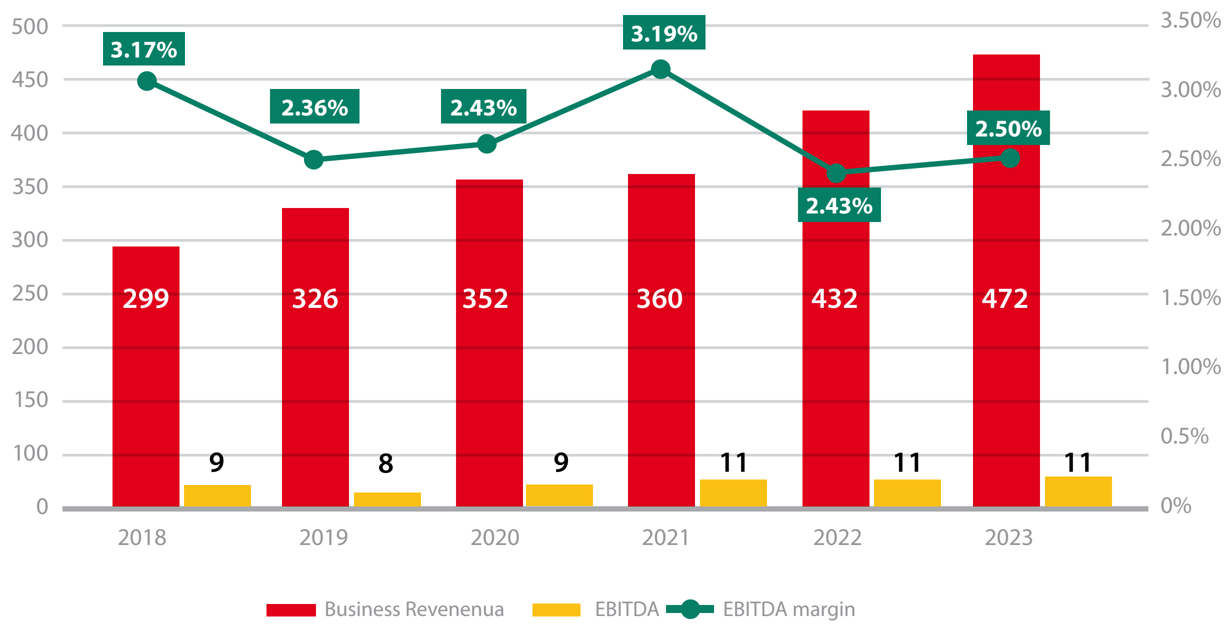
Table 3
Financial Indicators for the Year 2023

(In Thousands of EUR)	December 31 2022	December 31 2023
Net debt	32,841	22,333
Total assets	166,133	187,276
Total equity	40,622	45,256
Current ratio	1.4	1.3
Net working capital (days)	44.2	32.0
Equity ratio	24.5%	24.2%
Net debt/EBITDA adjusted	3.1	2.0

*In its Annual Report, the Group used financial measures of historic financial performance, financial position, or cash flows that were not defined or determined within the relevant financial reporting framework.

The above-mentioned indicators are derived from (or based on) financial reports prepared in accordance with the relevant framework for financial reporting and have been obtained by adding or subtracting amounts from numerical values presented in financial reports, i.e., by placing numerical values in ratios.

Business income, EBITDA and EBITDA margin trend over 5 year period



Graph 6 Movement of Business Revenues, Adjusted EBITDA, and Adjusted EBITDA Margin 2018-2023

The operating revenue of the Group increased by 9.1%, compared to the previous year, and amounted to EUR 417.7 million. The growth in operating revenue was achieved thanks to positive market trends, meaning an increase in sales income.

The operating expenditure (without depreciation and amortization) also increased, and in 2023 they amount to EUR 461.0 million. The largest share in operating expenditure is the cost of goods sold, which increased by 9.4% in 2023. In addition to the cost of goods sold, personnel costs have also increased. Due to weakening inflationary pressures, the costs of raw materials and materials have decreased by 9.1%.

TABLE 4
Operating expenses

(In Thousands of EUR)	2022	2023	% Change
Cost of goods sold	367,987	402,694	9.4%
Cost of raw material and supplies	9,634	8,755	(9.1%)
Staff costs	17,526	20,556	17.3%
Cost of services	21,535	23,238	7.9%
Other expenses	6,060	5,729	(5.5%)

Table 4 Operating costs in 2023

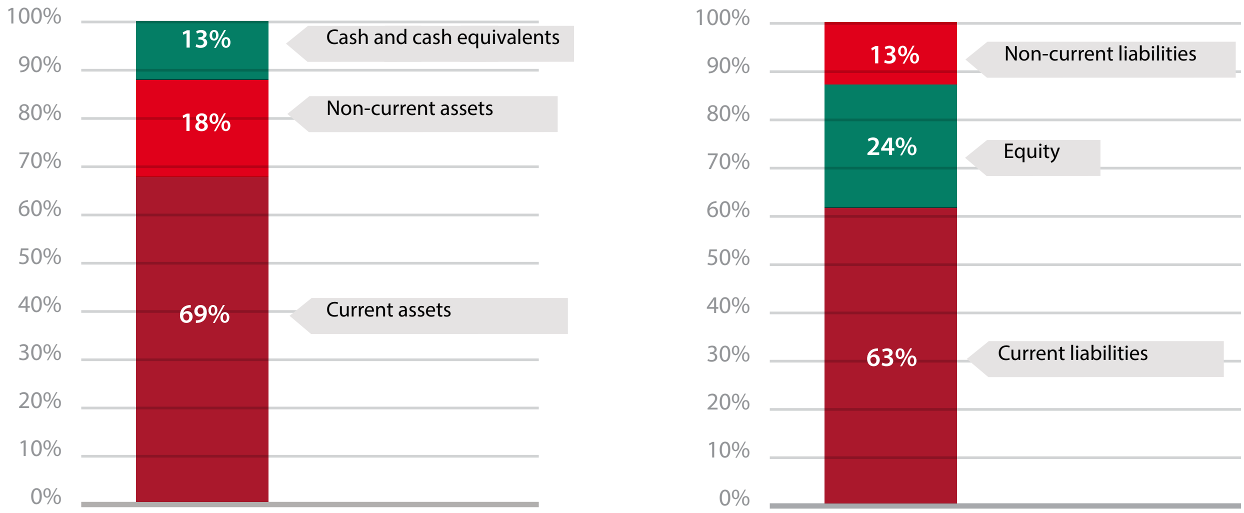
In 2023, the Group's EBITDA amounts to EUR 11.0 million (2022 EUR 10.5 million), which is an increase of 4.6% compared to the previous year. After the challenging year of 2022, during which we witnessed various changes in the market and the environment, there was a recovery in business operations and growth in operational performance indicators in 2023. The operating profit amounted to EUR 8.3 million, representing an increase of 20.8% compared to the year 2022.

Since January 1, 2023, the official currency of the Republic of Croatia has been the euro, which has reduced the volatility of financial revenues and expenses. The Group's net financial expense amounted to EUR 3.0 million. The Group ended the year with a net result after tax of EUR 4.6 million, representing an increase of 174.2%.

ASSETS AND LIABILITIES

As of December 31, 2023, the total assets of the Group increased by 12.7% to EUR 187.3 million, mainly due to the growth of current assets by 7.5% (excluding cash and cash equivalents) and an increase in cash and cash equivalents. Current assets increased primarily due to a 34.1% growth in accounts receivable from customers, while the Group's inventories decreased by 20.0%.
On the liabilities side, improved business performance in 2023 led to an increase in the value of the company's equity compared to the previous year. Short-term liabilities of the Group increased by 18.7% due to an increase in liabilities to suppliers, while long-term liabilities decreased by 7.2%. Total long-term liabilities of the Group decreased compared to the end of the previous year in accordance with depreciation plans.

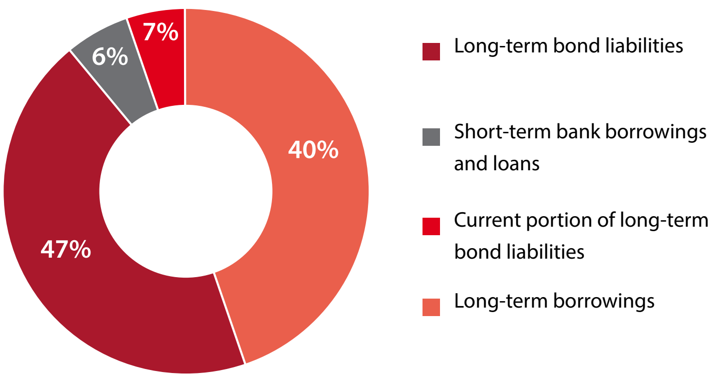
Structure of Assets and Sources of Assets of the Group in 2023



Graph 7 Structure of Assets and Sources of Assets of the Group in 2023

Structure of Liabilities

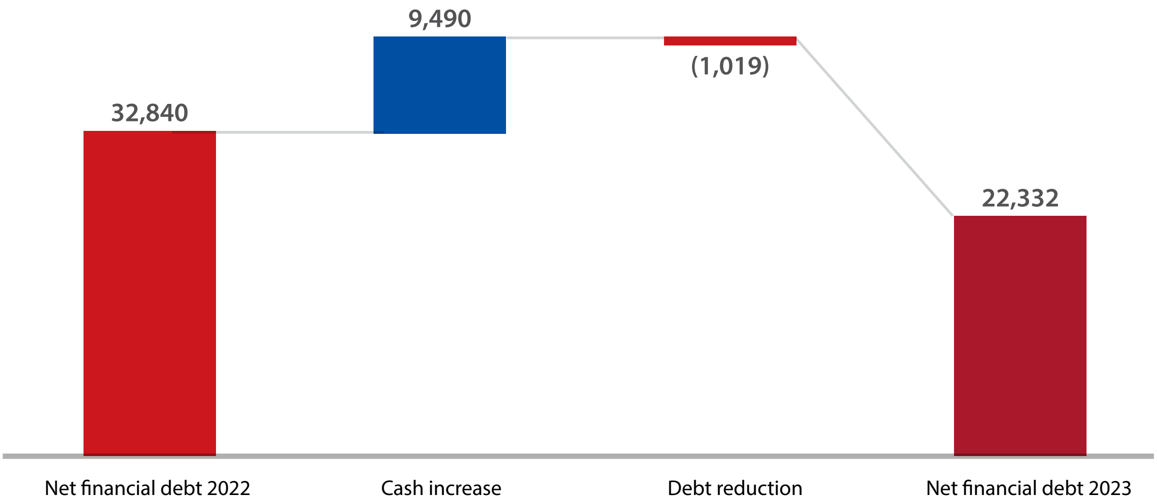
The Group's financial debt decreased by 2.2% in 2023. Coupled with the increase in cash and cash equivalents, this led to a reduction in net financial debt by 32.0%. The structure of total liabilities is provided in Graph 8 and Graph 9.



Graph 8 Structure of Financial Liabilities of the Group in 2023

Structure of Liabilities

The Group's financial debt decreased by 2.2% in 2023. Coupled with the increase in cash and cash equivalents, this led to a reduction in net financial debt by 32.0%. The structure of total liabilities is provided in Graph 8 and Graph 9.



GRAPH 9 Movement of Financial Debt during 2023

TABLE 5
Alternative performance measures

Alternative performance measure	Calculation
Business revenue	Sales revenues plus other income
Business expenditures	Subtotal for items cost of goods sold, (decrease) / increase of the value of work in progress stocks and finished products, raw material and material costs, cost of services, personnel costs, depreciation and amortisation, other costs, value adjustments, risk provisions, and other business costs
EBITDA	Total operating income less total operating costs increased by depreciation and amortization and impairment
EBITDA margin	EBITDA divided by total operating income
EBIT	Operating profit or total operating income less total operating costs
EBIT margin	EBIT divided by total operating income
Profit for the year	Profit for the year is the sum of profit before tax decreased by income tax
Net debt	Non-current and current liabilities to banks and other financial institutions increased for long-term and short-term liabilities for securities and decreased for the balance of cash and cash equivalents
Net debt / EBITDA	It means long-term and current liabilities towards banks and other financial institutions increased for bond liabilities minus cash and cash equivalents.
Net profit margin	Net profit margin is net income as a percentage of operating income
Current ratio	Value of Current assets divided by current liabilities

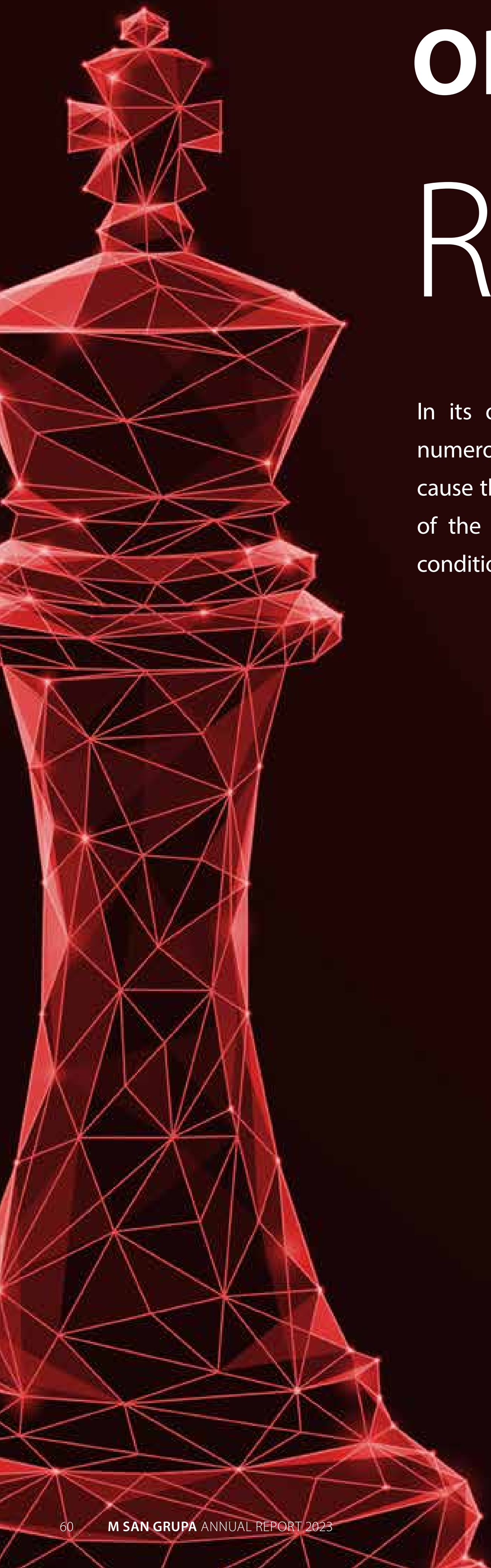
Table 5. Alternative performance measure

The above-mentioned measures are not financial performance measures in accordance with the International Financial Reporting Standards and should not be considered as alternatives to other operational impact indicators, cash flows, or any other performance measures derived in accordance with the abovementioned standards.

The above-mentioned measures have been presented in order to provide useful information on the financial state and business results of the Group, namely, for the following reasons:

• they are measures that the Group uses to assess operational performance.

• they are measures that the managing bodies of the Group use to make everyday business decisions.



OPERATING Risks

In its operations, the M SAN Grupa is exposed to numerous internal and external influences that can cause the emergence of risks that affect the realization of the Company's plans and, indirectly, the financial condition, meaning, the operating result.

OPERATING ENVIRONMENT RISK

This Group of risks includes political, macroeconomic, risks of natural disasters and infectious diseases in all countries where the Group operates. Although the consequences of exposure to these risks can have a significant impact on the Group's operations, the Group does not have the ability to influence exogenous factors that manifest themselves through the mentioned risks.

POLITICAL RISK

The Group operates in the territory of the countries of the Adria region, and exposure to political risk can be manifested in the deterioration of political and economic relations and cooperation between the countries of the Adria region, which can affect the Group's business processes and operations. At the global level, there are also certain risks that may ultimately result in a shortage of goods on the market. A worsening of relations between the United States of America and the People's Republic of China is also possible, as well as a cooling of relations between the EU and the People's Republic of China. Given that the majority of goods from the Group's portfolio are produced in the People's Republic of China, the imposition of certain additional customs barriers may affect the availability of goods, and thus the Group's business results. Also, compliance with different rules and regulations in different jurisdictions can cause significant costs.

MACROECONOMIC RISK

Through its international operations, the Group is under the influence of macroeconomic risks that appear both in individual countries and at the global level. Most of the M SAN Grupa products from the IT and CE portfolio belong to the Group of cyclical consumer goods, which moderately depend on the movement of GDP components, the most significant of which is the influence of personal consumption as a function of unemployment, disposable personal income and inflation. In addition to personal consumption, it is also necessary to highlight investments, which are a strong driver of demand for the Group's products through the processes of digitization of economic entities.

RISK OF NATURAL DISASTERS

The risk of natural disasters in the form of floods, extreme droughts, earthquakes and others arises from events that can unexpectedly, in a short time, cause significant material damage to property, or cause negative impacts on the Group's overall operations. Remediation of the consequences of such disasters can result in significant material allocations, as well as a longer period of business interruption or limited scope of business under the given conditions. The M SAN Grupa reduces exposure to the consequences of this risk by using asset insurance instruments.

RISK OF INFECTIOUS DISEASES

The Group is exposed to the risk of an infectious disease pandemic, which can affect a larger geographic area or the entire world. In addition to the threat to the health and safety of employees, the risk arising from the pandemic can lead to a shortage of goods, the temporary closure of one part of the business or a partial interruption of the supply chain and the closure of business in all markets for an indefinite period. During the COVID-19 pandemic, the Group proactively implemented health protection and infection prevention measures for employees, but also paid special attention to the procurement of supplies in the circumstances of interrupted supply chains in order to provide continuity of deliveries to its customers.

INDUSTRY AND COMPETITION RISK

INDUSTRY RISK

The specificity of distribution in the IT equipment industry and in the distribution of consumer electronics is the absence of long-term and exclusive contracts with principals. Mentioned industry is relatively young and these characteristics are the result of the need to be able to respond quickly to the growing needs of the market for IT equipment in conditions where no distribution network ready to respond to all logistical and financial requirements existed.

Thus, not only in the Republic of Croatia but also in the EU and the world, multi-distribution appeared, where each large principal has two or more distributors in the same market. This increases competitiveness, reduces margins and forces distributors to be more efficient.

Likewise, distribution agreements are most often signed for the duration of one year and are usually automatically renewed at the end of each period, but still provide the opportunity to the principal to not extend the agreement without major financial or other obstacles, for example in case that the distributor has business problems and significantly loses market share. There is also a risk in market consolidation where the principal may decide to reduce the number of distributors with whom it operates in a certain market. The group is diversifying its principals, in order to be able to replace possible lost income due to non-renewal of the contract by an individual principal, with income from business with other principals.

COMPETITION RISK

In all markets where the Group operates, there is competition in the distribution of products with considering the policy of the principal and the lack of exclusivity in the field of IT equipment distribution and consumer electronics. In most product categories that the Group distributes, the right to sell the same or similar products has at least two other distributors and in some cases three or four distributors. With the entry into the EU, the market of the Republic of Croatia opened up to the free market import of goods from EU member countries, which enables other distributors to market goods on Croatian market. The described opening of the market

led to the entry of a certain number of pan-European companies' distributors to the market of the Republic of Croatia, either by acquiring a local distributor or by opening local offices.

The market in which the Group operates is fragmented by a large number of partners engaged in sales of IT equipment and consumer electronics or system integration. By concentration in the retail market, the share of larger partners increases at the expense of smaller ones, and the probability increases direct cooperation of the principal with large partners, which potentially reduces the market of the Group and can lead to a drop-in income. Although in the previous examples the presence of a new distributor on the market did not have a significant impact on the Group's operations, in the event that the Group in the long term will not be able to adequately compete with competitors, this may result in weakening competitive position of the Group and negatively affect its operations.

BUSINESS RISK

RISK ASSOCIATED WITH THE EMERGENCE OF NEW DISRUPTIVE TECHNOLOGIES

There is a risk of the emergence of new technologies that will change existing business models and market needs in a very short time, but it is not possible to predict them precisely.
For example, virtualization has significantly reduced the need for the number of servers that were previously significant distribution segment. Due to such technological changes, IT equipment distributors and consumer electronics may be faced with the need to change business dynamics. Group therefore invests resources in knowledge and monitoring of new technologies in order to be able to react promptly and offer solutions in accordance with new user requirements. At the same time, trends in the market, specifically digitization, significantly increases the need for IT equipment and services and thus, despite solutions like virtualization, it increases the total need and capacity of the market.

RISK ASSOCIATED WITH INTELLECTUAL PROPERTY

The Group has its own brands Vivax, MS, MSGW, MS Energy, MS Lux in its portfolio, which represent its intellectual property. The Group continuously invests considerable financial resources in their development, promotion and protection of intellectual property rights, and today they make up a significant part of the overall business with a further growth trend. Own brand products are sold on the market of the Republic of Croatia and the region (Republic of Serbia, Bosnia and Herzegovina, Republic of North Macedonia, Republic of Montenegro) as well as on the EU and world markets, meaning on the market of 39 different countries in total. The Group continuously and up-to-date protects the names and signs of its brands and internet domains based on the national protection system (through the State Institute for Intellectual Property), as well as at the international level (through the World Intellectual Property Organization) and monitors the protection status of these rights, but there is always a risk that someone on some market will try to abuse or violate the Publisher's protected intellectual property. This would cause ambiguities among consumers, and there is a possibility that by compromising the brand in this way, demand would fall, and thus the Publisher's operating results related to the sale of its own brand products.

RISK ASSOCIATED WITH IT SYSTEMS

The Group relies on efficient IT systems in its operations. A large amount of data about, for example, customers, products, processes or employees would not be possible to process in real time without complex IT systems and solutions that enable daily analyses. The greater the amount of data that is processed, the more complex and vulnerable the system is.

Since distribution is an intensive activity with a large number of daily transactions, any downtime or inability to use IT systems would cause damage to the business. The Group continuously invests in the development of IT systems and their security. Tools and solutions are used to protect data from unauthorized access and backup copies are made in different locations. However, the possibility of a system crash for various reasons (major hacker attack, long-term power outage, and so on) cannot be ruled out, where just restoring all systems to full functionality would take a certain amount of time and lead to harmful consequences.

FINANCIAL RISK

This Group of risks includes market, credit and liquidity risk. Market risk implies exposure to changes in the fair value of products or financial instruments depending on the movement of prices, interest rates and exchange rates. Credit risk arises from the existing and future potential inability of business partners to meet their obligations towards individual companies of the Group. Liquidity implies maintaining a sufficient amount of cash and working capital and securing adequate financial resources in the form of credit lines.

FOREIGN EXCHANGE RISK

Considering the activity of the Group's companies on the international and regional market, the Group's companies are exposed to foreign exchange risk arising from changes in foreign currency exchange rates mainly related to the US dollar (USD), Serbian dinar (RSD) and Macedonian denar (MKD). As the companies of the Group have currency exposure to suppliers for importing goods and to customers for sold goods in export, the impact of this risk is mitigated by the Group in a natural way, meaning in the way that all goods imported in a foreign currency, if sold abroad, are calculated in the same currency in which it is paid upon import, thus ensuring natural currency protection. In addition, the Group monitors exchange rate movements and occasionally uses FX forward contracts. The bulk of the Group's credit liability exposure consists of liabilities in local currency and a smaller part in BAM and MKD.

INTEREST RATE RISK

Interest rate risk arises from the obligations of Group companies to pay interest on short-term and long-term loans that the Group has and may have in the future, as well as issued bonds. Loans granted at variable rates expose the Group's financial result to cash flow risk. Significant changes in interest rates could potentially have a negative impact on the Group's financial results. The most significant part of the Group's credit obligations is contracted with a fixed interest rate.

The Group continuously monitors changes in interest rates by simulating situations that point to a significant increase in variable interest rates and takes into account refinancing options as well as alternative financing. Based on these situations, the Group calculates the impact of interest rate changes on the profit and loss account.

CREDIT RISK

The risk of debt collection arises from the existing and future potential insolvency of business partners and their inability to meet their obligations towards individual companies of the Group. The Group's assets that bear the risk of collection of receivables consist mainly of receivables from customers and other receivables. The Group implements an active sales policy, as part of which it monitors business relations with all customers and within the framework of predetermined credit limits and defined policies, whereby the level of approved credit limits of insurance companies that insure claims plays an important role. Also, the Group defines a maximum credit limit and payment terms for customers with a suitable credit history. Accordingly, strict measures are implemented to control the collection and delivery of goods, as well as the acquisition of debtor's security instruments (bank guarantees, bills of exchange and promissory notes, registration of liens and occasional rights of return of goods).

LIQUIDITY RISK

Liquidity implies maintaining a sufficient amount of cash and working capital and securing adequate financial resources in the form of credit lines. Liquidity risk refers to the fact that the Group will not be able to fulfil its due financial obligations in a timely manner due to a lack of own funds, a lack of available funds on the cash market or the inability to lend from financial institutions.

Liquidity risk occurs as a result of other risk factors such as credit risk or refinancing risk and many others. The occurrence of the Group's liquidity risk could lead to a financial loss for the Group if the Group were to sell certain assets below their market price in order to compensate for the lack of liquid assets.

REGULATORY RISK

The Group operates in the field of distribution of consumer electronics and IT equipment of the world's leading brands, as well as production and distribution of its own brands in the domain of consumer electronics and IT equipment. The Group's operations in relation to products of its own brands are subject to applicable national and EU regulations in the field of electrical and electronic safety, energy efficiency, and so on, in such a way that the products in question must have appropriate certificates and comply with applicable EU standards. The Group continuously monitors and adapts to changes in regulations, and any failure to do so could result in various sanctions.

Furthermore, the Group may be exposed to higher costs that may arise as a result of eliminating potential violations or adapting to changes in existing regulations, meaning introducing additional regulations regarding the field of consumer electronics, which could affect business, financial position and business results.

EXPECTATIONS OF THE MANAGEMENT FOR THE YEAR 2024

Looking towards the future, we remain focused on maintaining this momentum and seizing opportunities for further growth and expansion. Through continuous changes, planned organizational activities, a clear focus on further strengthening our own brands through capital and marketing investments, innovations and active participation in the market, we have confidence in our ability to face future challenges and create value for our stakeholders.

Strong logistics and a wide distribution reach to more than 7,400 partners in the Region are our strength. Therefore, we have initiated new investments in strengthening production and logistics capacities and expanding the distribution reach of the Group in the areas of Central and Northern Europe, that is, expanding towards the south of Europe to markets where subsidiary companies do not currently exist.

In the territory of the Republic of Croatia, in Rijeka, we have launched an investment cycle in the construction of a production and logistics complex on a 26,000 m^2 land area, and in the territory of the Republic of North Macedonia, in Skopje, we have provided a new logistics centre with a current storage capacity of 7,600 m^2 and with a perspective of expansion towards 12,000 m^2. Both investments are carried out in cooperation with companies with a joint ultimate owner operating in the real estate management segment.

In the upcoming period, the Group will remain focused on process optimization and improvement through further digitization.

In addition to focusing on organic growth, the Group will continue to monitor potential acquisitions that it deems could contribute to business development.

As part of the ESG project, a detailed assessment and definition of material topics have been conducted, and based on the results, the foundations have been laid for the adoption of a concrete sustainability strategy that will be officially adopted in 2024.

Each sustainability report so far has served as a starting point and a guide for areas that need to or may be improved. It is precisely the adoption of the strategy and the definition of key performance indicators that we will adopt for the next 3-year period that will be a commitment to all our stakeholders in our dedication to sustainable business and our desire to improve our impacts on the environment, society and the community.

We are aware that only through joint efforts, each within their sphere of influence, can we make the changes we all want to see and ensure a better future for our children.

Responsibility for consolidated and separate financial statements

Pursuant to the Accounting Act of the Republic of Croatia, the Management is responsible for ensuring that consolidated and separate financial statements are prepared for each financial year in accordance with International Financial Reporting Standards ('IFRS EU'), as adopted by the European Union, which provide a true and fair view of the financial position and results of operations of M San Grupa d.d., Zagreb ("the Company") and its subsidiaries ("the Group") for that period. After making appropriate enquiries, the Management has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management continues to prepare the separate and consolidated financial statements on a going concern basis. In preparing consolidated and separate financial statements, the responsibilities of the Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable accounting standards are followed; and:
- financial statements are prepared under the going-concern assumption.

The Management is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the Company and the Group and must also ensure that the financial statements comply with the Croatian Accounting Act. The Management is also responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Irena Langer-Breznik President of the Management Board	**Žarko Kruljac** **Member of** the Management Board	**Slaven Stipančić** **Member of** the Management Board
Goran Kotlarević **Member of** the Management Board	**Alen Panić** **Member of** the Management Board	**Vladimir Brkljača** **Member of** the Management Board

M SAN GRUPA d.o.o., Dugoselska ulica 5, 10372 Rugvica, Republic of Croatia
23 April 2024

AUDITOR'S REPORT
and Financial Statements

Tel: +385 1 2395 741
Fax: +385 1 2303 691
E-mail: bdo-croatia.hr

BDO Croatia d.o.o.
10000 Zagreb
Radnička cesta 180

INDEPENDENT AUDITOR'S REPORT

To the owner of M SAN GRUPA d.o.o., and its subsidiaries

Report on the audit of separate and consolidated financial statements

Opinion

We have audited the separate and consolidated financial statements of M SAN GRUPA d.o.o., ("the Company") and its subsidiaries ("the Group"), which include separate and consolidated Statement of Financial Position as at 31 December 2023, separate and consolidated Statement of Comprehensive Income, separate and consolidated Statement of Cash Flows and separate and consolidated Statement of Changes in Equity for the year then ended, as well as the accompanying Notes to the separate and consolidated Financial Statements, including information on significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under these standards are described in detail in our Independent Auditor's Report in the section on the *Auditor's responsibilities for the audit of separate and consolidated financial statements*. We are independent of the Company and Group in accordance with the Code of Ethics for Professional Accountants including the International Standards of Independence issued by the International Ethics Standards Board for Accountants (IESBA) (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with those 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of the greatest importance for our audit of the separate and consolidated financial statements of the current period. We dealt with these matters in the context of our audit of the separate and consolidated financial statements as a whole and in forming our opinion about them, and we do not give a separate opinion on these matters.

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

Registered with the Commercial Court in Zagreb under number 080044149

OIB 76394522236

BDO Croatia d.o.o.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the audit of separate and consolidated financial statements (continued)

Key audit matters 8continued)

We have determined that the matter below is a key audit matter to be disclosed in our Independent Auditor's Report.

Key audit matter	How we addressed the key audit matter
Revenue recognition In the Statement of Comprehensive Income, the Company and the Group reported sales income in the amount of EUR 335,157 thousand and EUR 467,963 thousand, respectively. Sales is generated by selling goods and providing services. Revenues consist of the fair value of compensation received or receivables for sold products, goods or services during the regular operations of the Company and the Group. Revenues are shown in amounts less value added tax, volume rebates and discounts. In accordance with International Financial Reporting Standard 15 - Revenue from contracts with customers, the Company and the Group recognize sales revenue to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration to which they expect to be entitled in exchange for those goods or services. Considering the significance of the sales revenue presented in the separate and consolidated Statement of comprehensive income and the risk of recognizing the same, we concluded that the occurrence, accuracy and completeness of the revenue as well as their distribution in the proper reporting period is a key audit matter. See notes 3. "Revenue recognition" and 5. "Sales" in the accompanying separate and consolidated financial statements.	Our audit procedures related to this matter included, but were not limited to: - Gaining an understanding of the sales process by interviewing key sales personnel; - Gaining an understanding of key controls related to the recognition of sales revenue; - Examining the design and implementation of internal controls related to occurrence and accuracy of the revenue recognition; - Conducting detail tests on the sample in order to identify unusual or irregular items and the correct allocation of revenue between reporting periods; - Comparison of obtained external confirmations of the amount of outstanding trade receivables at the reporting date and the balances presented in the Company's and Group's records on the same date; - Assessment of the compliance of the sales revenue recognition policy with International Financial Reporting Standard 15 - Revenue from Contracts with Customers; - Assessing the adequacy of disclosures related to the recognition of sales revenue in accordance with International Financial Reporting Standard 15 - Revenue from Contracts with Customers.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the audit of separate and consolidated financial statements (continued)

Key audit matters 8continued)

<table>
<tr><th>Key audit matter</th><th>How we addressed the key audit matter</th></tr>
<tr><td>

Valuation of investments in subsidiaries and affiliates

In its separate Statement of financial position as of 31 December 2023, the Company recognized investments in subsidiaries and affiliates in the amount of EUR 26,040 thousand.

Determining the valuation of individual investments in subsidiaries and affiliates requires the Company's Management to use various assumptions, projections and forecasts related to future cash flows, applied discount rates and growth rates in order to calculate the expected future operations of subsidiaries. Since impairment indicators for individual subsidiaries were determined during the period, the Company's Management assessed the value of those shares and implemented the necessary impairments in the annual separate financial statements for 2023.

Impairment of investments in subsidiaries and affiliates is defined as a key audit matter due to its significant carrying value as well as the wide range of assumptions, projections and forecasts used in the models and impairment assessment.

See notes 3. "Investments in subsidiaries", "Shares in associates and joint ventures" and 21. "Financial assets" in the related separate and consolidated financial statements.

</td><td>

Our audit procedures in addressing this area included, among other:

- Gaining an understanding of the Company's accounting policies and processes regarding impairment testing of investments in subsidiaries and affiliates
- Review of the collected financial information used in the consideration of the existence of investment impairment indicators and evaluation of the Company's judgment of potential impairment indicators;
- Critical evaluation of the selected model used in the calculations of recoverable value and fair value of subsidiaries and affiliates where impairment indicators are recognized to assess compliance with IFRS, which have been adopted by the EU and are consistently applied;
- An assessment of the reasonableness of the key assumptions used in the model for estimating the value of investments in subsidiaries and affiliates, especially projections of operating cash flows, discount rates and estimates of long-term growth rates;
- Comparison of key assumptions with external information, where applicable;
- Test of the sensitivity of the investment valuation model in subsidiaries and affiliates to changes in key assumptions;
- Test of the mathematical accuracy of the investment valuation model in subsidiaries and affiliates;
- Review of related notes and assessment of suitability of disclosures related to investments in subsidiaries and affiliates to assess compliance with IFRS, which have been adopted by the EU.

</td></tr>
</table>

BDO Croatia d.o.o.

Report on the audit of separate and consolidated financial statements (continued)

Key audit matters 8continued)

Key audit matter	How we addressed the key audit matter
Allocation of purchase price for acquired companies and goodwill impairment assessment In the consolidated Statement of financial position as of 31 December 31 2023, the Group reported goodwill in the amount of EUR 5,377 thousand and in the consolidated Statement of comprehensive income for the year ended 31 December 2023, gain from bargain purchase in the amount of EUR 1,560 thousand. During 2023, the Group assessed the fair value of the assets and liabilities of the acquired companies Alterna distribucija and Data link d.o.o., as an integral part of the allocation of the purchase price, which determined the fair value of the net acquired assets. This resulted in the cancellation of the initially recognized goodwill for the company Alterna distribucija and the recognition of gain from bargain purchase in the amount of EUR 1,560 thousand. When acquiring the company Data link d.o.o. the difference between the acquisition fee and the fair value of the acquired company's net assets resulted in goodwill in the amount of EUR 567 thousand. The Group annually conducts an impairment test to determine whether the amount of goodwill shown in the financial statements is recoverable. The calculation of the recoverable amount of goodwill is based on the five-year revenue plan that companies generate on local and foreign markets, developed by the Group, taking into account the business strategy and relevant market trends. Allocation of the purchase price for the acquired companies as well as the assessment of goodwill impairment are defined as a key audit matter due to the wide range of used assumptions, projections and forecasts in the models and impairment assessment. See notes 3. "Business combinations", "Goodwill", 6. "Other operating income" and 19. "Goodwill" in the corresponding separate and consolidated financial statements.	Our audit procedures in addressing this area included, among other: - Gaining an understanding of the Group's accounting policies and processes regarding sales price allocation for acquired companies and goodwill impairment testing - Critical evaluation of the selected model used in the calculations of the fair value of assets and liabilities of the acquired companies and the assessment of impairment of goodwill in order to assess compliance with IFRS, which have been adopted by the EU; and that it is consistently applied - Assessment of the reasonableness of the key assumptions used in the asset and liability valuation models of the acquired companies, as well as in the goodwill impairment assessments, especially the projections of operating cash flows, discount rates and estimates of long-term growth rates; - Comparison of key assumptions with external information, where applicable; - Sensitivity test of the asset and liability valuation model of acquired companies as well as goodwill impairment valuations to changes in key assumptions; - Mathematical accuracy test of investment valuation models in subsidiaries and affiliates; - Reviewing the related notes and evaluating the appropriateness of the disclosures related to the allocation of the purchase price and goodwill to assess compliance with IFRS, which have been adopted by the EU.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the audit of separate and consolidated financial statements (continued)

Other matters

We draw attention to page 8 of the Management Report the Company and the Group, where, according to point (b), paragraph 8 of Article 21a of the Accounting Act, the web page on which a separate non-financial report of the Company and the Group will be published no later than 6 months from the reporting date is indicated. Our opinion has not been modified on this matter.

The separate and consolidated financial statements of the Company and the Group for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those separate and consolidated financial statements on 28 April 2023.

Other information in the Annual Report and separate non-financial report

Management is responsible for other information. Other information includes the Management Report and Statement on the Application of the Code of Corporate Governance included in the Annual Report (but not including the separate and consolidated financial statements and our Independent Auditor's Report thereon), which we received prior to the date of this independent auditor's report and a separate non-financial report, for which we expect it to be made available to us after that date. Our opinion on the separate and consolidated financial statements does not include other information.
In connection with our audit of the separate and consolidated financial statements, it is our responsibility to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated, as well as whether the non-financial information required by the provisions of paragraph 1 or paragraph 2 of Article 21a of the Accounting Act is presented in a separate non-financial report.
When we read the separate non-financial report, if we conclude that it contains a material misstatement, we are required to communicate the matter to those charged with governance of the Company and the Group.

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

Based on the performed procedures, to the extent that we are able to assess it, we report that:
1. The information in the attached Management Report and Statement on the Application of the Corporate Governance Code is harmonized, in all significant respects, with the attached separate and consolidated financial statements;
2. The attached Management Report is compiled in accordance with Article 21 and Article 24 of the Accounting Act; and
3. The attached Statement on the Application of the Corporate Governance Code includes the information defined in Articles 22 and 24 of the Accounting Act.

Based on the knowledge and understanding of the operations of the Company and the Group and their environment acquired within the audit of separate and consolidated financial statements, we are obliged to report if we have established that there are significant misrepresentations in the attached Management Report and Statement on the Application of the Corporate Governance Code. In this sense, we have nothing to report.

BDO Croatia d.o.o.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the audit of separate and consolidated financial statements (continued)

Responsibilities of the Management Board and those charged with governance for the separate financial statements

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

In preparing the separate and consolidated financial statements, Management Board is responsible for evaluation of the Company's and Group's ability to continue operations assuming going concern principle, disclosure, if applicable, of issues related to going concern, and using accounting based on going concern principle, unless the Management Board intends to liquidate the Company or the Group or discontinue its business or there is no realistic alternative but to do so. Those charged with governance are responsible for overseeing the financial reporting process established by the Company.

Auditor's Responsibility for the audit of separate and consolidated financial statements

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

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of non-detecting a material misstatement of fraud is greater than the risk of error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or circumvention of internal controls.

- Acquire an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal controls.

- Assess the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the accounting basis used based on the going concern principle used by the Management Board and, based on the obtained audit evidence, we conclude on whether there is significant uncertainty regarding events or circumstances that may create significant doubts about the ability to continue operating for an indefinite period of time. If we conclude that there is significant uncertainty, in our Independent Auditors' Report we are required to call our attention to related disclosures in the separate and consolidated financial statements or, if these are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Independent Auditors' Report. However, future events or conditions may cause the Company and Group to discontinue their operations on a going concern.

- Evaluate the overall presentation, structure and content of the separate and consolidated consolidated financial statements, including disclosures, as well as whether the separate and consolidated financial statements reflect the transactions and events which they are based on in a way that achieves a fair presentation.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the audit of separate and consolidated financial statements (continued)

Responsibilities of the Management Board and those charged with governance for the separate financial statements (continued)

- Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on these consolidated financial statements. We are responsible for directing, supervising and performing the Group's audit. We are solely responsible for our audit opinion.

Auditor's Responsibility for the audit of separate and consolidated financial statements

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

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of non-detecting a material misstatement of fraud is greater than the risk of error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or circumvention of internal controls.

- Acquire an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal controls.

- Assess the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the accounting basis used based on the going concern principle used by the Management Board and, based on the obtained audit evidence, we conclude on whether there is significant uncertainty regarding events or circumstances that may create significant doubts about the ability to continue operating for an indefinite period of time. If we conclude that there is significant uncertainty, in our Independent Auditors' Report we are required to call our attention to related disclosures in the separate and consolidated financial statements or, if these are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Independent Auditors' Report. However, future events or conditions may cause the Company and Group to discontinue their operations on a going concern.

- Evaluate the overall presentation, structure and content of the separate and consolidated consolidated financial statements, including disclosures, as well as whether the separate and consolidated financial statements reflect the transactions and events which they are based on in a way that achieves a fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on these consolidated financial statements. We are responsible for directing, supervising and performing the Group's audit. We are solely responsible for our audit opinion.

BDO Croatia d.o.o.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the audit of separate and consolidated financial statements (continued)

Auditor's Responsibility for the audit of separate and consolidated financial statements (continued)

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

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

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

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

Statement on other legal requirements

On 22 September 2023, we were appointed by the General Assembly of the Company to audit the separate and consolidated financial statements for 2023.

We have been engaged to perform an audit of the separate and consolidated financial statements of the Company and the Group for the first time in 2023, which represents an engagement of one year.

In the audit of the separate financial statements of the Company for 2023, we determined the materiality for the separate financial statements as a whole in the amount of EUR 4,861 thousand, which represents approximately 1.5% of sales income for 2023. In the audit of the consolidated financial statements of the Group for 2023, we determined the materiality for the consolidated financial statements as a whole in the amount of EUR 6.717 thousand, which represents approximately 1,5 % of sales income for 2023.

We have chosen sales income as measures of materiality because we believe that these are the most appropriate measures of the performance of the Company's and Group's operations.

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the audit of separate and consolidated financial statements (continued)

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

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

We conducted the engagement with expressing reasonable assurance as to whether the financial statements prepared for the purposes of public disclosure pursuant to Article 462, paragraph 5 of the Capital Market Act, which are contained in the electronic file *M SAN Grupa FS 2023 EN*, in all material aspects prepared in accordance with the requirements of the ESEF Regulation

Responsibilities of Management and those charged with governance

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

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

The Management of the Company and the Group is also responsible for:

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

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

Auditor's responsibilities

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

Procedures performed

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

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

BDO Croatia d.o.o.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the audit of separate and consolidated financial statements (continued)

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

Procedures performed (continued)

The aim of our procedures was to assess whether:
- the financial statements, which are included in the separate and consolidated report, are prepared in the valid XHTML format,
- the information contained in the separate and consolidated financial statements

Required by ESEF Regulation, are labelled and all labels meet the following requirements:
- XBRL mark-up language was used,
- the elements of the basic taxonomy listed in the ESEF Regulation with the closest accounting meaning were used, unless an additional element of taxonomy has been created in accordance with Annex IV ESEF Regulations,
- the labels comply with the common labelling rules under the ESEF Regulation.

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

Conclusion

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

In addition, as well as the opinion contained in this Independent Auditor's Report for the accompanying separate and consolidated financial statements and the report for the year ended 31 December 2023, we do not express any opinion on the information contained in these statements or other information contained in the file stated above.

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

Zagreb, 23 April 2024

BDO Croatia d.o.o.
Radnička cesta 180
10000 Zagreb

Hrvoje Stipić, President of the Management Board	Vedrana Stipić, Certified Auditor

BDO
BDO Croatia d.o.o.
Zagreb, Radnička cesta 180
OIB: 76394522236

2

Consolidated statement of comprehensive income
for the year ended 31 December 2023

(all amounts are expressed in thousands of euro)

	Notes	2023	2022
OPERATING INCOME			
Sales	5	467,963	429,811
Cost of goods sold	8	(402,694)	(367,987)
Gross profit		**65,269**	**61,824**
Other operating income	6	3,709	2,458
Increase in inventories of finished goods and work in progress		292	978
OPERATING EXPENSES			
Cost of raw material and supplies	7	(8,755)	(9,634)
Cost of services	9	(23,238)	(21,535)
Staff costs	10	(20,556)	(17,526)
Depreciation and amortization	11	(2,738)	(3,675)
Other expenses	12	(4,636)	(4,813)
Impairment allowance	13	(282)	(137)
Provisions for risks	13.1	(147)	(917)
Other operating expenses	14	(664)	(193)
Total operating expenses		**(61,016)**	**(58,430)**
Operating profit		**8,254**	**6,830**
FINANCIAL INCOME AND EXPENSES			
Financial income	15.1.	1,951	2,748
Financial expenses	15.2.	(4,970)	(7,009)
Net financial expense		**(3,019)**	**(4,261)**
Share of net result of associates	16	24	(312)
Profit before tax		**5,259**	**2,257**
Income tax	17	(648)	(575)
Profit for the year		**4,611**	**1,682**
OTHER COMPREHENSIVE INCOME			
Translation exchange differences and other		23	139
Total comprehensive income for the year		**4,634**	**1,821**
Profit attributable to:			
Equity holders of the Company		4,608	1,466
Non-controlling interests		3	216
		4,611	**1,682**
Total comprehensive income attributable to:			
Equity holders of the Company		4,631	1,598
Non-controlling interests		3	223
		4,634	**1,821**

Accounting policies and notes are integral part of these financial statements

Consolidated statement of financial position
at 31 December 2023
(all amounts sre expressed in thousands of euro)

ASSETS	Notes	31 December 2023	31 December 2022
NON-CURRENT ASSETS			
Intangible assets	18	7,452	3,780
Goodwill	19	5,377	7,688
Property, plant and equipment	20	3,931	2,682
Investment in associates and other financial asset	21	15,186	15,162
Deposits and loans given	26	2,468	2,452
Long-term receivables		24	17
Deferred tax assets	17	7	24
TOTAL NON-CURRENT ASSETS		**34,445**	**31,805**
CURRENT ASSETS			
Inventories	22	49,185	61,503
Trade receivables	24	70,550	52,606
Prepayments	23	2,902	1,612
Receivables from the State and other institutions	25	871	1,131
Given loans and deposits	26	1,719	654
Prepaid expenses and accrued income	27	1,180	1,528
Other receivables	28	2,409	768
Cash and cash equivalents	29	24,015	14,526
TOTAL CURRENT ASSETS		**152,831**	**134,328**
TOTAL ASSETS		**187,276**	**166,133**

Accounting policies and notes are integral part of these financial statement

(all amounts are expressed in thousands of euro)

EQUITY AND LIABILITIES	**Notes**	**31 December 2023**	**31 December 2022**
EQUITY			
Share capital	30	14,493	14,493
Legal reserves		2,220	2,220
Reserves from exchange of foreign currencies		(623)	(646)
Retained earnings	31	29,100	24,492
EQUITY HOLDERS OF THE PARENT		**45,190**	**40,559**
Non-controlling interest	32	66	63
TOTAL EQUITY		**45,256**	**40,622**
NON-CURRENT LIABILITIES			
Provisions	33	999	1,014
Long-term borrowings	34	3,354	2,509
Long-term bond liabilities	37	18,581	21,236
Other long-term liabilities	38	651	1,062
Long-term liabilities for right-of-use assets	35	406	925
Deffered tax liability	17	824	-
TOTAL NON-CURRENT LIABILITIES		**24,815**	**26,746**
CURRENT LIABILITIES			
Short-term bank borrowings and loans	36	21,759	20,968
Current portion of long-term bond liabilities	37	2,654	2,654
Advances received	39	2,698	1,247
Trade payables	40	74,059	61,757
Current portion of long-term liabilities for right-of-use asset	35	492	508
Payables towards employees		1,241	1,124
Taxes, contributions and similar payables	41	5,517	4,028
Income tax liability		200	97
Factoring liabilities	42	3,922	3,157
Other current liabilities	43	1,720	1,576
Accrued expenses and deferred income	44	2,943	1,649
TOTAL CURRENT LIABILITIES		**117,205**	**98,765**
TOTAL EQUITY AND LIABILITIES		**187,276**	**166,133**

Accounting policies and notes are integral part of these financial statement

Consolidated statement of changes in shareholder's equity
for the year ended 31 December 2023
(all amounts are expressed in thousands of euro)

	Share capital	Legal reserves	Foreign currency translation reserves	Retained earnings	Equity holders of the parent	Non-controlling interest	Total
Balance at 1 January 2022	**14,493**	**2,220**	**(739)**	**31,615**	**47,589**	**2,772**	**50,361**
Capital increase (note 48)	-	-	-	-	-	718	**718**
Separation of real estate segment (note 48)	-	-	-	(5,947)	(5,947)	-	**(5,947)**
Increase in non-controlling interest (note 48)	-	-	-	(605)	(605)	4,461	**3,856**
Transfer of control in affiliated company (note 48)	-	-	-	(2,076)	(2,076)	(8,111)	**(10,187)**
Profit for the year	-	-	-	1,466	1,466	216	**1,682**
Other comprehensive income	-	-	93	39	132	7	**139**
Total comprehensive income for the year	-	-	*93*	*1,505*	*1,598*	*223*	***1,821***
Balance at 31 December 2022	**14,493**	**2,220**	**(646)**	**24,492**	**40,559**	**63**	**40,622**
Profit for the year	-	-	-	4,608	4,608	3	**4,611**
Other comprehensive income	-	-	23	-	23	-	**23**
Total comprehensive income for the year	-	-	*23*	*4,608*	*4,631*	*3*	***4,634***
Balance at 31 December 2023	**14,493**	**2,220**	**(623)**	**29,100**	**45,190**	**66**	**45,256**

Accounting policies and notes are integral part of these financial statement

Consolidated statement of cash flows
for the year ended 31 December 2023
(all amounts are expressed in thousands of euro)

	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		4,611	1,682
Adjusted by:			
Income tax	17	648	575
Depreciation and amortization	11	2,738	3,675
Impairment allowance of trade receivables	13	279	14
Net movement in long-term provisions	33, 34	123	873
Profit from bargain purchase	48.2	(1,560)	-
Net interest expense	15.1., 15.2.	2,370	1,629
Net other non-cash adjustments		(36)	66
		9,173	**8,514**
CHANGES IN WORKING CAPITAL			
Decrease/(increase) in inventory		12,317	(24,419)
Increase in trade receivables		(18,230)	(9,176)
(Increase) / decrease in given advances		(1,290)	2,993
Increase in other receivables		(1,192)	(24)
Increase / (decrease) in received advances		1,451	(146)
Increase in trade payables		12,302	13,203
Non-monetary transactions-compensations carried out on given and received loans		(822)	(6,311)
Expected payment for the acquisition of subsidiaries	38, 43	285	(1,599)
Increase in other current liabilities		2,929	1,668
CASH GENERATED FROM OPERATIONS		**16,923**	**(15,297)**
Interests paid		(1,198)	(1,007)
Income taxes paid		(572)	(486)
Net cash generated from/(used in) operating activities		**15,153**	**(16,790)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment and intangible assets	18, 20	(1,185)	(1,712)
Interests collected		172	534
Cash disbursements for acquisition of subsidiaries	48.2	(2,363)	(2,177)
Cash disbursements for establishment of a subsidiary	48.2	-	(100)
Cash receipts from acquisition of subsidiaries	48.2	60	279
Cash disbursements due to the loss of control over the subsidiary EBP	48.2	-	(517)
Cash receipts from the sale of fixed assets		208	24
(Increase)/decrease in other financial assets		(41)	19
Cash disbursements from loans given		(1,091)	(181)
Net cash used in from investing activities		**(4,240)**	**(3,831)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash receipts from financial institutions		95,241	78,869
Payments made to financial institutions		(93,476)	(54,681)
Cash inflows for right-of-use assets	35	-	895
Liability repayments for right-of-use-assets	35	(535)	(246)
Cash disburstments for issued bonds	37	(2,654)	(2,654)
Net cash used in/(generated from) financing activities		**(1,424)**	**22,183**
Net increase in cash and cash equivalents		**9,489**	**1,562**
Cash and cash equivalents at the beginning of the year	29	**14,526**	**12,964**
Cash and cash equivalents at the end of year	29	**24,015**	**14,526**

Accounting policies and notes are integral part of these financial statement

Separate statement of comprehensive income
for the year ended 31 December 2023
(all amounts are expressed in thousands of euro)

	Notes	2023	2022
OPERATING INCOME			
Sales	5	335,157	324,647
Cost of goods sold	8	(300,115)	(292,306)
Gross profit		**35,042**	**32,341**
Other operating income	6	1,249	1,158
(Decrease)/increase in the value of inventories of work-in-progress and finished goods		(200)	6
OPERATING EXPENSES			
Cost of raw material and supplies	7	(3,271)	(1,939)
Cost of services	9	(16,661)	(16,203)
Staff costs	10	(8,316)	(6,878)
Depreciation and amortization	11	(1,396)	(1,554)
Other expenses	12	(1,917)	(2,177)
Impairment allowance	13	(84)	(69)
Provisions for risks	13.1	(66)	(691)
Other operating expenses	14	(86)	(119)
Total operating expenses		**(31,797)**	**(29,630)**
OPERATING PROFIT		**4,294**	**3,875**
FINANCIAL INCOME AND EXPENSES			
Financial income	15.1.	1,954	3,494
Financial expenses	15.2.	(4,793)	(6,899)
Net financial expense		**(2,839)**	**(3,405)**
Share of net result of associate	16	-	-
Profit before tax		**1,455**	**470**
Income tax	17	(71)	(119)
PROFIT FOR THE YEAR		**1,384**	**351**
OTHER COMPREHENSIVE INCOME		**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,384**	**351**

Accounting policies and notes are integral part of these financial statement

Separate statement of financial position
at 31 December 2023

(all amounts are expressed in thousands of euro)

ASSETS	Notes	31 December 2023	31 December 2022
NON-CURRENT ASSETS			
Intangible assets	18	2,805	3,633
Property, plant and equipment	20	645	573
Investments in subsidiaries and associates	21	26,040	24,061
Deposits and loans given	26	2,429	2,429
Long-term receivables		17	17
Deferred tax assets	17	-	18
TOTAL NON-CURRENT ASSETS		**31,936**	**30,731**
CURRENT ASSETS			
Inventories	22	30,283	39,696
Trade receivables	24	46,539	33,226
Prepayments	23	2,491	1,319
Receivables from employees		12	12
Other financial assets		41	-
Receivables from the State and other institutions	25	59	132
Loans and deposits given	26	353	661
Prepaid expenses and accrued income	27	34	416
Other receivables	28	327	422
Cash and cash equivalents	29	16,302	9,893
TOTAL CURRENT ASSETS		**96,441**	**85,777**
TOTAL ASSETS		**128,377**	**116,508**

Accounting policies and notes are integral part of these financial statement

Separate statement of financial position (continued)
at 31 December 2023
(all amounts are expressed in thousands of euro)

EQUITY AND LIABILITIES	Notes	31 December 2023	31 December 2022
EQUITY			
Share capital	30	14,493	14,493
Legal reserves		2,143	2,143
Retained earnings	31	2,798	1,414
TOTAL EQUITY		**19,434**	**18,050**
NON-CURRENT LIABILITIES			
Provisions	33	790	780
Long-term bond liabilities	37	18,581	21,236
Long-term loans liabilities	34	2,731	1,704
Other long-term liabilities	38	641	1,057
Long-term liabilities for right-of-use assets	35	2	25
TOTAL NON-CURRENT LIABILITIES		**22,745**	**24,802**
CURRENT LIABILITIES			
Short-term bank borrowings	36	16,770	16,445
Current portion of non-current bond payables	37	2,654	2,654
Advances received	39	809	1,712
Trade payables	40	58,202	46,919
Current portion of long-term liabilities for right-of-use asset	35	20	49
Payables to employees		458	436
Taxes, contributions and similar payable	41	3,876	2,911
Factoring liabilities	42	1,362	636
Other current liabilities	43	1,335	1,254
Accrued expenses and deferred income	44	712	640
TOTAL CURRENT LIABILITIES		**86,198**	**73,656**
TOTAL EQUITY AND LIABILITIES		**128,377**	**116,508**

Accounting policies and notes are integral part of these financial statement

Separate statement of changes in shareholder's equity for the year ended 31 December 2023

(all amounts are expressed in thousands of euro)

	Share capital	Legal reserves	Retained earnings	Total
Balance at 1 January 2022	**14,493**	**2,143**	**6,554**	**23,191**
Merger of a company (note 48)	-	-	(225)	(225)
Separation of an affiliated company (note 48)	-	-	(5,266)	(5,266)
Profit for the year	-	-	351	351
Total comprehensive income	-	-	351	*351*
Balance at 31 December 2022	**14,493**	**2,143**	**1,414**	**18,050**
Profit for the year	-	-	1,384	1,384
Total comprehensive income	-	-	*1,384*	*1,384*
Balance at 31 December 2023	**14,493**	**2,143**	**2,798**	**19,434**

Accounting policies and notes are integral part of these financial statemen

Separate statement of cash flows
for the year ended 31 December 2023
(all amounts are expressed in thousands of euro)

CASH FLOWS FROM OPERATING ACTIVITIES	Notes	2023	2022
Profit for the year		1,384	351
Adjusted by:			
Income tax	17	71	119
Depreciation and amortization	11	1,396	1,554
Impairment allowance of trade receivables	13	84	-
Impairment of given loans		308	265
Losses from investments in shares	15.2	95	-
Net movement in long-term provisions	33, 34	66	691
Net interest expense	15.1., 15.2.	1,947	1,290
Other non-monetary transactions		-	19
		5,351	**4,289**
CHANGES IN WORKING CAPITAL			
Decrease/(increase) in inventory		9,415	(18,287)
Increse in trade receivables		(13,397)	(2,847)
Decrease/(increase) in given advances		(1,171)	1,696
Decrease/(increase) in other receivables		396	(363)
(Decrease)/increase in received advances		(902)	935
Increase in trade payables		11,283	4,823
Non-cash transactions on loans given and received		(822)	(7,014)
The expected cash disbursement for the acquisition of the subsidiaries	38, 43	285	(1,599)
Increase in other current liabilities		715	56
CASH GENERATED FROM OPERATIONS		**11,153**	**(18,311)**
Interests paid		(1,150)	(798)
Income taxes paid		(52)	-
Net cash generated from operating activities		**9,951**	**(19,109)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment and intangible assets	18, 20	(661)	(549)
Interests collected		168	552
Cash disbursements for acquisition of subsidiaries		(2,363)	(2,177)
Cash disbursements for establishment of a subsidiary		-	(100)
(Increase)/decrease in other financial assets		(41)	(246)
Cash receipts/ (disbursements) for loans given		8	(38)
Cash receipts from the sale of fixed assets		3	24
Net cash used in investing activities		**(2,886)**	**(2,534)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash receipts from credit institution		65,280	58,118
Repayments of loans to financial institutions		(63,230)	(32,510)
Cash inflows for right-of-use assets		-	8
Liability repayments for right-of-use-assets		(52)	(59)
Cash disbursements for issued bonds	37	(2,654)	(2,654)
Net cash used in financing activities		**(656)**	**22,903**
Net increase in cash and cash equivalents		**6,409**	**1,260**
Cash and cash equivalents at the beginning of the year	29	**9,893**	**8,633**
Cash and cash equivalents at the end of year	29	**16,302**	**9,893**

Accounting policies and notes are integral part of these financial statement

1. GENERAL INFORMATION

M SAN GRUPA d.o.o., Zagreb, is a limited liability company incorporated in Croatia on 17 July 1997. The sole owner and founder of the Company is Mr. Stipo Matić.

The Company is registered for the manufacture of office machines and computers, software consulting and supply, office machine and computer maintenance, sale and purchase of goods, trade mediation on domestic and international markets, and computer training.

The Company's registered seat is in Rugvica (Rugvica Municipality), Dugoselska ulica 5, Croatia.

The following organisational functions of the Company and Group were transferred to the company Ured za podršku d.o.o., fully owned by Stipo Matić: Finances, Accounting, Controlling, Project management, IT Development and Support and Business Process Support (HR, General Affairs, Legal Affairs), which the company performs for all entities owned by both the Company and Mr. Stipo Matić, for which it charges a fee (see Note 9).

Management Board in 2023 and 2022:

Miroslav Huzjak, President of Management Board until December 31, 2022
Irena Langer-Breznik, Member of Management Board until December 31, 2022 and President of Management Bord since January 1, 2023
Žarko Kruljac, Member of Management Board
Slaven Stipančić, Member of Management Board
Goran Kotlarević, Member of Management Board
Pavo Leko, Member of Management Board until January 28, 2022
Miroslav Gabrić, Member of Management Board, since May 6, 2022, unitl March 8, 2023
Alen Panić, Member of Management Board, since October 1, 2022
Vladimir Brkljača, Member of Management Board, since October 1, 2022

Supervisory Board in 2023 and 2022:

Željko Menalo, President of Supervisory Board since January 1, 2023
Miroslav Huzjak, Deputy President of Supervisory Board since January 1, 2023
Stipo Matić, President of Supervisory Board until December 31, 2022 and Member of Management Board since January 1, 2023
Marko Rašić, Deputy President of Supervisory Board until December 31, 2022 and Member of Management Board since January 1, 2023
Snježana Matić, Member of Supervisory Board until April 7, 2024

Audit committee in 2023 and 2022:

Branislav Vrtačnik
Kristina Alebić
Branka Gerić

(all amounts are expressed in thousands of euro)

1. GENERAL INFORMATION (CONTINUED)

Subsidiaries

The Group consist of the company and the following subsidiaries in witch the company has an ownership stake of more then 50% and control:

Name of related party	*Country*	*Ownership in %*		*Main Activity*
		2023	*2022*	
KIM TEC D.O.O. VITEZ	BIH	100%	100%	*Distribution of IT equipment*
- KIM TEC SERVIS D.O.O. VITEZ	BIH	100%	100%	*Maintenance of IT equipment*
- KIM TEC EKO D.O.O.	BIH	95%	95%	*Collection of EE waste*
CENTAR KOMPETENCIJE ZA ZELENU ENERGIJU D.O.O.	Croatia	100%	100%	*Consulting*
KIM TEC D.O.O. PODGORICA	Montenegro	100%	100%	*Distribution of IT equipment*
PAKOM KOMPANI D.O.O.E.L.	North Macedonia	100%	100%	*Distribution of IT equipment*
KIM TEC D.O.O. BEOGRAD	Serbia	100%	100%	*Distribution of IT equipment*
- KIM TEC SERVIS D.O.O. BEOGRAD	Serbia	100%	100%	*Maintenance of IT equipment*
M SAN LOGISTIKA D.O.O.	Croatia	100%	100%	*Transport and logistics*
M SAN EKO D.O.O.	Croatia	100%	100%	*Collection of EE waste*
MR SERVIS D.O.O.	Croatia	60%	60%	*Maintenance of IT equipment*
ZELENA AGENDA 1.0. D.O.O.	Croatia	-	100%	*Consulting*
KORVUS MK D.O.O.E.L	North Macedonia	100%	100%	*ICT*
ALTERNA DISTRIBUCIJA D.O.O.	Slovenia	100%	100%	*Distribution of IT equipment*
- MR PLUS SERVIS D.O.O.	Slovenia	100%	-	*Maintenance of IT equipment*
DATA LINK D.O.O.	Croatia	100%	-	*Manufacturing*

The Company acquired 100% of shares of the company DATA LINK d.o.o., on July 4, 2023 based on the contract on the purchase of business shares. DATA LINK was founded in 1995 and has been operating on the market of the Republic of Croatia for over 20 years. The company produces professional LED lighting, and develops products and production technology, software solutions and the technology of LED lighting.

In March 2023, the Company sold its stake in Zelena Agenda 1.0 to Pametna energija d.o.o.

During July 2023, Alterna distribucija founded a new company called MR PLUS SERVIS d.o.o., with 100% ownership.

2. APPLICATION OF NEW STANDARDS, INTERPRETATIONS AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

Initial application of new amendments to the existing standards and interpretations effective for the current financial period

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current financial period:

- **IFRS 17 "Insurance contracts" and amendments to IFRS 17 "Insurance contracts" –** effective for annual periods beginning on or after 1 January 2023

- **Amendments to IAS 1 "Presentation of financial statements" and IFRS Practice Statement 2** – Disclosure of Accounting Policies, effective for annual periods beginning on or after 1 January 2023

- **Amendments to IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors" –** Definition of Accounting Estimates, effective for annual periods beginning on or after 1 January 2023

- **Amendments to IAS 12 "Income Taxes" –** Deferred Tax related to Assets and Liabilities arising from a Single Transaction, effective for annual periods beginning on or after 1 January 2023

- **Amendments to IAS 12 "Income Taxes" – International Tax Reform –** Pillar Two Model Rules, effective immediately upon the issue and for annual periods beginning on or after 1 January 2023

The adoption of these amendments to existing standards did not lead to significant changes in the Company's/Group financial statements.

Standards, amendments to existing standards and interpretations issued by the IASB and adopted in the European Union, but not yet effective

- **Amendments to IFRS 16 "Leases"** – Lease Liability in a Sale and Leaseback, effective for annual periods beginning on or after 1 January 2024

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Classification of Liabilities as Current or Non-current Date, Classification of Liabilities as Current or Non-current – Deferral and Non-current Liabilities with Covenants, effective for annual periods beginning on or after 1 January 2024

2. APPLICATION OF NEW STANDARDS, INTERPRETATIONS AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

Standards and amendments to the existing standards issued by IASB and not yet adopted by the EU

IFRS currently adopted in the European Union do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following new standards and amendments to existing standards, the adoption of which the European Union has not yet decided on (date of entry into force set out below relate to IFRSs issued by the IASB):

- **Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments"** – Disclosures Supplier Finance Arrangements, effective for annual periods beginning on or after 1 January 2024

- **Amendments IAS 21 The Effects of Changes in Foreign Exchange Rates** – Lack of Exchangeability, effective for annual periods beginning on or after 1 January 2025

The Company/Group expects that the adoption of these new standards and amendments to existing standards will not lead to significant changes in the Company's/Group's financial statements in the period of the first application of the standard.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

Consolidated and separate financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS EU).

Basis of preparation and functional currency

The consolidated and separate financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The financial statements have been prepared under the going concern basis for all members of the Group. Where necessary, comparative data have been adjusted to match changes in this year's presentation.

The items included in the Company's and Group financial statements are expressed in the currency of the primary economic environment in which the Company and Group operate (functional currency). The Republic of Croatia introduced the euro as the official currency on January 1, 2023, in accordance with the Law on the introduction of the euro as the official currency in the Republic of Croatia. Given that, the Company and Group changed the presentation currency for the purposes of preparing the financial statements for the year ended December 31, 2023 from kuna to euro. The financial statements for the year ended December 31, 2023 were first prepared in euros. From January 1, 2023, the euro is also the functional currency of the Company and Group (until January 1, 2023, it was HRK). Although the change in the presentation currency in the financial statements represents a change in accounting policy that requires retroactive application, the Company and Group did not publish the third balance sheet in the financial statements for the year ended December 31, 2023 in accordance with International Accounting Standard 8 (IAS) Accounting Policies, Changes in Accounting Estimates and Errors, given that it has determined that the change in the presentation currency has no significant impact on the Company's and Group's financial statements, due to the stable HRK/EUR exchange rate over the past few years.

The financial statements for the year 2022 were drawn up in kuna as the functional and reporting currency that was valid until December 31, 2022, but for the sake of comparability in this report, the financial data expressed in euros was converted at a fixed conversion rate (1 EUR = 7.53450 HRK).

The principal accounting policies are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company, i.e. its subsidiaries, including structured entities. Control is achieved when:

- The Company has power over the investee;
- The Company is exposed, or has rights, to variable returns from its involvement with the investee; and
- The Company has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

The Company considers all relevant facts and circumstances in assessing whether or not the voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Gain or loss and each component of other comprehensive income are attributed to the owners of the parent (Company) and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Accounting policies of subsidiaries are aligned with the those of parent company.

<u>Changes in the Group's ownership interests in existing subsidiaries</u>

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary, i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. Business combinations under common control are realized per carrying values of net asset.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 “Income Taxes” and IAS 19 respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (continued)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill (continued)

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described at note below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.
The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired. Where appropriate, the entire carrying amount of an interest, including goodwill, is tested for impairment in accordance with IAS 36 “Impairment of Assets” as a single asset by comparing its recoverable amount, which is the higher of its fair value and fair value less costs to sell, with its book value. Any recognized impairment loss is included in the carrying amount of the interest. An impairment loss is reversed in accordance with IAS 36 to the extent of a subsequent increase in the recoverable amount of the interest.

Upon loss of control, the Group derecognises the assets of an associate or joint venture, shares in non-controlling interests and other elements of equity and reserves relating to the associates or joint ventures. Any surplus or deficit arising from the cessation of control is recognized in the income statement. If the Group retains an interest in an associate or joint venture, that interest is stated at fair value at the date that control ceases. Thereafter, it is accounted for as an investment that is measured using the equity method or in accordance with the Group's accounting policy for financial instruments, depending on the level of retained influence. In addition, the Group recognizes all amounts previously recognized in other comprehensive income relating to the associate or joint venture that are no longer accounted for using the equity method on the basis that would have been true if the associate or joint venture had sold the related assets or related liabilities directly. Therefore, upon termination of the equity method, the Group transfers the profit or loss that the associate or joint venture previously reported in other comprehensive income and then transfers to profit or loss after disposal of the related assets or liabilities from equity (as a reclassification adjustment) to profit and loss.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests. When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. Gains and losses from transactions between an entity that is a member of the Group and an associate or joint venture of the Group in the consolidated financial statements is recognized only up to the amount of the interest in that associate or joint venture that do not relate to the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

An associate is an entity in which the Company has significant influence, but which is neither a subsidiary nor a joint venture. Significant influence is the power to make decisions about financial and operational policies of an investy, but not the control over those policies. In separate financial statements, investments in associates are presented at cost. The cost is tested for impairment at each reporting date.

Investments in subsidiaries

Subsidiaries are entities controlled by the Company. Control is achieved when: the Company has power over the investee, the Company is exposed, or have rights, to variable returns from its involvement with the investee, and the Company have the ability to use its power to affect its returns.
The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.
A subsidiary is an entity in which the Company has control or exercises, directly or indirectly, a controlling influence. Control is achieved by acquiring more than 50 percent of shares or voting shares, exercising the right to appoint the majority of the management or supervisory board members, actual decision-making in a subsidiary through the controlling company having a control over the majority of vote in the subsidiary.

In separate financial statements, investments in former subsidiaries are presented at cost. The cost is tested for impairment at each reporting date.

Revenue recognition

Revenue is generated from the sale of goods and provision of services.
Revenue is measured at the fair value of the consideration received or receivable less estimated returns from customers, volume and similar discounts.

i) Sales of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- income from partially performed services (those provided over several accounting periods) is recognised by reference to the stage of completion (measured based on the proportion of actual costs incurred relative to the total budgeted costs).
- Revenue from time and material contracts is recognised at the contractual rates as labour hours and direct expenses are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

ii) Sales of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group and the Company have transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group and the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of the revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred on those transactions can be measured reliably.

Dividend and interest income

Dividend income, i.e. income from share in profits is recognised when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Group and Company and the amount of income can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Segmental reporting

A segment is a distinguishable component or part of the Group that is engaged either in sales of related products or services (business segment) or in sales of products and services within a particular economic environment (geographical segment) and is subject to risks and rewards that are different from those of other segments.

The Group identifies operating segments on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (Management Board of the Company) in order to allocate resources to the segments and to assess their performance. Details on the operating segments are disclosed in note 4 to the consolidated and separate financial statements.

Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purposes of consolidated financial statements, the results and financial position of each group entity are expressed in thousand of euro (TEUR), since this is the functional currency of the parent company and presentation currency of the consolidated financial statements.

(all amounts are expressed in thousands of euro)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.
The exchange rates applied as of 31 December 2023 and 2022 as well as the average rates applied in the translation of income and expense items are as follows:

Currency	31/12/2023	Average exchange rate for 2023	31/12/2022	Average exchange rate for 2022
RSD	117.16100	117.24563	117.30700	117.47730
KM	1.95583	1.95583	1.95580	1.95580
MKD	61.63450	61.54226	61.71760	61.61199

Exchange differences are recognised in profit or loss in the period in which they arise, except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the entire or a part of the net investment.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into EUR using exchange rates prevailing at the end of each reporting period. Income and expense items are translated using the average exchange rates based on the closing monthly exchange rates throughout the year, except in the case where there is a significant fluctuation of exchange rates, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

i) Current tax

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from the net profit reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group’s and the Group’s and the Company’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

ii) Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

ii) Deferred tax (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group and the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and Company expecte, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

iii) Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Land and buildings used in the production or delivery of goods or services or for administrative purposes are presented in the consolidated and separate statement of financial position at historical cost, less accumulated depreciation and impairment losses.

Plant and equipment are recognised as tangible fixed assets if their individual useful life exceeds one year and unit cost is over EUR 500. Plant and equipment are carried at cost, which includes all costs directly attributable to bringing an asset to a working condition for its intended use.

Subsequent costs are included in the asset's carrying amount or as a separate asset, as appropriate, only if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance represent an expense in the income statement in the period in which they are incurred.

Any gain on disposal of an item of tangible assets is credited directly to income.

(all amounts are expressed in thousands of euro)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

The estimated useful lives and the applicable annual depreciation rates for principal categories of property and equipment were as follows:

	Depreciation rates
Buildings	2.50-3.00%
Electronic equipment and software	25-50%
Equipment	10-40%
Personal cars	20-40%
Vehicles (other than personal cars)	25-50%
Furniture and office equipment	20-50%

Owned land is not depreciated.

Intangible assets

<u>Intangible assets acquired separately</u>

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

<u>Internally generated intangible assets – research and development expenditure</u>

Expenditure on research activities is recognised as an expense in the period in which it is incurred.
An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:
- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)

Internally generated intangible assets – research and development expenditure (continued)

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.
Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).
Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Amortization rates for intangible assets amounted from 20-25%.

Impairment of tangible and intangible assets, excluding goodwill

At the end of each reporting period, the Group and the Company review the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.
Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.
Tangible assets at historical cost are depreciated according to the linear method, during the useful life of the assets, starting in the first month after the asset is put into use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible and intangible assets, excluding goodwill (continued)

Impairment losses are recognised immediately as expenses. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value.The cost of merchandise includes purchase price, import duties and other costs directly attributable to acquisition of merchandise. Merchandise on stock for wholesale purposes is carried at cost. The cost is determined using the FIFO method. Small inventory includes tools, plant and office fittings and similar items that are expected to be used for a period of up to one year, as well as assets not considered fixed assets. *Small inventory, tyres and spare parts are fully expenses when put in use.* The Company also determines the value of slow-moving and obsolete inventories, and makes an impairment allowance for such inventories by reference to their fair value.

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and the balance on bank accounts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Leases are recognized as a right-of-use asset and a lease liability whenever substantially all the risks and rewards incidental to ownership of the asset are transferred to the lessee over the term of the lease, except:

- low-value leases,
- leases whose lease term ends within a period of 12 months from the date of the first application or less and
- possibility of unilateral termination of the contract, no significant penalties imposed.

When concluding a contract, the Group assesses whether the contract is or contains lease characteristics. That is, it assesses whether the contract transfers the right to control the use of the property in question over time in exchange for compensation.

The Group as a lessee

For all leases, except short-term leases and leases of low-value assets, the Group applies a single approach to recognition and measurement. The Group recognizes lease payment liabilities and the right-of-use asset, which is the right to use the asset in question.

Right-of-use assets

The Group recognizes a right-of-use asset at the time the lease is entered into (i.e. when the asset in question is available for use). Right-of-use assets are measured at cost less accumulated depreciation and impairment losses and are adjusted for remeasurement of lease liabilities. The cost of the right-of-use assets includes the amount of recognized lease liabilities, initial direct costs and lease payments made on or before the date of the contract, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the term of the lease.

Lease liabilities

When entering into a lease, the Group recognizes lease liabilities, measured at the present value of future lease payments over the term of the lease. Lease payments include fixed payments, variable payments that depend on an index or rate, and amounts expected to be paid from residual value guarantees. Lease payments may include the value of a purchase option that is expected to be realized with reasonable certainty and the payment of a penalty for terminating the lease if the terms of the contract provide for a termination option. Variable lease payments that do not depend on an index or rate are recognized as an expense in the period in which the event or condition that conditions the payment occurs.

Lease liabilities are reported as a separate item under long-term and short-term liabilities. The statement of comprehensive income shows the cost of depreciation of assets with the right of use and interest costs on lease obligations (see note 35).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised when the Group and the Company become a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Classification of financial assets

After initial recognition, financial assets are classified as assets at amortized cost, assets at fair value through other comprehensive income (FVOCI) and assets at fair value through profit and loss (FVTPL) depending on the business model and the characteristics of the contracted cash flows from financial assets.

Financial assets at amortized cost

Financial assets are measured at amortized cost if they meet both of the following conditions and if they are not valued at fair value through profit and loss (FVTPL):

- The purpose of a business model is to hold assets in order to collect contractual cash flows; and
- The contractual terms of a financial asset represent cash flows that are solely principal and interest payments (SPPI), at specific dates.

This category includes: given loans and deposits, trade receivables and cash and cash equivalents.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Impairment of financial assets

The Company and the Group recognise allowances for expected credit losses (ECLs) for trade receivables. The amount of expected credit losses is calculated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company and the Group expects to receive.

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are recognized for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company and the Group applies a simplified approach in calculating ECLs. Accordingly, the Company and the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's and Group's historical credit loss experience, adjusted for factors specific to the debtors.

For loans given, the Company and the Group measure expected credit losses as a function of the probability of occurrence of default status (PD), loss in case of occurrence of default status (LGD), ie the amount of loss if default occurrs and exposure at the time of default (EAD). To assess PD parameters, the Company and the Group rely on the publications of external investment rating agencies. The LGD parameter is estimated internally and depends on the collateralisation of the loan, and for unsecured loans it is 100%. As for the exposure at the time of default, for financial assets it represents the gross carrying amount of the asset at the reporting date.

(i) Significant increase in credit risk

When assessing whether the credit risk for the receivables from customers significantly increased since the initial recognition, the Company and the Group compares the risk of default on the reporting date to the risk of default on the date of initial recognition. During the assessment, the Company and the Group considers both quantitative and qualitative information which are reasonable and available, including the historical experience, which can be accessed without unnecessary costs or engagements. In particular, the Company and the Group relies on days of default when assessing significant credit risk deterioration.

Despite the foregoing, the Company assumes that the credit risk of customers has not increased significantly since initial recognition if the customer is determined to have low credit risk at the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

(ii) Definition of default

The Company and the Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company and the Group, in full

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event (see (ii) above);
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

(iv) Write-off policy

The Company and the Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's and Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Derecognition of financial assets

The Company and the Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Company and the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company and the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company and the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company and the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

The Company and the Group measures all financial liabilities at amortized cost.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Company and the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest rate method is the method of calculating the amortized cost of the financial liability and the allocation of interest expense over the relevant period. The effective interest rate method is the rate that accurately discounts the estimated future cash payments (including any fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) over the expected life of the financial obligation or, where appropriate, a shorter period, to the amortized cost of financial liability.

Classification in liabilities or equity

Debt and equity instruments are classified either as financial liabilities or equity, in accordance with the substance of the contract.

Equity instruments

The equity instrument is a contract that provides evidence of the remainder of the stake in the entity's property after deducting all of its liabilities. The equity instruments issued by the Company are recorded in the amount of income earned, less direct costs of issuance.

Financial liabilities

Other financial liabilities, including borrowings and loans, and bonds, are initially measured at fair value less transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, whereby interest expense is recognized on the basis of effective yield.

The effective interest method is a method for calculating the amortized cost of financial liabilities and interest expense allocations over the relevant period. Effective interest rate is the rate at which the estimated future cash outflows are discounted over the expected life of the financial liability or a shorter period if applicable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Derecognition of financial liabilities

The Company and the Group derecognizes financial liabilities when, and only when, the Company's and the Group's obligations are discharged, cancelled or they expire.

Provisions

Provisions are recognised when the Group or the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that the Group or the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date date and adjusted to reflect the current best estimate.

Where the effect of discounting is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation. Where discounting is used, the reversal of such discounting in each year is recognized as finance costs.

Provisions for termination benefits are recognised when the Group and the Company have committed to terminate employment contracts with its employees i.e. when it has a detailed formal plan to terminate employment agreements that is reasonably unlikely to be abandoned.

Warranty provision for own brands

Warranty provisions for own brands, representing provisions for repairs and replacements within a warranty period, are determined based on the volume and cost of goods complained of as faulty (goods received for servicing) by groups of products. Warranty provision for external brands are not recognized since the complete risk is carried by the suppliers.

The amount of provision is determined by applying an annual percentage of individual groups of faulty products covered by warranty (i.e. received for servicing) as a share in the total annual quantity of the individual products sold during the year, with the aggregate cost of the product group concerned taken as the basis.

Provisions are determined by groups of products and duration of the warranty period.

Warranty provisions are reversed upon the expiry of the underlying warranty period and credited to income for the year in which the warranty expires. They are netted off with correspondin expenses in the relevant period.

Contingent liabilities

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

No contingent assets is recognised in the financial statements. They are disclosed in the notes when the inflow of economic benefits becomes probable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Events after the reporting date

Post-year-end events that provide additional information about the Group's and the Company's position at the financial statements date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

Accounting judgements and estimates

The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are continually reviewed. Changes in accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

The key areas of estimation in applying the Group's and the Company's accounting policies that had a most significant impact on the amounts recognized in the financial statements were as follows:

(a) Useful life of property, plant and equipment and of intangible assets

As described in the accounting policies above, the Group and the Company review the estimated useful lives of their property, plant and equipment as well as of intangible assets at the each reporting date. Property, plant and equipment, and intangible assets are recognised initially at cost, less accumulated depreciation and amortisation, respectively.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting judgements and estimates(continued)

(b) Expected credit losses

In assessing expected credit losses, the Group considers reasonable and corroborating information that is relevant and available. This includes quantitative and qualitative information and analysis, based on the Group's historical experience and an assessment of creditworthiness, including information relating to the future. The value adjustment of receivables which are at risk in terms of collection certainty is debited to the profit and loss in the current year.

(c) Provision for warranty risk

Provisions for estimated costs of guarantee itself recognized as a provision in the period when the sales made. The assessment reflects historical trends in the costs of warranty.

(d) Assessment of Goodwill impairment

Goodwill is tested annually for impairment in accordance with the accounting policy. The recoverable amounts of cash generating units are determined based on the calculated value in use. These calculations require the use of estimates (Note 19).

(e) Recoverability of investments in subsidiaries and associates

The Company annually assesses the recoverability of investments through the test of value of net assets of subsidiaries, ie the value of the share of associated companies increased by the share in the result of associated companies calculated according to the equity method.

(f) Determination of achieving of control over subsidiaries

The Company evaluates the achievment of control over a subsidiary based on the following elements of control: power of disposal, variable returns and the relationship between power of disposal and variable returns.

- Power of disposal derives from voting rights based on ownership instruments, the right to appoint or revoke the entity's key managers who are capable of conducting relevant affairs, the right to direct the entity to conclude transactions in favor of investors or veto changes to such transactions, and the ability to conduct relevant affairs.
- Achieving variable returns in a affiliated company depends on the right to receive returns (dividends, share value changes, other payments of economic benefit) depending on the success of its business.
- The connection between the power of disposal and yield – control in relation to the dependent company results from the ability to apply the power of disposal in such a way that the Company affects its yield (note 48).

(all amounts are expressed in thousands of euro)

4. SEGMENT INFORMATION

As of 31 December 2023, the reporting segments of the Group consisted of several business segments by geographic area: Croatia, Bosnia and Herzegovina, Serbia, Montenegro, North Macedonia, Slovenia and other countries. Business segments are reported in accordance with internal reporting to the executive decision maker – the Company's Management Board, which is responsible for resource allocation and performance evaluation of business segments.

The following is an analysis of the Group's income and results by geographic segment. The displayed sales revenues refer to revenues generated by sales to external customers, revenues generated by sales within segments and other business revenues.

The revenues and expenses shown at the operating segment level represent total revenues/expenses generated from relations with third parties, but also with subsidiaries from other operating segments. Such presentation of income and expenses is eliminated in the "Eliminations/Corrections" line.

Revenues and operating results by segment

2023	Croatia	Bosnia and Herzegovina	Serbia	Montenegro	North Macedonia	Slovenia	Total	Eliminations / Corrections	Total
Sales	353,221	40,802	83,950	18,341	29,055	35,552	560,921	(92,958)	**467,963**
Cost of goods sold	(304,244)	(34,488)	(75,743)	(15,857)	(24,834)	(31,787)	(486,953)	84,259	**(402,694)**
Changes in inventory	(204)	-	-	-	-	-	(204)	496	**292**
Other operating income	1,668	111	329	23	138	35	2,304	1,405	**3,709**
Other operating expenses	(46,702)	(6,140)	(7,770)	(1,508)	(2,967)	(3,157)	(68,244)	7,228	**(61,016)**
Profit from operations	**3,739**	**285**	**766**	**999**	**1,392**	**643**	**7,824**	**430**	**8,254**
Net finance expenses	(2,906)	(107)	(143)	(86)	(86)	(136)	(3,464)	469	**(2,995)**
Profit before taxes	**833**	**178**	**623**	**913**	**1,306**	**507**	**4,360**	**899**	**5,259**

2022	Croatia	Bosnia and Herzegovina	Serbia	Montenegro	North Macedonia	Slovenia	Total	Eliminations / Corrections	Total
Sales	342,706	48,049	94,305	15,825	24,381	5,081	530,347	(100,536)	429,811
Cost of goods sold	(297,215)	(38,839)	(85,756)	(13,945)	(21,057)	(4,137)	(460,949)	92,962	(367,987)
Changes in inventory	6	959	-	-	-	-	964	14	978
Other operating income	1,329	699	502	21	162	17	2,730	(273)	2,458
Other operating expenses	(43,516)	(9,507)	(7,871)	(1,228)	(2,653)	(504)	(65,279)	6,850	(58,429)
Profit from operations	**3,311**	**1,360**	**1,181**	**673**	**833**	**456**	**7,814**	**(983)**	**6,830**
Net finance expenses	(3,389)	(347)	(469)	(150)	(170)	(19)	(4,544)	(29)	(4,574)
Profit before taxes	**(78)**	**1,014**	**711**	**523**	**663**	**437**	**3,269**	**(1,012)**	**2,257**

(all amounts are expressed in thousands of euro)

4. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

2023	Croatia	Bosnia and Herzegovina	Serbia	Montenegro	North Macedonia	Slovenia	Total	Eliminations / Corrections	Total
Tangible and intangible assets	4,725	306	157	278	96	379	5,941	10,819	16,760
Other non-current assets	28,502	10,111	202	1	24	30	38,870	(21,185)	17,685
Current assets	99,403	11,903	23,096	7,628	8,614	10,838	161,482	(8,651)	152,831
Total assets	**132,630**	**22,320**	**23,455**	**7,907**	**8,734**	**11,247**	**206,293**	**(19,017)**	**187,276**
Long-term liabilities	23,708	99	565	8	-	122	24,502	313	24,815
Short-term liabilities	91,185	8,192	11,656	3,614	1,715	9,504	125,866	(8,661)	117,205
Total liabilities	**114,893**	**8,291**	**12,221**	**3,622**	**1,715**	**9,626**	**150,368**	**(8,348)**	**142,020**

2022	Croatia	Bosnia and Herzegovina	Serbia	Montenegro	North Macedonia	Slovenia	Total	Eliminations / Corrections	Total
Tangible and intangible assets	5,035	292	130	330	93	603	6,483	7,667	14,150
Other non-current assets	26,525	10,112	52	1	26	-	36,716	(19,061)	17,655
Current assets	88,169	13,215	22,546	4,224	7,865	7,700	143,719	(9,391)	134,328
Total assets	**119,729**	**23,619**	**22,728**	**4,555**	**7,984**	**8,303**	**186,918**	**(20,785)**	**166,133**
Long-term liabilities	25,327	156	823	69	-	371	26,746	-	26,746
Short-term liabilities	77,441	9,582	11,312	983	2,126	6,704	108,148	(9,382)	98,766
Total liabilities	**102,768**	**9,738**	**12,135**	**1,052**	**2,126**	**7,075**	**134,894**	**(9,382)**	**125,512**

(all amounts are expressed in thousands of euro)

5. SALES INCOME

	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Domestic sales of goods	384,601	347,912	199,566	185,264
Foreign sales of goods	62,066	62,711	102,093	110,720
Income from sale of service	18,116	14,073	9,640	4,306
Income from sales of spare parts	6,022	6,826	419	497
Income from sale of licences	6,003	3,365	2,860	2,130
Re-export sales	5,170	2,914	33,808	33,480
Other	383	3,760	-	-
Allowances and discounts provided to customers	(14,398)	(11,750)	(13,229)	(11,750)
Total	**467,963**	**429,811**	**335,157**	**324,647**

The foreign market for the Company includes all markets except the Republic of Croatia, while for the Group the foreign market includes all markets except the Republic of Croatia, the Republic of Serbia, Bosnia and Herzegovina, the Republic of Montenegro, Republic of Slovenia and the Republic of Northern Macedonia.
Reexport implies direct export of goods to foreign markets in such a way that the goods were not physically in the warehouse of the Company or the Group.

Overview of gross sales by countries in which it was realized:

	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Croatia	203,217	166,012	199,192	186,314
Serbia	82,011	103,597	39,056	48,056
Slovenia	41,243	13,387	4,777	7,656
Bosnia and Herzegovina	39,017	46,468	20,337	21,359
North Macedonia	21,644	33,872	13,901	14,616
Montenegro	18,854	16,507	9,590	8,947
Kosovo	10,138	7,872	6,948	6,998
Poland	7,019	6,276	6,999	6,222
Germany	6,488	7,378	6,484	6,700
Finland	6,263	3,004	6,263	3,004
Slovakia	5,071	4,860	5,066	4,857
Singapur	5,004	5,037	964	620
Cezch Republic	4,873	5,790	4,525	5,541
Austria	3,649	3,245	1,156	596
Romania	3,257	4,316	3,257	4,316
Other	24,613	13,940	19,871	10,595
Total	**482,361**	**441,561**	**348,386**	**336,397**

(all amounts are expressed in thousands of euro)

6. OTHER OPERATING INCOME

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Badwill	1,560	-	-	-
Income from free receipts	864	861	746	761
Income from reinvoicing	250	244	151	180
Profit from sale of fixed assets	208	255	3	24
Income from elimination of expected credil loss	133	280	69	40
Income from long-term provision	113	45	88	-
Income from incentives and subsidies	99	121	-	-
Receipts in-kind	86	52	77	46
Inventory surpluses	24	30	17	17
Income from the own use of products	-	336	-	-
Other	372	234	98	90
Total	**3,709**	**2,458**	**1,249**	**1,158**

The Group recognized gain from bargain purchase in the amount of EUR 1,560 thousand (note 19) based on the Purchase Price Allocation (PPA), of the acquired company Alterna distribucija d.o.o.

7. COST OF RAW MATERIAL AND SUPPLIES

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Cost of spare parts	3,082	2,595	-	-
Basic and auxiliary materials, and office supplies	2,775	2,961	2,439	1,107
Servicing, replacement and repair costs under warranty	1,335	1,169	530	514
Energy and fuels for freight and personal vehicles	1,073	1,852	196	177
Small inventory, packaging and tires	465	554	106	141
Other	25	503	-	-
Total	**8,755**	**9,634**	**3,271**	**1,939**

(all amounts are expressed in thousands of euro)

8. COST OF GOODS SOLD

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Cost of goods sold	429,207	388,563	322,889	310,619
Intellectual property use fee (license)	7,317	5,400	3,217	2,222
Ullage, spillage, breakage	985	763	739	641
Other cost of goods sold	62	276	-	-
Warranty extansion costs	23	250	7	253
Excessive inventories shortage	14	8	-	-
Cost of equipment for resale	-	1,044	-	941
Allowances and discounts provided by suppliers	(34,914)	(28,317)	(26,737)	(22,370)
Total	**402,694**	**367,987**	**300,115**	**292,306**

In addition to selling computers and laptops, the Group and the Company also sell licenses – ready-made office applications or platforms for development, management and processing and more advanced analytics.

9. COST OF SERVICES

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Business premise and equipment rental costs	4,533	4,135	1,214	1,166
Costs of Ured za podršku d.o.o. and bookkeeping services	3,825	3,734	2,882	2,804
Telephone, shipping and transportation costs	3,770	3,307	4,806	4,568
Marketing, sponsorships and fairs	2,918	3,047	1,663	1,842
Utilities	1,683	1,589	1,208	1,203
Maintenance and repairs	1,175	1,382	570	534
Representation	948	760	326	202
Intellectual services	760	631	390	295
Income from quality control and attestation of goods	658	672	657	670
Outsourced repair of faulty goods under warranty period	495	363	830	815
Students and youth employees service costs	296	270	87	79
Costs of storage and palletizing of goods	-	-	1,175	1,093
Other	2,177	1,645	853	932
Total	**23,238**	**21,535**	**16,661**	**16,203**

The Group has a well-developed logistics network in the Republic of Croatia and the Adria region, with the aim of ensuring fast and quality delivery of goods to partners. Securing its own regional logistics network performed by the subsidiary M SAN Logistika d.o.o. Zagreb provides the Company and the Group with one of the key comparative advantages in the distribution of consumer electronics, computers and computer programs.

(all amounts are expressed in thousands of euro)

10. STAFF COSTS

	GROUP		COMPANY	
	2023	2022	2023	2022
Net salaries	12,716	11,066	4,922	4,215
Taxes, surtaxes and contributions from salaries	5,274	4,229	2,386	1,806
Contributions on salaries	2,566	2,231	1,008	857
Total	**20,556**	**17,526**	**8,316**	**6,878**

The Group had an average of 932 employees in 2023 (2022: 930 employees). The Company had an average of 281 employees in 2023 (2022: 258 employees).

11. DEPRECIATION AND AMORTIZATION

	GROUP		COMPANY	
	2023	2022	2023	2022
Amortization	1,606	1,035	1,089	985
Depreciation	672	1,160	273	535
Depreciation of the right of use asset	460	391	34	34
Goodwill impairment	-	1,089	-	-
Total	**2,738**	**3,675**	**1,396**	**1,554**

12. OTHER EXPENSES

	GROUP		COMPANY	
	2023	2022	2023	2022
Insurance premiums for equipment, vehicles and inventories	974	1,006	502	464
Severance costs, christmas allowance, children's gifts, awards	568	436	258	189
Per diems and other business travel costs	491	340	222	129
Travel expenses	470	473	161	150
Bonuses for achieved results	440	1,123	96	609
Professional training and literature	382	253	322	234
Bank and payment operation charges	346	360	112	162
Other employee costs	316	82	-	-
Forest levies, other contributions and membership fees	191	184	111	109
License costs	126	132	-	-
Other	332	424	133	131
Total	**4,636**	**4,813**	**1,917**	**2,177**

(all amounts are expressed in thousands of euro)

13. IMPAIRMENT ALLOWANCE

	GROUP		COMPANY	
	2023	2022	2023	2022
Impairment allowance of trade receivables (ECL)	279	128	84	69
Impairment allowance of Inventories	-	4	-	-
Other	3	5	-	-
Total	**282**	**137**	**84**	**69**

13.1 PROVISIONS FOR RISKS

	GROUP		COMPANY	
	2023	2022	2023	2022
Provisions for warranty risks and refunds	9	427	9	428
Provisions for termination benefits	-	18	-	-
Total long-term risks provisions	**9**	**445**	**9**	**428**
Reserves for accruals unused vacation days	114	28	57	15
Short-term provisions for bonuses	24	444	-	248
Total short-term risks provisions	**138**	**472**	**57**	**263**
Total provisions	**147**	**917**	**66**	**691**

14. OTHER OPERATING EXPENSES

	GROUP		COMPANY	
	2023	2022	2023	2022
Fines	503	3	-	1
Written-off trade receivables	59	25	44	1
Donations	29	89	27	86
Loss on disposal of tangible asset	-	5	-	-
Other	73	71	15	31
Total	**664**	**193**	**86**	**119**

(all amounts are expressed in thousands of euro)

15.1 FINANCIAL INCOME

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Foreign exchange gains	1,756	2,571	1,825	3,355
Interest income	167	166	101	137
Other	28	11	28	2
Total	**1,951**	**2,748**	**1,954**	**3,494**

15.2 FINANCIAL EXPENSES

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Interest expense	2,537	1,795	2,048	1,427
Foreign exchange losses	1,782	4,640	1,942	4,801
Factoring fees	317	206	172	106
Bank guarantees fees	250	330	190	288
Losses from investments in stocks, shares and bonds and other papers	-	-	95	-
Imapirment of financial assets	-	-	308	267
Other financial expenses	84	38	38	10
Total	**4,970**	**7,009**	**4,793**	**6,899**

16. SHARES IN THE RESULT OF THE ASSOCIATES

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Income from profit attribution from associates	24	-	-	-
Expenses from loss attributions from associates	-	(312)	-	-
Total	**24**	**(312)**	**-**	**-**

The following is a summary of the attribution of results by individual associates:

	GROUP	
	2023	**2022**
E Kupi	20	(287)
EKO Bosanska Posavina	4	(25)
Total	**24**	**(312)**

(all amounts are expressed in thousands of euro)

17. INCOME TAX

Corporate income tax in Croatia is determined by applying the rate of 18% (Serbia: 15%, Montenegro: 9%, Bosnia and Herzegovina: 10%, Slovenia 19% and North Macedonia: 10%) to taxable profit for the year.

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Current tax	648	593	52	119
Deferred tax	-	(18)	19	-
Income tax expense	**648**	**575**	**71**	**119**

Current tax

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Accounting profit before tax	6,133	2,257	1,436	471
Income tax 18%	1,104	406	258	85
Tax effect of lower tax rates	(472)	(39)	-	-
Tax effect of permanent deductiable expenses	413	398	168	171
Tax effect of premanent deductiable income	(66)	(38)	(50)	(37)
Income tax expense	**979**	**728**	**377**	**219**
Withholding tax paid that could not be used	**52**	**119**	**52**	**119**
Utilisation of tax loss	(382)	(254)	(377)	(219)
Net tax expense	**648**	**593**	**52**	**119**

Deffered tax assets

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Balance at 1 January	**24**	**25**	**19**	**19**
Recognized in profit or loss account	(17)	(1)	(19)	-
Balance at 31 December	**7**	**24**	**-**	**19**

Deffered tax liabilities

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Balance at 1 January	**-**	**18**	**-**	**-**
Recognized in profit or loss account	824	(18)	-	-
Balance at 31 December	**824**	**-**	**-**	**-**

(all amounts are expressed in thousands of euro)

17. INCOME TAX (CONTINUED)

During the preparation of Purchase Price Allocation (PPA) in June 2023 related to the acquisition of the company Alterna distribucija in November 2022, there was an increase in the fair value of intangible assets, which resulted in the recognition of a deferred tax liability in accordance with the requirements of the IAS 12. At the same time, the Group recognized EUR 824 thousand in deferred tax liabilities which will be released over the useful life of the identifiable asset, and for the purpose of harmonizing the consolidated current cost of income tax.

Effective tax rate in 2023 was 15.9% (2022: 25.5%).

Gross tax losses in the amount of EUR 4.068 thousand for the Group are available to reduce future taxable profits at the end of 2023. Tax losses cannot be transferred and used within group members. The Group did not recognize deferred tax assets based on tax losses carried forward, given that it is uncertain when individual companies within the Group will achieve sufficient future taxable profit on the basis of which such tax assets could be used. On the next reporting date, the Group and the Company will reassess the assumptions for the recognition of deferred tax assets.

Table of transferred tax losses

	GROUP		COMPANY	
	2023	2022	2023	2022
Up to 1 year	1,544	1,435	1,544	1,401
Up to 2 year	1,481	2,004	1,481	1,544
Up to 3 year	735	1,969	735	1,481
Up to 4 year	274	824	206	735
Up to 5 year	34	734	-	206
Total tax loss available for transfer	**4,068**	**6,966**	**3,966**	**5,367**

The Company and the Group acquired the largest part of the transferred losses through the merger of the company M SAN Ulaganja with the Company. The Company and the Group have not determined deferred tax assets because there is no estimate of how many losses will be able to be used in the future period.

In accordance with local tax regulations, the tax authorities may at any time inspect the Company's and the Group's books and records within the period defined by local tax regulation, and may impose additional tax assessments and penalties.

(all amounts are expressed in thousands of euro)

18. INTANGIBLE ASSETS

GROUP	Software	Development expenses	Trade-mark	Customer relationships	Intangible assets under construction	Total
COST						
At 1 January 2022	**6,541**	**271**	**53**	**-**	**1,919**	**8,784**
Additions	-	-	-	-	315	315
Transfer from assets under construction	644	-	26	-	(690)	(20)
Acquisition of the subsidiary (note 48)	15	-	-	-	100	116
At 31 December 2022	**7,200**	**271**	**79**	**-**	**1,644**	**9,194**
Additions	-	-	-	5,084	140	5,224
Transfer from assets under construction	130	51	3	-	(181)	3
Acquisition of the subsidiary (note 48)	53	-	-	-	51	104
At 31 December 2023	**7,383**	**322**	**82**	**5,084**	**1,654**	**14,525**
ACCUMULATED AMORTIZATION						
At 1 January 2022	**4,065**	**271**	**39**	**-**	**-**	**4,375**
Charge for the year	1,029	-	6	-	-	1,035
Acquisition of the subsidiary (note 48)	4	-	-	-	-	4
At 31 December 2022	**5,098**	**271**	**46**	**-**	**-**	**5,414**
Charge for the year	1,088	-	10	508	-	1,606
Acquisition of the subsidiary (note 48)	53	-	-	-	-	53
At 31 December 2023	**6,239**	**271**	**56**	**508**	**-**	**7,073**
NET BOOK VALUE						
At 31 December 2023	**1,144**	**51**	**27**	**4,576**	**1,654**	**7,452**
At 31 December 2022	**2,102**	**-**	**33**	**-**	**1,644**	**3,780**

When preparing the Purchase Price Allocation (PPA) in June 2023 related to the acquisition of the company Alterna distribucija in November 2022 (note 48), the Group identified relationships with customers as the key intangible asset of the acquired company and made an assessment of their value, using income approach, and MEE (Multi Excess Earnigns) method respectively.

(all amounts are expressed in thousands of euro)

18. INTANGIBLE ASSETS (CONTINUED)

COMPANY	Software	Development expenses	Trade-mark	Intangible assets under construction	Total
COST					
At 1 January 2022	**5,503**	**264**	**53**	**1,592**	**7,412**
Additions	-	-	-	292	292
Transfer from assets under construction	253	-	26	(279)	-
Merger of a subsidiary (note 48)	1,206	-	-	-	1,206
At 31 December 2022	**6,962**	**264**	**79**	**1,605**	**8,910**
Additions	-	-	-	261	261
Transfer from assets under construction	238	-	3	(241)	-
Na dan 31 December 2023	**7,200**	**264**	**82**	**1,625**	**9,171**
ACCUMULATED AMORTIZATION					
At 1 January 2022	**3,028**	**264**	**40**	**-**	**3,332**
Charge for the year	978	-	7	-	985
Merger of a subsidiary (note 48)	960	-	-	-	960
At 31 December 2022	**4,966**	**264**	**47**	**-**	**5,277**
Charge for the year	1,078	-	11	-	1,089
At 31 December 2023	**6,044**	**264**	**58**	**-**	**6,366**
NET BOOK VALUE					
At 31 December 2023	**1,156**	**-**	**24**	**1,625**	**2,805**
At 31 December 2022	**1,996**	**-**	**32**	**1,605**	**3,633**

(all amounts are expressed in thousands of euro)

19. GOODWILL

	GROUP	
	December 31 2023	**December 31 2022**
Cost	5,377	7,688
	5,377	**7,688**

	2023	**2022**
Cost		
Oppening balance	7,688	5,898
Sale of subsididary	567	2,878
Purchase price allocation when acquiring 100% share	(2,878)	-
Effect of exchange differences	-	(1,088)
Closing balance	**5,377**	**7,688**

The recoverable amount of cash-generating units is determined based on a value in use calculation. These calculations use cash flow projections based on financial plans approved by the Group's Management Board and cover a period of five years.

For the purposes of impairment test, goodwill has been allocated to the following cash-generating units:

	December 31 2023	**December 31 2022**
KIM TEC BG	3,883	3,883
Pakom Kompani d.o.o.	891	891
MR SERVIS	36	36
Alterna	-	2,878
Data Link	567	-
Total	**5,377**	**7,688**

During November 2022, M SAN Grupa acquired the subsidiary Alterna distribucija (note 48). On December 31, 2022 the Group has not yet made the Purchase Price Allocation (PPA), and the amount of goodwill is recognized as the difference between the expected purchase price and the acquired net value of the asset on the date of acquisition. The Purchase Price Allocation was made during 2023, whereby the estimated fair value of the acquired net assets exceeded the expected value of the purchase price. This resulted in the derecognition of the initially recognized goodwill and the recognition of gain from a bargain purchase in the amount of EUR 1,560 thousand (note 6).

In July 2023, the Company acquired a 100% business share in the company Data link d.o.o. based on the contract on the purchase of business shares, and the fair value of the compensation in the amount of EUR 2,277 thousand for the acquisition of 100% ownership share was determined. The assessment of the fair value of the Company's assets and liabilities, as an integral part of the distribution of the purchase price, determined the fair value of the acquired net assets (100% of the share capital) in the amount of EUR 1,709 thousand. Goodwill resulting from the acquisition is defined as the difference between the fair value of consideration and the fair value of the net assets of the acquired company in the amount of EUR 567 thousand.

(all amounts are expressed in thousands of euro)

19. GOODWILL (CONTINUED)

The calculations of the value in use of goodwill are based on the following assumptions of the discount rates after tax:

Cash generating units	2023	2022
KIM TEC BG	13.1%	13.3%
MR SERVIS	10.2%	11.1%
Pakom Kompani d.o.o.	15.4%	14.6%
Data Link	10.2%	-

The Group performs an impairment test annually to assess whether the recoverable amount of goodwill shows a potential impairment of the carrying amount. The calculation of the recoverable amount of goodwill is based on a five-year plan of revenues that the Companies generate in local and foreign markets developed by the Group, taking into account corporate and marketing strategies, and relevant market trends.
The calculation of the recoverable amount implies terminal growth rates after a projection period of five years in range of 2.0% - 3.0% (2022 2.0% - 3.0%), depending on the industry in which the Company operates. The cash flows arising from these plans are discounted using a discount rate that reflects the return on the underlying assets, which is defined for the purposes of the goodwill impairment test as the weighted average cost of capital for the local market.

Value in use calculations for cash-generating units are most sensitive under the following assumptions:

Revenues and Gross Margins – Revenues and gross margins are based on average values achieved in the last few years before the start of the business plan period. The same are increased during the business plan period for the expected customer retention rate, business expansion, synergies, and efficiency improvements. Average revenue growth rates in the business plan period range from 3.1% to 17.2% (2022: 3.1% to 7.0%). Discount rates represent the current assessment of market risks specific to cash-generating units. It is a benchmark used by the Group to assess business performance and to evaluate future investment proposals. The sensitivity analysis of the key assumptions used in the goodwill impairment test shows that an increase in the discount rate by 1 percentage point, with other assumptions unchanged, would not lead to an impairment of goodwill. Also, the value of goodwill would remain unchanged with a decrease in the terminal growth rate by 1 percentage point, with other assumptions unchanged, as well as with a decrease in expected free cash flow by 5 percentage points, with other assumptions unchanged.

(all amounts are expressed in thousands of euro)

20. PROPERTY, PLANT AND EQUIPMENT

As of December 31 2023, the current value of the real estate on which the bank's mortgage was registered as loan insurance is EUR 266 thousand (2022: EUR 0 thousand). The mortgage on the said property amounts to EUR 912 thousand (2022: EUR 0 thousand), while the amount owed on the said mortgages amounts to EUR 248 thousand (EUR 0 thousand).

GROUP	Land and buildings	Plant and equipment	Vehicles	Office and other equipment	Other assets	Right of use assets	Assets under construction	Total
COST								
At 1 January 2022	**21,613**	**11,079**	**214**	**1,816**	**481**	**3,528**	**982**	**39,713**
Reclassification	-	-	1,445	-	-	(1,445)	-	-
Additions	-	-	-	-	-	2	3,461	3,463
Transfer from assets under construction	2	861	173	163	70	793	(2,042)	20
Loss of control of the affiliated company (note 48)	(12,841)	(3,569)	-	-	(320)	(1,483)	(2,190)	(20,403)
Acquisition of the subsidiary (note 48)	-	154	17	9	-	893	-	1,073
Separation of real estate segment to M SAN Nekretnine segment (note 48)	(8,831)	(4)	-	(5)	-	-	(162)	(9,002)
Disposals	-	(1,918)	(196)	(2)	-	(14)	-	(2,130)
Exchange differences	57	12	1	2	-	3	2	77
At 31 December 2022	**-**	**6,615**	**1,654**	**1,983**	**231**	**2,277**	**51**	**12,811**
Additions	642	334	25	-	-	241	805	2,047
Transfer from assets under construction	-	541	119	60	10	68	(801)	(3)
Acquisition of the subsidiary (note 48)	585	1,755	28	192	-	-	38	2,598
Disposals	(88)	(95)	(76)	(6)	-	(751)	-	(1,016)
At 31 December 2023	**1,139**	**9,150**	**1,750**	**2,229**	**241**	**1,835**	**93**	**16,437**

(all amounts are expressed in thousands of euro)

20. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

GROUP	Land and buildings	Plant and equipment	Vehicles	Office and other equipment	Other assets	Right of use assets	Assets under construction	Total
ACCUMULATED DEPRECIATION								
At 1 January 2022	**1,958**	**8,342**	**32**	**1,582**	**182**	**1,887**	**-**	**13,983**
Reclassification	-	-	1,419	-	-	(1,419)	-	-
Depreciation for the year	81	896	85	69	29	391	-	1,551
Disposals	-	(1,344)	(149)	(5)	-	(2)	-	(1,500)
Acquisition of the subsidiary (note 48)	-	96	13	6	-	459	-	574
Loss of control of the affiliated company (note 48)	(10)	(2,051)	-	-	(14)	(386)	-	(2,461)
Separation of real estate segment to M SAN Nekretnine segment (note 48)	(2,036)	-	-	-	-	-	-	(2,036)
Exchange differences	7	8	-	2	-	1	-	18
At 31 December 2022	**-**	**5,947**	**1,400**	**1,654**	**197**	**931**	**-**	**10,129**
Depreciation for the year	22	466	93	81	10	460	-	1,132
Disposals	(89)	(85)	(37)	(6)	-	(429)	-	(646)
Acquisition of the subsidiary (note 48)	309	1,409	20	153	-	-	-	1,891
At 31 December 2023	**242**	**7,737**	**1,476**	**1,882**	**207**	**962**	**-**	**12,506**
NET BOOK VALUE								
At 31 December 2023	**897**	**1,413**	**274**	**347**	**34**	**873**	**93**	**3,931**
At 31 December 2022	**-**	**668**	**254**	**329**	**34**	**1,346**	**51**	**2,682**

(all amounts are expressed in thousands of euro)

20. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY	Land and buildings	Plant and equipment	Vehicles	Right of use assets	Office and other equipment	Leasehold improvements	Assets under construction	Total
COST								
At 1 January 2022	**1,530**	**5,708**	**-**	**800**	**979**	**63**	**94**	**9,174**
Reclassification	-	-	655	(655)	-	-	-	-
Additions	-	-	-	-	-	-	258	258
Transfer from assets under construction	3	287	7	7	43	5	(352)	-
Merger of a subsidiary (note 48)	-	39	-	-	1	-	-	40
Separation of real estate segment to M SAN Nekretnine segment (note 48)	(1,533)	-	-	-	-	-	-	(1,533)
Disposals	-	(937)	(78)	-	-	-	-	(1,015)
At 31 December 2022	**-**	**5,097**	**584**	**152**	**1,023**	**68**	**-**	**6,924**
Additions	-	-	-	-	-	-	401	401
Transfer from assets under construction	-	352	41	-	8	-	(401)	-
Disposals	-	(13)	(38)	(10)	-	-	-	(61)
At 31 December 2023	**-**	**5,436**	**587**	**142**	**1,031**	**68**	**-**	**7,264**

As of December 31, 2023, the Company has no tangible assets on which a bank mortgage was registered as loan security (December 31, 2022, EUR 0 thousand).

(all amounts are expressed in thousands of euro)

20. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY	Land and buildings	Plant and equipment	Vehicles	Right of use assets	Office and other equipment	Leasehold improvements	Assets under construction	Total
ACCUMULATED DEPRECIATION								
At 1 January 2022	**-**	**4,688**	**-**	**670**	**814**	**50**	**-**	**6,222**
Reclassification	-	-	634	(634)	-	-	-	-
Depreciation for the year	-	476	9	34	38	12	-	569
Disposals	-	(409)	(67)	-	-	-	-	(476)
Merger of a subsidiary (note 48)	-	35	-	-	1	-	-	36
At 31 December 2022	**-**	**4,790**	**576**	**70**	**853**	**62**	**-**	**6,351**
Depreciation for the year	-	224	11	34	37	1	-	307
Disposals	-	(13)	(22)	(4)	-	-	-	(39)
At 31 December 2023	**-**	**5,001**	**565**	**100**	**890**	**63**	**-**	**6,619**
NET BOOK VALUE								
At 31 December 2023	**-**	**435**	**22**	**42**	**141**	**5**	**-**	**645**
At 31 December 2022	**-**	**307**	**8**	**82**	**170**	**6**	**-**	**573**

(all amounts are expressed in thousands of euro)

21. FINANCIAL ASSETS

	GROUP		COMPANY	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
Investments in subsidiaries	-	-	20,532	18,553
Investments in associates	15,182	15,158	5,508	5,508
Other financial assets	4	4	-	-
	15,186	**15,162**	**26,040**	**24,061**

21.1. INVESTMENTS IN SUBSIDIARIES

Set out in the table below are the Company's subsidiaries, together with the Company's ownership interests:

Name of subsidiary	Principal activity	Country of incorporation and business	Ownership share and share in the voting power		Amount	
			31.12. 2023.	31.12. 2022.	31.12. 2023.	31.12. 2022.
			%	%		
Kim Tec Vitez d.o.o.	DISTRIBUTION	Bosnia and Herzegovina	100	100	875	875
Kim Tec BG d.o.o.	DISTRIBUTION	Serbia	100	100	8,168	8,168
Kim Tec CG d.o.o.	DISTRIBUTION	Montenegro	100	100	1,553	1,553
Pakom Kompani d.o.o.	DISTRIBUTION	North Macedonia	100	100	2,360	2,360
M San Eko d.o.o.	COLLECTION AND DISTRIBUTION OF WASTE	Croatia	100	100	66	66
MR SERVIS d.o.o.	MAINTAINANCE	Croatia	60	60	1,528	1,528
M San Logistika d.o.o.	LOGISTICS	Croatia	100	100	3	3
Centar kompetencija za zelenu energiju d.o.o.	CONSULTING	Croatia	100	100	5	100
Zelena Agenda 1.0 d.o.o.	CONSULTING	Croatia	-	100	-	133
Corvus MK	IT	Croatia	100	100	5	5
Alterna distribucija d.o.o.	DISTRIBUTION	Slovenia	100	100	3,691	3,762
Data Link d.o.o.	PRODUCTION	Croatia	100	-	2,278	-
					20,532	**18,553**

(all amounts are expressed in thousands of euro)

21. FINANCIAL ASSETS (CONTINUED)

21.1. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

In November 2021, the Company founded the company Zelena Agenda 1.0 d.o.o. thereby acquiring a share in ownership and voting rights in the amount of 100%. In March 2023, the Company sold its business share to company Pamenta energija d.o.o. in the amount of the net book value of the share.

In July 2023, the Company acquired a business stake in the company Data link d.o.o. based on the contract on the purchase of business shares, and the fair value of compensation in the amount of EUR 2,278 thousand for the acquisition of 100% of the owner's capital was determined.

All business combinations are described in more detail in note 48.

21.2. INVESTMENTS IN ASSOCIATES

The table below contains an overview of investments in associated companies as of December 31, 2023 and December 31, 2022:

	GROUP		COMPANY	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
Shares in the company EKO Bosanska Posavina	9,562	9,558	-	-
Shares in the company E Kupi d.o.o.	5,620	5,600	5,508	5,508
	15,182	**15,158**	**5,508**	**5,508**

Information about the Group's affiliated companies is given below:

Name of associate	Principal activity	Country of incorporation and business	Ownership and share in the voting rights	
			2023	**2022**
E Kupi d.o.o.	E-commerce	Croatia	24%	24%
EKO Bosanska Posavina	Agriculture	Bosnia and Herzegovina	60%	60%

Company E kupi d.o.o. was founded in 2010. In 2016, the company acquired a 24% stake in this associated company.

The Group concluded that all companies represented or represent associated companies since the Group does not have control over those companies in which the investment was made. Shares and shares of the mentioned companies are not listed on active markets.

(all amounts are expressed in thousands of euro)

21. FINANCIAL ASSETS (CONTINUED)

21.2. INVESTMENTS IN ASSOCIATES (CONTINUED)

The following is a summary of the financial information relating to the associate E kupi d.o.o. and Eko Bosanska Posavina d.o.o. for 2023:

	E Kupi	Eko Bosanska Posavina	Total
Property, plant and equipment	186	20,313	**20,499**
Intangible assets	1,114	83	**1,197**
Other assets	873	-	**873**
Inventories	7,170	1,466	**8,636**
Trade receivables	3,259	2,411	**5,670**
Cash and cash equivalents	1,467	10	**1,477**
Other current assets	938	501	**1,439**
Long-term liabilities	-	2,267	**2,267**
Short-term liabilities	14,537	2,277	**16,814**
Net assets of associates	470	20,240	**20,710**
Group's share in the net assets of the associates	**113**	**12,144**	**12,257**
Total income	54,932	6,367	**61,299**
Total profit for the current year	80	7	**87**
Group's share in the profit of the associates (note 16)	**20**	**4**	**24**

22. INVENTORIES

	GROUP		COMPANY	
	December 31 2023	**December 31 2022**	**December 31 2023**	**December 31 2022**
Merchandise	32,829	41,392	15,876	20,810
Goods in the customs warehouse	7,356	12,121	6,745	11,881
Goods in transit	6,749	5,918	6,528	5,545
Other	2,251	2,072	1,134	1,460
Total	**49,185**	**61,503**	**30,283**	**39,696**

23. PREPAYMENTS

	GROUP		COMPANY	
	December 31 2023	**December 31 2022**	**December 31 2023**	**December 31 2022**
Prepayments for services	2,836	1,411	2,491	1,301
Prepayments for goods	66	201	-	18
Total	**2,902**	**1,612**	**2,491**	**1,319**

(all amounts are expressed in thousands of euro)

24. TRADE RECEIVABLES

	GROUP		COMPANY	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
Domestic trade receivables	65,768	46,797	35,281	22,060
Foreign trade receivables	6,043	6,966	11,519	11,410
Impairment allowance on trade receivables	(1,261)	(1,157)	(261)	(244)
Total	**70,550**	**52,606**	**46,539**	**33,226**

<u>Movement in impairment allowance for doubtful accounts:</u>

	GROUP		COMPANY	
	2023	2022	2023	2022
At 1 January	1,157	1,346	244	228
Impairment allowance (Note 13)	279	116	84	69
Reversed on collection	(16)	(14)	(4)	(13)
Write-off receivables	(116)	(281)	(69)	(40)
Exchange differences	(43)	(10)	6	-
At 31 December	**1,261**	**1,157**	**261**	**244**

<u>Aging structure of trade receivables (net)</u>

	GROUP		COMPANY	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
Undue	57,753	42,424	34,413	23,897
Up to 60 days	10,801	7,009	8,230	7,306
61-90 days	953	469	3,264	345
91-120 days	162	854	400	712
121-365 days	834	1,818	20	944
More than 365 days	47	32	212	22
Total	**70,550**	**52,606**	**46,539**	**33,226**

The average receivables collection period in the Group in 2023 was 48 days (2022: 44 days), while in the Company it was 44 days (2022: 36 days).

(all amounts are expressed in thousands of euro)

25. RECEIVABLES FROM THE STATE AND OTHER INSTITUTIONS

	GROUP		COMPANY	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
VAT prepayments	520	560	40	17
Income tax advances	230	393	-	106
Receivables from CHIF*	99	58	16	7
Receivables for other taxes, contributions and membership fees	-	94	1	1
Other	22	26	2	1
Total	**871**	**1,131**	**59**	**132**

*Croatian Health Insurance Fund

26. GIVEN LOANS AND DEPOSITS

Long-term loans and deposits:

	GROUP		COMPANY	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
Loans to corporate entities	2,429	2,429	2,429	2,429
Given deposits to unrelated parties	39	23	-	-
Total	**2,468**	**2,452**	**2,429**	**2,429**

	Original currency	Amount	Due date	December 31 2023	December 31 2022
Company					
Loans to corporate entities					
Related parties					
Baks grupa d.o.o.	EUR	18.309	31.12.2025	2.429	2.429
Total				**2.429**	**2.429**

(all amounts are expressed in thousands of euro)

26. GIVEN LOANS AND DEPOSITS (CONTINUED)

Short-term loans and deposits:

	GROUP		COMPANY	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
Loans to corporate entities	1,415	327	609	609
Given deposits to unrelated parties	300	310	300	300
Loans to individuals	4	17	4	17
Impairment of given domestic loans	-	-	(560)	(265)
Total	**1,719**	**654**	**353**	**661**

	Original currency	Amount	Due date	December 31 2023	December 31 2022
Company					
Loans to entities within group					
M SAN EKO d.o.o.	EUR	560	31.12.2024	560	525
Total				**560**	**525**
Loans to other entitites					
Third parties					
Castalia projekt d.o.o.	EUR	477	31.12.2024	49	84
Total				**49**	**84**
Total short term loans to corporate entities - Company				**609**	**609**
Group					
M SAN GRUPA d.o.o.					
Third parties					
Castalia projekt d.o.o.	EUR	477	31.12.2023	49	84
Total				**49**	**84**
ALTERNA					
Third parties	EUR	1	31.12.2024	1	1
Total				**1**	**1**
KIM TEC BG d.o.o.					
Ekupi BG d.o.o.	RSD	100,000	01.12.2024	853	-
Kim tec BG Nekretnine	RSD	30,000	30.06.2024	256	170
Total				**1,109**	**170**
KIM TEC BIH d.o.o.					
Kim tec BiH Nekretnine	KM	500	31.12.2024	256	72
Total				**256**	**72**
Total short term loans to corporate entities - Group				**1,415**	**327**

(all amounts are expressed in thousands of euro)

26. GIVEN LOANS AND DEPOSITS (CONTINUED)

	December 31 2023	December 31 2022
Loans to individuals		
Company		
Other individuals	4	17
Total	**4**	**17**
Group		
Other individuals	4	17
Total	**4**	**17**
Total amount of loans to individuals – Group	**4**	**17**
Total amount of deposits to individuals – Company	**300**	**300**
Total amount of deposits to individuals – Group	**300**	**310**
Value adjustment – Company	**(560)**	**(265)**
TOTAL AMOUNT OF LOANS AND DEPOSITS – Company	**353**	**661**
TOTAL AMOUNT OF LOANS AND DEPOSITS – Group	**1,719**	**654**

(all amounts are expressed in thousands of euro)

27. PREPAID EXPENSES AND ACCRUED INCOME

	GROUP		COMPANY	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
Accrued income for subsequently approved discounts	665	1,241	-	410
Prepaid expenses	508	282	34	6
Accured overdue revenues	7	5	-	-
Total	**1,180**	**1,528**	**34**	**416**

28. OTHER RECEIVABLES

	GROUP		COMPANY	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
Receivables on acquired cession agreements	874	35	-	-
Receivables acquired by debt acquisition	860	36	-	-
Interest receivable	222	322	220	323
Receivables for spare parts within the warranty period	179	222	-	-
Receivables for supplier complaints	97	77	96	77
Other receivables	177	76	11	22
Total	**2,409**	**768**	**327**	**422**

Interest receivables are presented as follows:

	GROUP		COMPANY	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
Receivables for interests on loans	200	288	198	288
Receivables for contracted interests	22	35	22	35
Total	**222**	**323**	**220**	**323**

29. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
Cash in banks	24,013	14,521	16,301	9,892
Petty cash	2	5	1	1
Total	**24,015**	**14,526**	**16,302**	**9,893**

(all amounts are expressed in thousands of euro)

30. SHARE CAPITAL

	GROUP		COMPANY	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
Nominal value	14,493	14,493	14,493	14,493
Total	**14,493**	**14,493**	**14,493**	**14,493**

The share capital consists of 485,000 business shares, each business share in the nominal amount of HRK 200.00 (EUR 26.54), which are paid in full in cash and one business share in the nominal amount of HRK 12,197,700.00 (EUR 1,618,913) which was paid in full in rights.

31. RETAINED EARNINGS

	GROUP		COMPANY	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
Retained earnings	29,100	24,492	2,798	1,414
Total	**29,100**	**24,492**	**2,798**	**1,414**

Changes in retained earnings can be shown:

	GROUP	COMPANY
Balance as of December 31 2022	**24,492**	**1,414**
Profit for the year	4,608	1,384
Balance as of December 31 2023	**29,100**	**2,798**

(all amounts are expressed in thousands of euro)

32. MINORITY INTEREST

	GROUP		COMPANY	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
Minority interest	66	63	-	-
Total	**66**	**63**	**-**	**-**

	EKO BOSANSKA POSAVINA	MR SERVIS	KIM TEC BIH EKO	TOTAL
At 1 January 2022	**2,774**	**(40)**	**38**	**2,772**
Capital increase (note 48)	718	-	-	**718**
Non-controlling interest increase (note 48)	4,461	-	-	**4,461**
Transfer of control in an affiliated company (note 48)	(8,111)	-	-	**(8,111)**
Total profit for the current year	151	68	(3)	**216**
Other comprehensive income	7	-	-	**7**
At 31 December 2022	**-**	**28**	**35**	**63**
At 1 January 2023	**-**	**28**	**35**	**63**
Total profit for the current year		5	(2)	**3**
At 31 December 2023	**-**	**33**	**33**	**66**

33. PROVISIONS

	GROUP		COMPANY	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
Long-term provisions for risks within the warranty period	799	808	642	632
Provisions for returns	165	166	148	148
Long-term provisions for bonuses and severance pay	35	40	-	-
Total	**999**	**1.014**	**790**	**780**

(all amounts are expressed in thousands of euro)

33. PROVISIONS (CONTINUED)

Changes in provisions can be shown as:

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
At 1 January	**1,014**	**591**	**780**	**352**
Increases	561	932	790	780
Decreases	(591)	(532)	(780)	(352)
Exchange rate differences	15	23	-	-
At 31 December	**999**	**1,014**	**790**	**780**

34. LONG-TERM LOANS LIABILITIES

	GROUP		COMPANY	
	December 31 2023	**December 31 2022**	**December 31 2023**	**December 31 2022**
Total loans from financial institutions	4,575	3,549	3,547	2,139
Less: current portion of loans from financial institutions	(1,221)	(1,040)	(816)	(435)
Total long-term loans from financial institutions	**3,354**	**2,509**	**2,731**	**1,704**

(all amounts are expressed in thousands of euro)

34. LONG-TERM LOANS LIABILITIES (CONTINUED)

GROUP

Financial institution	Original currency	Amount	Due date	December 31 2023	December 31 2022
KIM TEC BEOGRAD d.o.o.					
ProCredit Bank AD.	EUR	4,000	12.10.2026	754	993
Total				**754**	**993**
DATA LINK d.o.o.					
ERSTE & STEIERMARKISCHE BANK d.d.	EUR	105	31.03.2029	68	-
Zagrebačka banka d.d.	EUR	70	31.12.2026	41	-
ERSTE & STEIERMARKISCHE BANK d.d.	EUR	252	31.12.2024	36	-
Zagrebačka banka d.d.	EUR	328	31.01.2024	6	-
Hamag Bicro	EUR	100	30.06.2026	62	-
Total				**213**	**-**
KIM TEC BIH d.o.o.					
Intesa Sanpaolo Banka d.d.	EUR	2,500	28.02.2024	61	417
Total				**61**	**417**
Total loan liabilities from financial institutions - Group				**4,575**	**3,549**
Less: short-term part of long-term loans - Group				**(1,221)**	**(1,040)**
Total - Group:				**3,354**	**2,509**

COMPANY

Financial institution	Original currency	Amount	Due date	December 31 2023	December 31 2022
MSAN GRUPA d.o.o.					
ERSTE & STEIERMARKISCHE BANK d.d.	EUR	2,175	20.12.2027	3,547	2,139
Total				**3,547**	**2,139**
More: the current part of the loan obligation from financial institutions - Company				(816)	(435)
Total				**2,731**	**1,704**

(all amounts are expressed in thousands of euro)

35. LIABILITIES FOR RIGHT-OF-USE ASSETS

	GRUPA		COMPANY	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
Current portion of long-term liabilities for right-of-use asset	492	508	20	49
Long-term liabilities for right-of-use assets	**406**	**925**	**2**	**25**
Total liabilities for right-of-use assets	**898**	**1,433**	**22**	**74**

The Group uses part of the leases of business and warehouse spaces and vehicles that do not meet the recognition requirements in accordance with IFRS 16, and the stated cost is shown above as a short-term lease cost (note 9).

Defining the lease period

The definition of the lease period is determined by the irrevocable lease period, taking into account the option of extension and termination of the lease agreement, to which the lessee has the right only. In accordance with the company's business policies and concluded contracts, the total rental period cannot be shorter than 1 year or longer than 10 years. The company regularly, and at least once a year, assesses whether the economic circumstances related to the extension or termination of the lease contract have changed, whereby it adjusts the original estimate of the lease period.

Contracts with variable installments

During the year ending December 31, 2023 and December 31, 2022, the Group did not pay rents with variable installments.

(all amounts are expressed in thousands of euro)

36. SHORT-TERM LOANS AND BORROWINGS FROM FINANCIAL INSTITUTIONS

	GROUP		COMPANY	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
Short-term bank loans	20,496	19,928	15,911	15,911
Obligations for loans	42	-	43	99
Total	**20,538**	**19,928**	**15,954**	**16,010**
Current part of long-term loan	1,221	1,040	816	435
Total	**21,759**	**20,968**	**16,770**	**16,445**

Short term loans liabilities

GROUP

Financial institutions	**Original currency**	**Amount**	**Due date**	**December 31 2023**	**December 31 2022**
KIM TEC BIH d.o.o.					
UniCredit Bank Mostar d.d.	BAM	2,000	24.5.2024	1,022	1,022
Intesa Sanpaolo Banka d.d.	BAM	2,000	13.06.2024	1,023	1,023
NLB Tuzlanska banka	BAM	500	30.06.2024	256	256
Bosna Bank International d.d.	BAM	1,800	20.06.2024	920	920
Total				**3,221**	**3,221**
PAKOM KOMPANI d.o.o.					
NLB Tutunska banka	MKD	36,000	20.01.2023	-	96
Total				**-**	**96**
DATA LINK d.o.o.					
Erste banka d.d.	EUR	33	31.10.2024	33	-
Erste banka d.d.	EUR	35	31.05.2024	35	-
Zagrebačka banka d.d.	EUR	49	31.01.2024	48	-
Erste banka d.d.	EUR	20	31.10.2024	20	-
Erste banka d.d.	EUR	27	30.11.2024	27	-
Total				**163**	**-**
Alterna d.o.o.					
Gorenjska banka d.d.	EUR	1,000	04.06.2024	1,000	**-**
Addiko Bank d.d.	EUR	700	03.05.2024	200	-
Total				**1,200**	**-**
KIM TEC BG d.o.o.					
NLB Komercijalna banka	EUR	2,000	28.06.2023	-	700
Total				**-**	**700**
Total short-term borrowings				**4,584**	**4,017**
Plus: Current portion of loans from financial institutions				1,221	1,040
Total current portion of long-term borrowings and short-term loans				**5,805**	**5,057**

(all amounts are expressed in thousands of euro)

36. SHORT-TERM LOANS AND BORROWINGS FROM FINANCIAL INSTITUTIONS (CONTINUED)

COMPANY

Financial institutions	**Original currency**	**Amount**	**Due date**	**31.12. 2023**	**31.12. 2022**
Zagrebačka banka d.d.	EUR	6,000	24.05.2024	6,000	6,000
Nova hrvatska banka d.d.	EUR	5,000	31.03.2024	4,911	4,911
Erste banka d.d.	EUR	5,000	01.08.2024	5,000	5,000
Total				**15,911**	**15,911**
Plus: Current portion of loans from financial institutions				816	435
Total current portion of long-term borrowings and short-term loans				**816**	**435**

Liabilities for borrowings

COMPANY	**Original currency**	**Amount**	**Due date**	**31.12. 2023**	**31.12. 2022**
M SAN GRUPA d.o.o.					
Liabilities for loans from the company - Zelena Agenda	EUR	100	31.12.2023	-	99
Liabilities for loans from the company - PP Orahovica				43	-
Total				**43**	**99**
Total liabilities - Company				**43**	**99**
Total liabilities - Group				**43**	**-**
Total short-term credits and loans Company:				**16,770**	**16,445**
Total short-term credits and loans Group:				**21,759**	**20,968**

37. LONG-TERM BOND LIABILITIES

	GROUP		**COMPANY**	
	December 31 2023	**December 31 2022**	**December 31 2023**	**December 31 2022**
Long-term bond liabilities	21,235	23,890	21,235	23,890
Current portion of non-current Bond payables	(2,654)	(2,654)	(2,654)	(2,654)
Total	**18,581**	**21,236**	**18,581**	**21,236**

(all amounts are expressed in thousands of euro)

38. OTHER LONG-TERM LIABILITIES

	GROUP		COMPANY	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
Long-term liabilities for the purchase of a business share	627	1,046	627	1,046
Long-term liabilities to insurance companies	14	11	14	11
Other long-term liabilities	10	5	-	-
Total	**651**	**1,062**	**641**	**1,057**

39. ADVANCES RECEIVED

	GROUP		COMPANY	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
Advances received - domestic customers	2,361	946	491	464
Advances received - foreign customers	337	301	318	1,248
Total	**2,698**	**1,247**	**809**	**1,712**

40. TRADE PAYABLES

	GROUP		COMPANY	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
Foreign trade payables	52,159	41,560	41,906	31,571
Domestic trade payables	21,900	20,197	16,296	15,348
Total	**74,059**	**61,757**	**58,202**	**46,919**

(all amounts are expressed in thousands of euro)

41. TAXES, CONTRIBUTIONS AND OTHER SIMILAR DUTIES

	GROUP		COMPANY	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
VAT liabilities	4,250	3,072	3,560	2,510
Liabilities for taxes and contributions from and on salaries	665	614	284	272
Customs payable	573	207	25	33
Liabilities for memberships, contributions and other taxes	29	70	7	31
VAT liabilities (Slovenia)	-	65	-	65
Total	**5,517**	**4,028**	**3,876**	**2,911**

42. FACTORING LIABILITIES

	GROUP		COMPANY	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
Factoring liabilities	3,922	3,157	1,362	636
Total	**3,922**	**3,157**	**1,362**	**636**

Some of the suppliers offer modular payment due dates, where the company has the option of payment in contractual due date period and the option of payment in shorter terms, whereby receiving certain discounts for early payment. In such options, the company occasionally uses factoring payments, whereby the costs of factoring for a previously made payment represent a lower cost than the amount of the casa sconto and thus achieves additional savings.

(all amounts are expressed in thousands of euro)

43. OTHER CURRENT LIABILITIES

	GROUP		COMPANY	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
Liabilities for the purchase of business share	801	552	801	552
Short-term provisions for bonuses	380	445	160	248
Reserves for accruals unused vacation days	263	150	123	66
Bond interest liabilities	190	213	190	212
Interest loan payables	66	186	60	175
Other	20	30	1	1
Total	**1,720**	**1,576**	**1,335**	**1,254**

	GROUP		COMPANY	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
Short-term provisions for bonuses	380	445	160	248
Reserves for accruals unused vacation days	263	150	123	66
Total	**643**	**595**	**283**	**314**

Changes to short-term provisions can be displayed:

	GROUP		COMPANY	
	2023	2022	2023	2022
At 1 January	**595**	**128**	**314**	**52**
Increases	48	474	(31)	262
Decreases	-	(7)		-
At 31 December	**643**	**595**	**283**	**314**

(all amounts are expressed in thousands of euro)

44. ACCRUED EXPENSES AND DEFERRED INCOME

	GROUP		COMPANY	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
Unbilled invoices	2,779	1,550	701	617
Accrued income	142	75	11	23
Other	22	24	-	-
Total	**2,943**	**1,649**	**712**	**640**

45. RELATED-PARTY TRANSACTIONS

The table below shows Company's receivables and payables from transactions with its subsidiaries in purchase transactions at December 31 2023 and December 31 2022:

	Receivables		Payables	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
Kim Tec d.o.o., Beograd	3,487	2,235	(21)	-
Kim Tec d.o.o., Vitez	2,519	2,819	-	-
Alterna distribucija d.o.o., Ljubljana	207	341	(1)	-
Kim Tec CG, Podgorica	170	-	(67)	(973)
MR Servis d.o.o.	131	-	(299)	(255)
Pakom Kompani d.o.o.e.l., Skopje	93	425	-	(5)
Centar kompetencije za zelenu energiju d.o.o.	61	69	(15)	-
M San Eko d.o.o.	6	6	-	-
Data link d.o.o. Bjelovar	2	-	1	-
M San Logistika d.o.o.	-	-	(384)	(573)
Korvus MK d.o.o.e.l. ,Skopje	-	-	(110)	(13)
	6,676	**5,895**	**(898)**	**(1,819)**

(all amounts are expressed in thousands of euro)

45. RELATED-PARTY TRANSACTIONS (CONTINUED)

The table below shows the receivables and payables that the Company had with associates and companies with a common ultimate owner in sales transactions on December 31 2023 and 2022:

	Receivables		Payables	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
Ekupi d.o.o.	10,718	8,639	-	-
Grey Wolf d.o.o.	3,550	-	-	-
Ask Tec d.o.o., Priština	2,526	3,037	-	-
Pametna energija d.o.o.	1,077	-	-	-
MS Industrial Kina	646	15	(76)	-
King ICT d.o.o.	271	960	-	(100)
Planet IX.d.o.o.	88	-	-	-
Omega Software d.o.o.	18	-	(4)	(109)
Aktivis d.o.o.,	8	-	-	(16)
PP Orahovica d.o.o.	7	6	-	-
PPK Valpovo d.o.o.	3	-	-	-
Corvus pay d.o.o.	-	5	(48)	(67)
M San Nekrenine d.o.o.	-	-	(120)	(131)
Ured za podršku d.o.o.	-	-	(1,295)	(707)
	18,912	**12,662**	**(1,543)**	**(1,130)**

The table below shows the income and expenses that the Company had in sales transactions with subsidiaries in 2023 and 2022:

	Income /sale		Expenses		Cost of goods	
	2023	2022	2023	2022	2023	2022
Kim Tec d.o.o., Beograd	36,384	42,624	19	1	171	486
Kim Tec d.o.o., Vitez	19,557	20,208	12	15	230	220
Pakom Kompani d.o.o.e.l., Skopje	13,569	14,323		-	52	648
Kim Tec CG, Podgorica	9,430	9,533	3	8	-	43
MR Servis d.o.o.	940	868	1,367	1,307	51	175
Alterna distribucija d.o.o., Ljubljana	128	343	2	-	166	-
M San Logistika d.o.o.	87	62	6,034	6,056	1	-
Data link d.o.o.	23	-	1	-	-	-
M San Eko d.o.o.	2	12	-	-	-	-
Kim Tec BG Servis d.o.o	2	4	-	1	-	-
Kim Tec BiH Servis d.o.o.	1	1	-	-	-	-
Centar kompetencije za zelenu energiju d.o.o.	-	59	49	-	-	-
	80,123	**88,037**	**7,487**	**7,388**	**671**	**1,572**

(all amounts are expressed in thousands of euro)

45. RELATED-PARTY TRANSACTIONS (CONTINUED)

The income and expenses of the Company from purchase/sales transactions with its associates and entities with the same ultimate owner during 2023 and 2022 were as follows:

	Income /sale		Expenses		Cost of goods	
	2023	2022	2023	2022	2023	2022
Ekupi d.o.o.	36,084	34,461	659	2,610	605	179
King ICT d.o.o.	11,409	12,931	494	136	31	28
Ask Tec d.o.o., Priština	6,662	6,655	-	-	1	-
Pametna energija d.o.o.	4,287	2,117	-	-	-	-
Grey Wolf	3,550	-	-	-	-	-
PP Orahovica d.o.o.	336	1,701	63	161	-	-
Omega Software d.o.o.	278	606	82	98	-	1,224
PPK Valpovo d.o.o.	228	2,045	-	-	-	-
MS Industrial Kina	185	-	546	626	8,074	8,083
M San Nekrenine d.o.o.	133	79	1,206	675	14	2
Planet IX .d.o.o.	81	36	-	-	-	-
Ured za podršku d.o.o.	67	88	3,339	3,066	-	-
Corvus pay d.o.o.	17	8	1	1	-	-
Aktivis d.o.o.	14	18	1	10	-	-
Kim Tec Nekretnine d.o.o., Beograd	-	1	-	-	-	-
King ICT d.o.e.l., Skopje	-	1	-	-	-	-
Zelena Agenda d.o.o.	-	-	1	2	-	-
	63,331	**60,747**	**6,392**	**7,385**	**8,725**	**9,516**

The table below presents receivables and revenue of the Company from loan transactions with its subsidiaries at 31 December 2023 and 2022:

	Receivables		Income	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
M San Eko d.o.o.	573	526	13	13
MR Servis d.o.o.	-	-	-	1
M San Logistika d.o.o.	-	-	-	4
	573	**526**	**13**	**18**

(all amounts are expressed in thousands of euro)

45. RELATED-PARTY TRANSACTIONS (CONTINUED)

The table below presents receivables and revenue of the Company from loan transactions with its associates and entities with the same ultimate owner at 31 December 2023 and 2022:

	Receivables		Income	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
Baks Grupa d.o.o.	2,488	2,567	58	65
	2,488	**2,567**	**58**	**65**

The table below presents liabilities and expenses of the Company from loan transactions with its subsidiaries at 31 December 2023 and 2022:

	December 31 2023	December 31 2022	December 31 2023	December 31 2022
Zelena Agenda 1.0 d.o.o.	-	(103)	1	2
	-	**(103)**	**1**	**2**

The table below presents the liabilities and expenses that the Company had with its associates and entities with the same ultimate owner from loan transactions as at 31 December 2023 and 2022:

	Liabilities		Expenses	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
PP Orahovica d.o.o.	(102)	(102)	42	103
PPK Valpovo d.o.o.	-	(62)	-	92
King ICT d.o.o.	-	(9)	14	47
Pametna energija d.o.o.	-	-	-	17
	(102)	**(173)**	**56**	**259**

Management remuneration through the year were as it follows:

	GROUP		COMPANY	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
Short-term income - gross	1,410	1,025	666	655
Total	**1,410**	**1,025**	**666**	**655**

(all amounts are expressed in thousands of euro)

46. FINANCIAL INSTRUMENTS

46.1. Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern, while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's capital consists of debt, which includes loans and borrowings disclosed in Notes 34 and 36 and issued corporate bonds disclosed in Note 37, less cash and cash equivalents (the so-called net debt) and equity, which comprises share capital, reserves and retained earnings as reported in the statement of changes in equity.

46.1.1. Gearing ratio

Gearing ratio at the end of the reporting period:

	GROUP		COMPANY	
	December 31 2023	**December 31 2022**	**December 31 2023**	**December 31 2022**
Debt	46,348	47,366	40,736	42,039
Less: cash in banks and petty cash	(24,015)	(14,526)	(16,302)	(9,894)
	22,333	**32,840**	**24,434**	**32,145**
Equity	45,256	40,622	19,434	18,050
Gearing ratio	**49.35%**	**80.84%**	**125.73%**	**178.09%**

Debt consists of long-term loansand finance lease payables and short-term loans from financial institutions.

(all amounts are expressed in thousands of euro)

46. FINANCIAL INSTRUMENTS (CONTINUED)

46.1. Capital risk management (continued)

The Group and the Company are exposed to the following risks arising from financial instruments:

46.1.2. Categories of financial instruments

	GROUP		COMPANY	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
Financial assets				
Cash and cash equivalents	24,015	14,526	16,302	9,894
Loans and receivables	80,070	58,108	52,168	38,085
Total financial assets	**104,085**	**72,634**	**68,470**	**47,979**
Financial liabilities				
Bank loans	25,113	23,476	19,501	18,149
Corporate bonds	21,235	23,890	21,235	23,890
Other financial liabilities	898	1,433	22	74
Total financial liabilities	**47,246**	**48,799**	**40,758**	**42,113**

(all amounts are expressed in thousands of euro)

46. FINANCIAL INSTRUMENTS (CONTINUED)

46.2. Foreign currency risk management

The Group and the Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The carrying amounts of the Group's foreign-currency denominated monetary assets and liabilities at the reporting date are provided in the table below:

GROUP	Assets		Liabilities		Difference	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022	December 31 2023	December 31 2022
USD	6,057	5,976	(15,246)	(12,227)	(9,189)	(6,250)

COMPANY	Assets		Liabilities		Difference	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022	December 31 2023	December 31 2022
USD	6,745	7,209	(14,262)	(11,827)	(7,517)	(4,618)

46.2.1. <u>Analysis of sensitivity to currency risk</u>

The following table shows analysis of the Group's sensitivity to a 10% increase and decrease of the euro against foreign exchange rate against the relevant foreign currencies. Sensitivity rate of 10% is the rate which is used in internal reports on foreign exchange risk which are presented to the Management and represents the Management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding monetary foreign currency balances and it is used for translation of balances which are adjusted for a 10% change in the foreign exchange rates. The sensitivity analysis includes external borrowings, as well as loans to foreign entities of the Group denominated in a currency that is not the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity when the euro strengthens 10% against the relevant currency. For a 10% weakening of the euro against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

(all amounts are expressed in thousands of euro)

46. FINANCIAL INSTRUMENTS (CONTINUED)

46.2. Foreign currency risk management (continued)

46.2.1. Analysis of sensitivity to currency risk (continued)

GROUP	USD impact	
	2023	**2022**
Profit/Loss	(919)	(625)

	USD impact	
COMPANY	**2023**	**2022**
Profit/Loss	(752)	(462)

46.3. Credit risk management

Credit risk is the risk of default by counterparty in settling its liability or contractual obligations to the Company and the Group, as a result of which the Group and the Company may incur financial losses. The Group and the Company have adopted procedures they apply in transacting with their customers and, where possible, they obtain payment security instruments to protect themselves from potential financial and default risks.

Trade receivables are continuously monitored so as to identify any potential risk of default and take appropriate measures. The Group and the Company monitor regularly their credit exposures to customers and revise the risk assessment at least once a year. The Group and the Company operate with a large number of customers from various industries and of various size as well as individuals with a specific type of credit risk. The Group and the Company have developed separate procedures for each of the groups of customers in order to ensure that credit risk is adequately managed.

The Group's customer portfolio is highly diversified, and the 10 largest customers account for 27.5% of sales revenue. If customers with a common ultimate owner are excluded, the top 10 customers account for 18.1% of sales revenue.

46. FINANCIAL INSTRUMENTS (CONTINUED)

46.4. Interest risk management

Since the Company and the Group use both fixed and variable rate loans, they are exposed to the interest rate risk. Most of the Company's and Group’s loans bear interest at a fixed rate.

Interest rate sensitivity analysis

The sensitivity analyses below has been determined based on the exposure to risk of the change of interest rates at the date of the statement of financial position. For variable rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the date of the statement of financial position was outstanding for the whole year. A 100 basis point increase or decrease is used in internal reporting on interest rate risk and represents management’s assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the interest expense of the Company as of 31 December 2023 would have changed by EUR 195 thousand (31 December 2022: EUR 71 thousand), and the Group as of 31 December 2023 would have changed by EUR 212 thousand (31 December 2022: EUR 85 thousand). Interest rates on issued corporate bonds and loans were not taken into account because they are instruments with fixed interest rates.

46.5. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group’s short, medium and long-term funding and liquidity management requirements.

46.5.1. Liquidity and interest rate risk tables

The following tables detail the Group’s remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. Disclosures of non-derivative financial assets and liabilities are necessary for understanding the manner in which the Group manages its liquidity risk, as it is managed on the basis of net amounts of financial assets and liabilities.

(all amounts are expressed in thousands of euro)

46. FINANCIAL INSTRUMENTS (CONTINUED)

46.5. Liquidity risk management (continued)

46.5.1. Liquidity and interest rate risk tables (continued)

GROUP December 31 2023	Up to 1 month	1 to 3 months	3 months to 1year	1 to 5 years	After 5 year	Total
Assets						
Non-interest bearing	100,747	-	-	24	-	100,771
Interest bearing instruments	-	-	1,719	2,468	-	4,187
Total assets	**100,747**	**-**	**1,719**	**2,492**	**-**	**104,958**
Liabilities						
Non-interest bearing	74,059	-	-	-	-	74,059
Lease liabilities	41	82	369	406	-	898
Interest bearing instruments	3,140	3,627	17,646	21,935	-	46,348
Total liabilities	**77,240**	**3,709**	**18,015**	**22,341**	**-**	**121,305**
Net asset / (liabilities)	**23,507**	**(3,709)**	**(16,296)**	**(19,849)**	**-**	**(16,347)**

GROUP December 31 2022	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	After 5 year	Total
Assets						
Non-interest bearing	68,025	-	-	17	-	68,042
Interest bearing instruments	-	-	655	2,450	-	3,105
Total assets	**68,025**	**-**	**655**	**2,467**	**-**	**71,147**
Liabilities						
Non-interest bearing	64,020	-	-	-	-	64,020
Lease liabilities	42	85	381	925	-	1,433
Interest bearing instruments	3,075	3,495	17,053	23,744	-	47,367
Total liabilities	**67,137**	**3,580**	**17,434**	**24,669**	**-**	**112,820**
Net asset / (liabilities)	**888**	**(3,580)**	**(16,779)**	**(22,202)**	**-**	**(41,673)**

(all amounts are expressed in thousands of euro)

46. FINANCIAL INSTRUMENTS (CONTINUED)

46.5. Liquidity risk management (continued)

46.5.1. Liquidity and interest rate risk tables (continued)

COMPANY December 31 2023	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	After 5 year	Total
Assets						
Non-interest bearing	65,771	-	-	17	-	65,788
Interest bearing instruments	-	-	353	2,429	-	2,782
Total	**65,771**	**-**	**353**	**2,446**	**-**	**68,570**
Liabilities						
Non-interest bearing	58,202	-	-	-	-	58,202
Finance lease liabilities	2	3	15	1	-	21
Interest bearing instruments	2,725	2,795	13,905	21,312	-	40,736
Total	**60,928**	**2,798**	**13,920**	**21,313**	**-**	**98,959**
Net asset / (liabilities)	**4,843**	**(2,798)**	**(13,567)**	**(18,867)**	**-**	**(30,389)**

COMPANY December 31 2022	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	After 5 year	Total
Assets						
Non-interest bearing	43,267	-	-	17	-	43,284
Interest bearing instruments	-	-	661	2,429	-	3,090
Total	**43,267**	**-**	**661**	**2,446**	**-**	**46,374**
Liabilities						
Non-interest bearing	47,604	-	-	-	-	47,604
Finance lease liabilities	4	8	37	25	-	74
Interest bearing instruments	2,698	2,741	13,661	22,939	-	42,039
Total	**50,306**	**2,749**	**13,698**	**22,964**	**-**	**89,717**
Net asset / (liabilities)	**(7,039)**	**(2,749)**	**(13,037)**	**(20,518)**	**-**	**(43,343)**

46. FINANCIAL INSTRUMENTS (CONTINUED)

46.6. Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;

As at 31 December 2023, reported amounts of cash, short-term deposits, receivables, short-term liabilities, accrued expenses, short-term loans and other financial instruments correspond to their market value, due to the short-term nature of these assets and liabilities.

The following hierarchy provides an analysis of financial instruments measured subsequently at fair value, grouped into three groups depending on the availability of fair value indicators:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities,

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

(all amounts are expressed in thousands of euro)

46. FINANCIAL INSTRUMENTS (CONTINUED)

46.7. Market risk

Market risk is the risk that changes in market prices, exchange rates and interest rates will affect the income, investments or financial instruments of the Company. The objective of market risk management is to maintain the market risk exposure within acceptable limits, while optimising the result.

47. CONTRACTUAL AND CONTINGENT LIABILITIES

The Group and the Company lease business premises, offices, warehouses and vehicles. The duration of the lease contracts is up to one year. The most significant lease obligations are operating leases of business premises and warehouses. The table below details the Group's and the Company's contracted liabilities per operating leases:

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Within one year	2,809	2,859	739	609
1-5 years	22	24	-	-
Total	**2,831**	**2,883**	**739**	**609**

Future liabilities are presented at the cumulative level for the entire contract duration for contracts with a maturity of more than one year.

(all amounts are expressed in thousands of euro)

48. BUSINESS COMBINATIONS AND DEACQUISITIONS

48.1. BUSINESS COMBINATIONS AND DEACQUISITIONS IN 2022

A. SEPARATION OF THE REAL ESTATE SEGMENT FROM SUBSIDIARIES INTO SEPARATE ENTITIES

In January 2022, the company M San acquired the company KIM TEC Nekretnine d.o.o. Vitez, BiH from the subsidiary KIM TEC d.o.o. Vitez, BIH.

In March 2022, the Company submitted an application to the Commercial Court in Zagreb for the implementation of the separation procedure in such a way that part of the investments and net assets of the Company and the Group related to subsidiaries (KIM TEC Nekretnine d.o.o. Vitez, BiH and Kim Tec Nekretnine d.o.o. Belgrade, Serbia) transfers to Ribnjak Jasinje d.o.o. and Ribnjak Narta d.o.o. owned by a common ultimate owner.

The Company recognized the need to implement the mentioned changes in order to optimize its operations and limit its business decisions and transactions to the part of the group that falls under its area of responsibility.

The Company carried out the mentioned transactions according to the book values, and the same had no effects on the results of operations in 2022. The total net value of the separated assets amounts to EUR 5.266 thousand.

	KIM TEC BIH NEKRETNINE	KIM TEC BG NEKRETNINE
Property, plant and equipment	2,795	3,080
Other non-current assets	-	162
Trade receivables	8	49
Cash and cash equivalents	6	19
Other current assets	1	-
Total assets	**2,811**	**3,311**
Non-current liabilities	573	822
Current liabilities	114	191
Net assets of division	***687***	***1,013***
	2,124	**2,298**

B. ACQUISITION OF THE SUBSIDIARY COMPANY ALTERNA DISTRIBUTION D.O.O.

The Company acquired 100% of the ownership stake in company Alterna distribucija d.o.o., Slovenia in November 2022, upon fulfillment of all conditions precedent defined in the sales and purchase agreement, signed in May 2022. This company was acquired as part of the investment cycle, which enabled the Enterprise division to expand its presence in another country, strengthen its position for about 15 new specialists, and gain reach to about 300 new partners. This acquisition helped the Group strengthen its position in the Value Added Distribution segment in the region. The initial estimated value of the acquisition of 100% share was EUR 3,762 thousand, and on 31.12.2023 EUR 3,691 thousand (note 21.1), of which the amount paid at the conclusion of the transaction is EUR 2,175 thousand, and the remaining amount represents the expected amount of payment depending on the achieved EBITDA of the company in the period 2022-2024. From 1.11.2022 company was consolidated into the Group, and based on the aforementioned transaction, Group recognized goodwill in the amount of EUR 2,878 thousand (note 19).

(all amounts are expressed in thousands of euro)

48. BUSINESS COMBINATIONS AND DEACQUISITIONS (CONTINUED)

48.1. BUSINESS COMBINATIONS AND DEACQUISITIONS IN 2022 (CONTINUED)

B. ACQUISITION OF THE SUBSIDIARY COMPANY ALTERNA DISTRIBUTION D.O.O. (CONTINUED)

In June 2023, the Company carried out the Purchase Price Allocation (PPA) and recognized the fair value of the property acquired through the acquisition in the amount of EUR 6,051 thousand. Given that the fair value of the asset is higher than the estimated cost of acquisition, the Group derecognised the goodwill and recognized a gain from a bargain purchase in the amount of EUR 1,560 thousand (note 6).

The balance sheet of the acquired company on the mentioned date was as follows:

	November 2022
Property, plant and equipment	612
Inventories	2,489
Trade receivables	4,470
Cash and cash equivalents	279
Other current asset	**925**
Total assets	**8,775**
Non-current liabilities	475
Current liabilities	7,417
Total Liabilities	***7,891***
Carrying value of net assets	**884**

C. MERGER OF THE COMPANY

Furthermore, in December 2022, based on the merger agreement dated December 28 2022, the Company merged the related company Corvus info d.o.o. The merger was carried out at book values.

The balance sheet of the merge company is on the mentioned date was as follows:

	December 2022
Intangible assets	247
Property, plant and equipment	5
Investing in a subsidiary	5
Cash and cash equivalents	89
Other current asset	8
Total assets	**353**
Current liabilities	**296**
Total Liabilities	***296***
Carrying value of net assets	**57**

(all amounts are expressed in thousands of euro)

48. BUSINESS COMBINATIONS AND DEACQUISITIONS (CONTINUED)

48.1. BUSINESS COMBINATIONS AND DEACQUISITIONS IN 2022 (CONTINUED)

C. MERGER OF THE COMPANY (CONTINUED)

In addition to long-term tangible assets, the Company acquired the ownership stake in the subsidiary Korvus MK d.o.o.e.l. Macedonia thus acquired ownership and voting rights in the 100% amount.

D. TRANSFER OF CONTROL IN THE COMPANY EKO BOSANSKA POSAVINA

During 2022, the company with joint ultimate owner PPK Valpovo d.o.o. recapitalized the subsidiary company EKO Bosanska Posavina, thereby acquiring an ownership share of 22.77%. At the end of the year, PPK Valpovo additionally purchased a 3.33% share from the related company KIM TEC Vitez, which increased PPK Valpovo's share to 26.10%. The mentioned transaction was carried out at the book value and had no effect on the Group's operating result in 2022.

With the amendments to the Article of Association of EKO Bosanska Posavina, which were made after the recapitalization, PPK Valpovo acquired 75% of the voting rights at the company's Assembly. The responsibility of the Assembly of the company is to appoint the members of the Management Board and the Supervisory Board, which consists of 5 members, of which three members are appointed on the proposal of PPK Valpovo. Additionally, with the signing of the Agreement on managing the affairs of the company EKO Bosanska Posavina, between the shareholders, it was defined that PPK Valpovo will direct the relevant affairs of the company EKO Bosanska Posavina, thereby gaining control over this company. With November 30, 2022 this company is no longer consolidated within the M SAN Grupa.

The balance sheet of the company EKO BOSANSKA POSAVINA on the mentioned date was as follows:

	December 2022
Property, plant and equipment	2,050
Other non-current assets	331
Inventories	292
Trade receivables	274
Cash and cash equivalents	69
Other current asset	167
Total assets	**3,183**
Non-current liabilities	342
Current liabilities	150
Total Liabilities	***492***
Carrying value of net assets	**2,691**

E. ESTABLISHMENT OF A NEW COMPANY CENTAR KOMPETENCIJE ZA ZELENU ENERGIJU

In April 2022, the Company established a new company, Centar kompenetcije za zelenu energiju, with a cash payment of EUR 100 thousand. The headquarters of the Company is in Buzin (City of Zagreb), Buzinski prilaz 10. The registered activity of the company is technical testing and analysis.

(all amounts are expressed in thousands of euro)

48. BUSINESS COMBINATIONS AND DEACQUISITIONS (CONTINUED)

48.2. BUSINESS COMBINATIONS AND DEACQUISITIONS IN 2023

A. SALE OF SUBSIDIARY COMPANY ZELENA AGENDA 1.0

In March 2023, the Company sold the subsidiary Zelena Agenda 1.0 d.o.o. to the company Pametna energija d.o.o. (a company with a common ultimate owner). The aforementioned transaction was carried out according to book values and had no effects on the result of operations in 2023. The total net value of the separated assets amounts to EUR 132 thousand as of 6 March 2023.

B. ACQUISITION OF THE SUBSIDIARY DATA LINK D.O.O.

In July 2023, upon fulfillment of all the conditions precedent defined in the sales and purchase agreement on the acquisition of 100% ownership stake in the company Data link d.o.o., Croatia, signed in May 2023, the Company acquired the mentioned company. The estimated value of the acquisition of 100% of the share is EUR 2,277 thousand, of which the amount paid at the conclusion of the transaction is EUR 1,907 thousand, and the remaining amount represents the expected amount of payment depending on the achieved EBIT of the company in the period 2023-2026. With the aforementioned, the Company gained control over the subsidiary as of July 1, 2023 and from that moment it was consolidated into the Group. After the Purchase Price Allocation (PPA), the Group recognized goodwill in the amount of EUR 567 thousand (note 19).

	July 2023
Property, plant and equipment	707
Intangible assets	51
Inventories	376
Trade receivables	157
Cash and cash equivalents	60
Other current asset	14
Total assets	**1,365**
Non-current liabilities	209
Current liabilities	511
Total Liabilities	***720***
Carrying value of net assets	**645**

49. SUBSEQUENT EVENTS

There were no other significant events after the balance sheet date that would require reconciliation or disclosure in the consolidated and separate financial statements.

50. AUDIT FEES

Fees for the statutory audit of the Group's financial statements amounted to EUR 127 thousand (2022: EUR 172 thousand), while fees for other services amounted to EUR 0 thousand (2022: 0 thousand).

51. APPROVAL OF THE FINANCIAL STATEMENTS

Consolidated and separate financial statements for the year ended on December 31, were approved by the Management Board and authorised for issue on April 23, 2024

Irena Langer-Breznik
President of Management Board

Žarko Kruljac
Member of Management Board

Slaven Stipančić
Member of Management Board

Goran Kotlarević
Member of Management Board

Alen Panić
Member of Management Board

Vladimir Brkljača
Member of Management Board

Zagreb, 23 April 2024

Pursuant to the provisions of Articles 300a and 300b of the Companies Act, the Management Board of the Company adopted next

DECISION

I. The Annual Report of the Company for 2023 is determined according to the text attached to this Decision.

II. The consolidated and separate Annual Financial Report for 2023 are determined, which consists of:
- statement of financial position (balance sheet),
- profit and loss account,
- report on other comprehensive income,
- cash flow statement,
- report on changes in equity,
- notes to the financial statements,

according to the text attached to this Decision and are an integral part of the report referred to in item I of this Decision.

III. The Audit Report for 2023 is an integral part of the report referred to in item I of this Decision.

IV. The Annual Report on the Situation of the Company and Associated Companies for 2023 is determined (management report), together with the Statement on the Application of the Code of Corporate Governance which forms an integral part of the report referred to in item I of this Decision.

V. Annual report of the Company for 2023, ie reports from item II. to IV. these decisions are submitted to the Supervisory Board for examination.

VI. This Decision shall enter into force on the day of its adoption.

Irena Langer-Breznik	Žarko Kruljac	Slaven Stipančić
President of Management Board	Member of Management Board	Member of Management Board
Goran Kotlarević	Alen Panić	Vladimir Brkljača
Member of Management Board	Member of Management Board	Member of Management Board

Zagreb, 23 April 2024

Pursuant to the provisions of Article 300.d, and in accordance with the provisions of Article 300.c of the Companies Act, after the examination of the submitted relevant reports of the Management Board, the Supervisory Board of the Company at its meeting held on April 23, 2024 adopted the following

D E C I S I O N

I. Consent is given to the Annual Report of the Company for 2023 according to the text attached to this Decision.

II. Consent is given to:

- consolidated and separate Annual Financial Report for 2023, consisting of:
- statement of financial position (balance sheet), income statement, statement of other comprehensive income, cash flow statement, statement of changes capital, notes to the financial statements,
- Audit Report for 2023,
- Annual report on the state of the Company and its affiliates for 2023 (management report), together with a statement on the application of the corporate governance code, according to the text attached to this Decision, which reports are an integral part of the report referred to in point I. of this Decision.

III. Pursuant to the provisions of Article 300d of the Companies Act by giving consent from point II. Of this Decision, unconsolidated and consolidated Annual Financial Statements of the Company for 2023 was determined by the Management Board and the Supervisory Board of the Company.

IV. This Decision shall enter into force on the day of its adoption.

Željko Menalo
President of the Supervisory Board

Zagreb, 23 April 2024

Pursuant to the provisions of Articles 275 and 300.b of the Companies Act, the Management Board of the Company passed next

D E C I S I O N

I. The proposal of the Decision on use, which is sent to the General Assembly for adoption, is determined, which reads:

I. It is determined that the total realized profit after tax for 2023 amounts to EUR 1,382,921.78

II. The total realized profit for 2023, after taxation, in the amount of EUR 1,382,921.78, is allocated to the retained earnings of the Company.

II. This Decision shall enter into force upon obtaining the consent of the Supervisory Board.

Irena Langer-Breznik	Žarko Kruljac	Slaven Stipančić
President of Management Board	Member of Management Board	Member of Management Board
Goran Kotlarević	Alen Panić	Vladimir Brkljača
Member of Management Board	Member of Management Board	Member of Management Board

Zagreb, 23 April 2024

Pursuant to the provisions of Article 300.c of the Companies Act, after an examination submitted the proposal of the Decision in the use of profit, the Supervisory Board of the Company at its meeting on April 23, 2023, adopted the following

D E C I S I O N

I. Consent is given to the proposal of the Decision on use which is sent to the General Assembly on adoption, which reads:

I. It is determined that the total realized profit after tax for 2023 amounts to EUR 1,382,921.78.

II. The total realized profit for 2023, after taxation, in the amount of EUR 1,382,921.78. is allocated to the retained earnings of the Company.

II. This Decision shall enter into force on the day of its adoption.

Željko Menalo
President of the Supervisory Board

M SAN GRUPA d.o.o.
Dugoselska ulica 5,
10372 Rugvica,
Republic of Croatia

www.msan.hr

M SAN GRUPA d.o.o.
Dugoselska ulica 5,
10372 Rugvica,
Republic of Croatia

www.msan.hr